



Rewards Programmes: An exploratory study of a South African book store's rewards programme

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Declaration

I declare that this research report is my own unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Arts in Publishing (by Coursework and Research Report) in the Department of Publishing Studies, School of Literature, Language and Media, University of the Witwatersrand. It has not been submitted for any other degree or examination at any other university or institution.

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Date

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Contents

DECLARATION	I
ACKNOWLEDGEMENTS	II
LIST OF TABLES	VI
LIST OF FIGURES.....	VI
CHAPTER 1: INTRODUCTION	1
1.1. INTRODUCTION	1
1.2. BACKGROUND TO THE STUDY	2
1.3. SCOPE OF THE STUDY	3
1.4. PURPOSE	3
1.5. OBJECTIVES	4
CHAPTER 2: LITERATURE REVIEW.....	5
2.1. INTRODUCTION	5
2.2. THE TESCO MODEL.....	6
2.3. DEFINING LOYALTY	6
2.3.1. <i>Customer and Retail Loyalty</i>	6
2.3.2. <i>Attitudinal Loyalty</i>	7
2.3.3. <i>Behavioural Loyalty</i>	7
2.4. CHARACTERISTICS OF CUSTOMER RELATIONSHIP MANAGEMENT.....	8
2.4.1. <i>Customer Acquisition</i>	8
2.4.2. <i>Customer Engagement</i>	8
2.4.3. <i>Customer Retention</i>	9
2.5. EXPLORATION OF VARIOUS BENEFITS, TIERS AND REWARDS.....	9
2.5.1. <i>Benefits</i>	9
2.5.2. <i>Tiers</i>	11
2.5.3. <i>Rewards</i>	12
2.6. CONCLUSION	12
CHAPTER 3: METHODOLOGY.....	15
3.1. INTRODUCTION	15
3.2. RESEARCH PURPOSE.....	15
3.2.1. <i>Exploratory Purpose</i>	15
3.2.2. <i>Explanatory Purpose</i>	16
3.2.3. <i>Descriptive Purpose</i>	16
3.3. RESEARCH APPROACH	16
3.3.1. <i>Quantitative Method</i>	16

3.3.2. Qualitative Method	17
3.3.3. Mixed Method	17
3.4. RESEARCH STRATEGY	18
3.4.1. Sequential	18
3.4.2. Concurrent	18
3.4.3. Transformative	19
3.5. DATA COLLECTION METHOD	19
3.6. PROCEDURE FOR SAMPLE SELECTION	21
3.7. CHARACTERISTICS OF SAMPLE	23
3.8. QUESTIONNAIRE DESIGN	24
3.8.1. Layout of Questionnaire	25
3.8.2. Reasoning for Questions	25
3.8.3. Wording of Questions	25
3.8.4. Completion of Questionnaire	26
3.8.5. Coding of Questionnaire	26
3.9. RELIABILITY AND VALIDITY	27
3.9.1. Validity	27
3.9.2. Reliability	27
3.10. CONCLUSION	28
CHAPTER 4: DATA PRESENTATION	29
4.1. INTRODUCTION	29
4.2. BACKGROUND TO <i>FANATICS</i>	29
4.3. HOW <i>FANATICS</i> OPERATES	29
4.4. QUESTION ONE: WHY JOIN <i>FANATICS</i> ?	30
4.5. QUESTION TWO: WHAT DO PEOPLE PURCHASE WITH THEIR REWARDS?	30
4.6. QUESTION THREE: LOYALTY PROGRAMME OR REWARDS PROGRAMME?	31
4.7. QUESTION FOUR: SHOULD <i>FANATICS</i> INTRODUCE A SOCIAL INITIATIVE?	33
4.8. QUESTION FIVE: SHOULD <i>FANATICS</i> PARTNER WITH PUBLISHERS?	34
4.9. CONCLUSION	35
CHAPTER 5: DATA ANALYSIS	38
5.1. INTRODUCTION	38
5.2. QUESTION ONE: WHY JOIN <i>FANATICS</i> ?	38
5.3. QUESTION TWO: WHAT DO PEOPLE PURCHASE WITH THEIR REWARDS?	40
5.4. QUESTION THREE: LOYALTY PROGRAMME OR REWARDS PROGRAMME?	41
5.5. QUESTION FOUR: SHOULD <i>FANATICS</i> INTRODUCE A SOCIAL INITIATIVE?	43
5.6. QUESTION FIVE: SHOULD <i>FANATICS</i> PARTNER WITH PUBLISHERS?	44
5.7. CONCLUSION	45

CHAPTER 6: FINDINGS AND CONCLUSIONS	47
6.1. CONCLUSION OF THE STUDY	47
6.1.1. <i>Why Join Fanatics?</i>	47
6.1.2. <i>What do People Purchase with their Rewards?</i>	48
6.1.3. <i>Loyalty Programme or Rewards Programme?</i>	48
6.1.4. <i>Should Fanatics Introduce a Social Initiative?</i>	49
6.1.5. <i>Should Fanatics Partner with Publishers?</i>	50
6.2. LIMITATIONS AND RECOMMENDATIONS	51
6.3. IMPLICATIONS	52
6.3.1. <i>Implications for Fanatics and Publishers</i>	52
6.3.2. <i>Implications for Theory</i>	53
6.3.3. <i>Implications for Future Research</i>	53
REFERENCES.....	55
APPENDIX A	59
REASONING FOR THE QUESTIONS IN THE QUESTIONNAIRES	59
APPENDIX B	61
GROUP 1 QUESTIONNAIRE – CONDUCTED IN-STORE	61
GROUP 2 QUESTIONNAIRE – SUPPLIED TO <i>FANATICS</i> FOR ONLINE RENDITION	64
GROUP 2 <i>FANATICS'</i> ONLINE RENDITION USING GOOGLE FORMS	67
APPENDIX C	71
PAN MACMILLAN AND <i>FANATICS</i> MAILER – ADULTS	71
PAN MACMILLAN AND <i>FANATICS</i> MAILER – CHILDREN	73

List of Tables

TABLE 1: THE SIMILARITIES IN THE REASONS THAT PEOPLE JOIN REWARDS PROGRAMMES.....	10
TABLE 2: THE VARIOUS TIERS IN EXCLUSIVE BOOKS' FANATICS PROGRAMME AND THEIR CORRESPONDING AMOUNTS OF SPEND IN RANDBS.....	12
TABLE 3: QUANTITATIVE, QUALITATIVE AND MIXED METHOD RESEARCH APPROACHES.....	18
TABLE 4: ADVANTAGES AND DISADVANTAGES IN TWO DATA COLLECTION METHODS THAT THIS STUDY EMPLOYS.....	20
TABLE 5: SAMPLE CHARACTERISTICS OF THE RESPONDENTS OF GROUP 1.....	23
TABLE 6: RATE OF REDEMPTION OF REWARDS ISSUED BY FANATICS TO ITS MEMBERS.....	31
TABLE 7: SOME OF THE REASONS PROVIDED BY THE RESPONDENTS OF BOTH GROUPS FOR THEIR CHOICE OF TERM.....	32
TABLE 8: RESULTS OF THE PAN MACMILLAN-FANATICS PARTNERSHIP OF DISCOUNTED DEALS IN THE MAILERS.....	35

List of Figures

FIGURE 1: STACKED BAR GRAPH OF THE AGE AND GENDER OF SAMPLE GROUP 1.....	23
FIGURE 2: STACKED BAR GRAPH OF THE AGE AND GENDER OF SAMPLE GROUP 2.....	24
FIGURE 3: STACKED BAR GRAPH OF THE LOCATIONS OF SAMPLE GROUP 2.....	24
FIGURE 4: BREAKDOWN OF FANATICS' TIERS IN TERMS OF SPEND IN RANDBS AND LOYALTY CURRENCY.....	39

Chapter 1: Introduction

1.1. Introduction

Many companies have rewards programmes in place to reward their customers, from airlines to grocery stores, hotels and fuel stations. In the United States, Barnes and Noble has a prominent rewards programme in the book industry (Barnes & Noble, 2015) and Waterstones has a programme in the United Kingdom (Waterstones, 2015). In South Africa the biggest rewards programme in the book industry is Exclusive Books' programme, *Fanatics*. There are many book stores in South Africa but not many rewards programmes for these stores. This study aims to explore multiple questions related to rewards programmes in the retail book industry, particularly *Fanatics*.

This study investigates the reasons that people join rewards programmes and what kinds of things they purchase using the rewards that they have received. These questions are important because they can help *Fanatics* to identify what their members want from the rewards programme. Furthermore, it helps to direct *Fanatics* in the right direction regarding the kinds of rewards that their members would like to receive and what kinds of rewards they should be giving. By analysing what connotations the respondents associate with the terms *loyalty programme* and *rewards programme*, it can, to a degree, be established what their opinions are regarding their loyalty towards the programme or the store and the rewards which they receive. This question could help to build on the theory base which is lacking in terms of the various meanings, connotations and associations of the words *loyalty programme* and *rewards programme*. The reason this question is asked is because *Fanatics* consciously and purposefully refer to their programme as a rewards programme and it would be interesting to explore whether their members are aware of the connotations of the terminology and whether or not the terms that are used have an influence on the way that they view *Fanatics*. For example, would they be of the opinion that *Fanatics* is demanding loyalty from them were it called a loyalty programme and if so, what is the likelihood that they would support the programme.

Many rewards programmes have a social responsibility initiative which means that members can contribute towards it, supporting a fund or social cause. An example of an existing social responsibility initiative in the book industry includes earning more points on purchases should the member bring their own bag and not purchase a plastic bag from the store in order to promote sustainability and contribute to a more 'green-friendly' environment (Waterstones, 2015). A possible social initiative that *Fanatics* could introduce is for members to contribute an amount of money towards the Reading Trust when they make purchases at Exclusive Books. This could help the Reading Trust to build more libraries, donate more money to schools and increase the literacy rates in South Africa (Exclusives, 2015). Introducing this kind of initiative may have a positive impact on the attitudinal and behavioural loyalty of the members and such an initiative could contribute towards creating a better or more successful rewards

Introduction

programme for Exclusive Books. This study will establish if a social initiative for *Fanatics* is a viable option and if it could result in a more successful programme.

Publishers need to investigate new ways in which to market and publicise their books in a way which is not overly expensive. Creating marketing materials for stores is costly and there is a significant amount of wastage as stores lack space and even if the materials are used, it is for a limited period of time and its effectiveness is difficult to analyse¹. However, if publishers manage to partner with the rewards programmes of book stores, they may have the potential to market their books at a cheaper rate, increase sales and analyse the effectiveness of their efforts (C. Mitchell, personal communication, January 16, 2015). Furthermore, the rewards programme could also potentially benefit from this kind of partnership as they could receive prizes to give away to their members for competitions, they will be informed of more events so they can convey this information to their members and they could make savings on discounted deals for the members as the publisher would bear this cost. Both *Fanatics* and the publisher could benefit from this kind of partnership should it work. Pan Macmillan partnered with *Fanatics* by sending out a newsletter to the database regarding discounts on selected Pan Macmillan titles in order to establish if this kind of partnership is successful or not. It proved to be successful in terms of sales generation and it could contribute towards a more successful rewards programme, a higher rate of customer satisfaction and potentially more sales (C. Mitchell, personal communication, January 16, 2015).

1.2. Background to the Study

Publishers spend a relatively large amount of money on the marketing of their books because marketing materials are costly to produce. Not only are these materials (posters, shelf talkers, dumpbins, mobiles, amongst other items) expensive, but they take up space in the stores and can be impractical. Therefore, publishers have to think of innovative ways of reaching the market in a cheaper, more affordable manner. One way in which they could possibly do so is through the use of the rewards programmes of book retailers. There is little research, if any, on rewards programmes in the retail book industry, especially in South Africa so it would be beneficial to conduct this research and attempt to contribute towards filling the gap in the literature base.

Furthermore, Exclusive Books is the only book store in the country which has a rewards programme, apart from The Book Lounge's small programme. Edcon has a loyalty card called the *ThankU* card which can be used to earn points on the purchase of books in CNA stores, but also on any other products and in other kinds of stores such as Jet, Edgars and Red Square amongst others, and these are mostly department stores (ThankU, 2015). Edcon's programme is more of an indirect programme as the card

¹ The researcher has knowledge of the costs as she often receives quotations for producing marketing materials.

Introduction

can be used in multiple stores for multiple items from sweets to stationery and games, whereas Exclusive Books' programme is more direct as it is used exclusively in Exclusive Books stores and mostly, but not exclusively, for book products. The Book Lounge in Cape Town has their own loyalty scheme but it is too small for this study. Their customers do not earn points or use cards. The customer earns 5% of their current purchase off their next purchase (Book Lounge, 2015).

Loyalty cards are key items to retailers because they can be used to analyse purchase behaviours and in turn, effectively target its marketing to the customers on a more personal level (C. Mitchell, personal communication, November 4, 2014). Only 5-10% of South African shoppers are members of rewards programmes compared to a staggering 75% of Americans (Bookmark, 2013, p. 14). This is not specific to the book industry, but to shoppers in general.

1.3. Scope of the Study

Primary and secondary data is used in this study in order to get a rounded view of the subject matter. The primary research is in the form of a questionnaire which was sent out online to *Fanatics* members and which was also conducted in a few stores in Johannesburg, Pretoria, KwaZulu-Natal and Cape Town. The online version of the questionnaire is slightly different to the in-store questionnaire because the online version was sent purely to members of *Fanatics* and the in-store version was for people who may or may not be a member of *Fanatics* (Appendix B). Other primary data has been obtained through an interview with Cameron Mitchell, Head of *Fanatics*, who also extracted the relevant data that was required from the *Fanatics* database.

Secondary data is in the form of research journals, online portals, books and articles. The secondary data can primarily be found in the literature review. Further to this, the methodology provides an in-depth overview of the research purpose, research approach, research strategy and the data collection methods. The results are presented and analysed and a conclusion follows alongside this study's limitations and some recommendations for further research. It is important to note that this study has a very small sample size of 71 respondents, especially when viewed in relation to the *Fanatics* population of 740 000 members. The reason for this is because this study is of an exploratory nature and aims to discover trends in the research data, which could be analysed further in future research, rather than obtaining data mostly for the purpose of generalisation.

1.4. Purpose

The purpose of this research report is to investigate the reasons that people join the rewards programmes of book stores, what they purchase with the rewards which they have received, whether they have a positive or negative perception towards the terminology that is used to describe the programme and if this terminology has anything to do with their loyalty, attitude or opinion towards the programme or

Introduction

store. Furthermore, this study will aim to establish if publishers could successfully partner with rewards programmes and if *Fanatics* should introduce a social initiative to their programme. There will be a focus on Exclusive Books because they have an established and successful rewards programme.

1.5. Objectives

The objectives are to:

1. Determine whether *Fanatics* is providing the right kinds of rewards to their members, based on the kinds of rewards the members would like to receive.
2. Analyse what kinds of products people purchase with the rewards which they have earned in terms of the overall genre and in terms of specific products.
3. Establish whether people have a positive or negative perception towards the terminology that is used to refer to *Fanatics* and to see if there is a preference for the term *rewards programme* or *loyalty programme*, what their reasons are for their preference and if this has an impact on how they relate to the programme or the store.
4. Determine if it is essential or not for *Fanatics* to tie in with a social initiative in order to increase the swipe rate or use of the rewards cards and to target their marketing more effectively and whether or not publishers could partner with *Fanatics* to create a mutually beneficial relationship.

Chapter 2: Literature Review

2.1. Introduction

There are many definitions for the term ‘loyalty’ so this report will provide a definition which is best suited to the context of the retail book industry. The concepts of attitudinal and behavioural loyalty will be explored in this report as opposed to the concepts of active and passive loyalty, repeat patronage and recommendation (Gustavsson & Lundgren, 2005, p. 8). The reason for this is because attitudes and behaviours can be measured far more easily than active and passive loyalty and recommendation (Kumar & Shah, 2004, p. 320). Customers’ attitudes can be analysed through the questionnaires which have been conducted and their behaviours can be analysed through their purchases in terms of frequency and in terms of what they have purchased and when they have made the purchases.

Customer relationship management is an important concept or theory to consider in rewards programmes as it helps in establishing whether the programme is successful and if not, it can inform on which part of the programme is falling short (Xie & Chen, 2013, p. 466). It helps the company to determine at which point they need to improve or make changes to their rewards programme. They can establish if they need to make changes in the ways that they acquire customers, the ways in which they engage with them or how they retain their customers. After liaising with Exclusive Books about their programme, it is beneficial to explore how they control these three phases as it appears, through the interview and through the questionnaires, as though they have some difficulties in terms of customer engagement. They have an exceptionally large database and thus cannot effectively engage with all their customers (C. Mitchell, personal communication, November 4, 2014). The ways in which *Fanatics* segments their customers will be established and perhaps through partnering with publishers and through the introduction of a social initiative, their segmentation processes and engagement may be made clearer and easier. This could be the case as customers may express a preference of a specific publisher’s books or a specific genre of book in which a publisher could specialise or because a social initiative could motivate people to swipe their cards, thus giving *Fanatics* the upper hand in learning more about their customers through their purchases. They could then target their marketing more effectively and increase the rate of engagement.

This literature review will examine how the Tesco model works and it will be explained at a later stage how Exclusive Books has manipulated the Tesco model in creating and running the *Fanatics* rewards programme. According to Humby and Hunt (2003, p. 5) Clubcard also views itself as a scheme to reward customers as opposed to demanding loyalty from its members. Finally, this chapter will describe the multiple types of benefits and rewards that most rewards programmes offer and explain how these benefits and rewards link to the tiers of the programme (Wirtz, Mattila and Lwin, 2007, p. 4). People join rewards programmes so that they can receive different kinds of benefits, some of which include

Literature Review

discounts, monetary vouchers, information about products, invitations to events and they also join for the sense of status. These benefits are the same as what Humby and Hunt describe when they discuss discount-led, points-led, information-led and privilege-led currencies and what Kim et al describe when they discuss utilitarian, hedonic and symbolic benefits. Furthermore they also discuss the categories of hard and soft benefits.

2.2. The Tesco Model

Tesco first took part in Green Shield's stamp scheme in 1963 when they bought stamps and gave them to customers when they spent an amount of money on any purchases (Law, 2008, p. 15). The customers put their stamps into a collector's book and they were able to redeem items from a catalogue based on the number of stamps that they had acquired. This was the earliest form of Tesco's rewards programme and it went on until 1973 when it was scrapped (Law, 2008, p. 15).

However, in February 1995 Tesco implemented their current rewards programme, Clubcard, which cost approximately £10 million for initial data collection (Berman, 2006, p. 134). They claim to have been running the programme with no net cost since 1995 as they generate enough money from sales to find out what their customers need (Humby & Hunt, 2003, p. 5). Tesco's Clubcard uses a data warehousing system which collects data on their customers based on their past purchases and it uses this data to help identify what kinds of products each customer would be interested in purchasing. This is one way in which Tesco markets their products to their customers. Tesco aims to interact with their customers on a personal level by trying to understand them through their purchases.

In the Tesco model, customers earn a certain amount of points based on the amount of money that they have spent. At every quarter these points are converted into redeemable monetary vouchers and the customers receive discounts on their purchases (Law, 2008, p. 22). In the first eight years that Clubcard ran, Tesco spent more than £1 billion on these monetary vouchers and they currently still make a profit from doing this. Tesco states that during this period they managed to cover the costs of implementing and running the programme and there was an increase in sales as a result of the promotions that were communicated to their members through Clubcard (Humby & Hunt, 2003, p. 5).

2.3. Defining Loyalty

2.3.1. Customer and Retail Loyalty

Loyalty is defined as a strong commitment to re-buy or continue to buy the products or services of a company regardless of the marketing efforts and situational influences of other companies which could cause the customer to move from one company to another (Kumar, 2007, p. 4). Further to this, loyalty is also viewed in terms of the behaviours performed by the consumer which indicates the motivation to

Literature Review

maintain the relationship with the company and it can be observed through positive word of mouth and in repeat purchasing (Kim, Lee, Wu, Choi & Johnson, 2013, p. 101).

Humby and Hunt (2003, p. 9) explain that the term ‘loyalty’ is different to ‘retail loyalty’ because in everyday life people are loyal in terms of interaction with other people such as in marriage and friendships. Retail loyalty is different in the sense that consumers will not remain loyal to one retailer for their every need and retailers merely need to aim at being the retailer of preference and try to manipulate people’s buying behaviours so that they lean more towards that given retailer (Humby & Hunt, 2003, p. 9). Loyalty is described in many different ways by various researchers such as active and passive loyalty, repeat patronage and recommendation, and attitudinal and behavioural loyalty (Cheng, 2011, p. 150). This study has focussed on retail loyalty and attitudinal and behavioural loyalty and it has been analysed through the use of questionnaires and the data which was extracted from the *Fanatics* database.

2.3.2. Attitudinal Loyalty

Attitudinal loyalty is the customer’s attitude, trust or commitment towards a product, brand or company, and thus does not necessarily have to translate into purchases (Gustavsson & Lundgren, 2005, p. 8). This kind of loyalty was analysed through the questionnaires which were conducted in-store and online by asking the respondents if they are happy with *Fanatics*, how *Fanatics* can improve and what *Fanatics* should start doing and continue doing for their members. If the members responded favourably about *Fanatics* and if they stated that they are satisfied with the programme, they showed a high level of attitudinal loyalty.

2.3.3. Behavioural Loyalty

Behavioural loyalty is the purchasing behaviours of the customer and it can translate into returns or profits for the company, whereas attitudinal behaviour does not generally translate into purchase behaviour or direct profits (Kumar & Shah, 2004, p. 320). The respondents expressed their thoughts, commitments, trust and concerns (attitudes) about *Fanatics*. Their attitudes influence their purchases (behaviours) and thus relevant data could have been extracted about these respondents in order to analyse their purchasing behaviours. Due to restrictions in time, the behavioural loyalty of the respondents in this study could not be analysed. However, other members of *Fanatics* displayed positive behavioural loyalty, as analysed through their purchases as a result of the mailer they received from *Fanatics* which featured discounts from Pan Macmillan. Conversely, their attitudes could not be analysed due to time constraints as they would have had to be personally contacted to fill in questionnaires so that their attitudes could be analysed.

Literature Review

It could be assumed that their level of attitudinal loyalty is high but this does not always have to be the case. Attitudes influence behaviours but behaviours cannot determine attitudes, thus attitudes can influence purchases but purchases cannot determine what the attitudes and opinions are of the members. For example, a satisfied customer is likely to make purchases but a customer who makes purchases is not necessarily satisfied. There are multiple external factors to consider such as a customer making a purchase because at the time it was most convenient for them or the product may not have been available at any other store, amongst other factors.

2.4. Characteristics of Customer Relationship Management

There is a large focus on marketing in many companies but sometimes they are unable to connect with customers effectively due to the high saturation rate of advertising, marketing and promotions. Therefore, companies are starting to implement customer relationship management into their marketing strategies in order to acquire, but mostly to retain, customers. It is much more cost-effective to retain customers than it is to acquire new ones (Gustavsson & Lundgren, 2005, p. 36). Implementing this kind of strategy puts the company in touch with the customer and their buying behaviours and preferences, making marketing more effective. There are three phases to customer relationship management, namely customer acquisition, customer engagement and customer retention.

2.4.1. Customer Acquisition

Customer acquisition is when companies acquire members into their rewards programme by differentiating the programme and its benefits from other companies' rewards programmes and by marketing the rewards programme well (Xie & Chen, 2013, p. 466). *Fanatics* could improve on their customer acquisition as the empirical data shows that there are people who have not heard about the programme. However, a cost-effective way of acquiring customers would need to be implemented. One way this could be done inexpensively is through the employees at the tills or through posters behind the tills which advertises the programme and its benefits.

2.4.2. Customer Engagement

Customer engagement is when customers are segmented based on their buying behaviours and resultant rewards tiers and there are different types of customers such as repeat customers, inactive customers, switchers and deal-seekers (Xie & Chen, 2013, p. 466-468). *Fanatics* appears to have difficulty in engaging with their customers easily as they have a large database which poses challenges with regards to email correspondence. However, they have a communication channel called *Cover to Cover* which is available as a booklet in-store and it is available online (Fanat1cs Blog, 2015). This communication is a great value-add as it includes information to events, book reviews, news, competitions, special offers and information on products. *Fanatics* currently have approximately 290 000 inactive customers (C. Mitchell, personal communication, January 16, 2015). An attempt needs to be made to shift them

from being inactive to active customers and this is through efficient engagement. Customer engagement and the provision of competitive pricing could also potentially lower the rate of switching and deal-seeking in their customers and increase the rate of repeat purchasing.

2.4.3. Customer Retention

Customer retention is what a company does in order to keep their customers from going to their competitors and this is done through increasing value as customers' behaviours are partly driven by value and if they perceive better value in a company over its rival, they are more likely to stay with the company than go to the company's rival (Xie & Chen, 2013, p. 468). Exclusive Books occasionally conducts questionnaires in order to establish what their customers want and if they are happy. Customers will remain with a company should they be satisfied and receiving what they need. In *Fanatics'* case, members want discounts on their books and *Fanatics* strives to give discounts to their members but by partnering with publishers, this could arguably be easier to achieve and cheaper for *Fanatics*.

2.5. Exploration of Various Benefits, Tiers and Rewards

Rewards programmes offer various benefits and rewards to their members based on the tiers in which they are categorised. There are different types of benefits which are of different value. Members in the lower tiers can expect to receive benefits which are of less value and of less appeal than the benefits that members in the higher tiers can expect. The reason is because those in the lower tiers spend less money than those in the higher tiers. Therefore, the level of spend is directly related to the types of benefits and rewards a member will receive and the tier in which they are placed.

2.5.1. Benefits

2.5.1.a. Utilitarian, Hedonic and Symbolic Benefits

There are benefits to joining rewards programmes and the most obvious ones are discounts, redeemable points, free gifts and deals for members only. There are also perceived benefits such as savings on a monetary level which is a utilitarian benefit, entertainment, which is a hedonic benefit and social benefits and recognition which are symbolic benefits (Kim et al, 2013, p. 95).

2.5.1.b. Hard and Soft Benefits

Benefits can be categorised into soft and hard categories. Soft benefits are emotionally-oriented benefits, which provide a sense of recognition and relate to social status, such as special communication, priority information and exclusive use of certain services. Hard benefits consist of tangible aspects such as cash-back rewards, discounts, vouchers and gifts (Kim et al, 2013, p. 99). Kim et al establishes that functional consumer benefits such as financial rewards are significant indicators of behavioural and attitudinal loyalty but they also state that a significant proportion of people join rewards programmes

Literature Review

for entertainment (2013, p. 101). These social benefits could have a positive influence on the connections between members of these rewards programmes and it could promote a sense of community amongst members, which also adds value to the programme (Kim et al, 2013, p. 109).

Humby and Hunt (2003, p. 30) describe the benefits in terms of four different 'loyalty currencies' and they explain that it is essential to establish what kinds of rewards the customer will value the most. The four currencies which they discuss are points-led, discount-led, information-led and privilege-led. These categories are roughly the same as what Wirtz et al discuss. See Table 1.

Table 1: *The similarities in the reasons that people join rewards programmes.*

Humby & Hunt (2003)	Wirtz, Mattila & Lwin (2007)
Points-led currency	To receive discounts, cash rewards.
Discount-led currency	Discounts or cash back rewards.
Information-led currency	Invitations to events, information about products.
Privilege-led currency	Prestige, recognition, status, sense of belonging, being part of a community, exclusive treatment, services or invitations to exclusive or VIP events.

2.5.1.c. Points-led Currency

Points-led currency is the most popular of the four kinds of currencies. Customers collect points and spend it when they have accumulated the amount that they perceive they will need. Customers have different perceptions of what a good deal or what good value is. For example, Customer A may collect two thousand miles on their *Voyager* rewards programme and they perceive that they are getting a good deal by spending 1500 miles on their airline ticket to Cape Town from Johannesburg for a midnight flight and having 500 miles remaining to purchase a gift from the in-flight gift shop. Customer B on the other hand, may perceive a good deal to be spending all 2000 miles on a plane ticket from Johannesburg to Cape Town but at a more reasonable time such as 14:00 in the afternoon. Points which do not expire quickly are arguably the most attractive kind of points as it gives the customer a chance to accumulate enough points to get something which they perceive to be valuable (Humby & Hunt, 2003, p. 30).

2.5.1.d. Discount-led Currency

Discounts are awarded to customers based on a tiered system of spend. If a customer spends x amount, they will get discounts to the amount specified by x tier and if they spend y amount, their discount value will be relative to the amount specified by y tier. In the United States it is common for items to have two prices, one for normal customers and a discounted price for members of the rewards programme (Humby & Hunt, 2003, p. 31). This could be effective for members but arguably not the most optimal for the programme as some customers are willing to pay the full price for some items which they

Literature Review

perceive to be of value and the retailer would then lose out. It may be a better idea to offer discounts on selected items than to have discounts on all items. In South Africa it is common to offer discounts on selected items for a selected time-frame as opposed to in the United States where all items have two prices at any given time.

2.5.1.e. Information-led Currency

Access to information is as important to some customers as receiving cash rewards, points or discounts. Information could take many forms such as Tesco's *The Baby Club*, which offers essential information to parents about childcare (Humby & Hunt, 2003, p. 31). Tesco offers the information to parents and through doing so, they have the ability to market their baby products. In terms of Exclusive Books, the information that they need to express to their customers is information on events such as book launches and coffee mornings and information on the top reads, the latest books, prize-winning books, the classics and good gift choices. Information needs to reach the customers if the rewards programme is to be effective. Customers will opt out of the programme if information is not communicated to them enough and also if it is communicated too often.

2.5.1.f. Privilege-led Currency

This form of currency is linked to the highest tier in rewards programmes. Customers have to spend a relatively large amount of money with the retailer in order to receive benefits linked to privilege (Humby & Hunt, 2003, p. 32). Benefits of this kind are usually about prestige, status and exclusivity. Customers who receive this kind of benefit often get access to exclusive events or products before any other customer may access it, if at all. An example of this currency is a preview of a sale before the sale is open to anyone else or an invitation to the launch of a new store or product. Exclusive Books recently opened their newly-revamped store in Rosebank Mall. It is now their best and most exclusive store and only members from their platinum-plus tier received an invitation to attend the opening of the new store (C. Mitchell, personal communication, December 11, 2014). Usually only the highest tier has access to these kinds of privileges.

2.5.2. Tiers

There are various tiers in rewards programmes, each with their own rewards. Tier one rewards provide a standard reward mechanism to reward all members for their past and present purchases irrespective of influences such as attitudinal and behavioural purchasing patterns, but the members are rewarded in proportion to the value that they spend on purchases (Kumar & Shah, 2004, p. 322). Most of the current rewards programmes implement a tier one reward scheme and it is aimed at building customer loyalty. Tier two rewards are special rewards that are focussed on particular customers in order to develop behavioural loyalty and to promote attitudinal loyalty in the future (Kumar & Shah, 2004, p. 323). Research suggests that two-tiered rewards programmes are less effective than three-tiered programmes

Literature Review

as the third tier enhances, in the elite customer, the feeling of status and importance (Xie & Chen, 2013, p. 474).

Exclusive Books has six tiers in their program. The effectiveness of this system is unknown and is a possible suggestion for future research. The first tier is a newly-introduced tier and is thus called ‘new’ and their highest tier is platinum-plus. Table 2 shows the names of the tiers and the amount in Rands that customers have to spend per annum in order to be categorised into these tiers (C. Mitchell, personal communication, December 11, 2014).

Table 2: *The various tiers in Exclusive Books’ Fanatics programme and their corresponding amounts of spend in Rands.*

Tier Name	Spend (in Rands)
New	0-400
Blue	401-1600
Silver	1601-2800
Gold	2801-4400
Platinum	4401-8800
Platinum-plus	8801+

2.5.3. Rewards

Rewards programmes need to be developed carefully as they are long-term strategies for profitability and customer relationship building. It is essential for rewards systems to support long-term relationship building as opposed to supporting short-term results which is why it is important to communicate with the members through occasional questionnaires to see if the rewards that they are receiving are the kinds of rewards that they want to receive and if they are satisfied with the value of the reward (Jansen van Rensburg and Venter, 2005, p. 48). Consumers generally join rewards programmes in order to gain economic rewards and emotional rewards. Many rewards are volume-based which means that a number of points need to be accumulated or a certain amount of products need to be purchased in order to be rewarded with discounts, gifts or free items (Wirtz et al, 2007, p. 4).

2.6. Conclusion

Fanatics has used the Tesco model as a guide to building their rewards programme. *Fanatics* also rewards members on a quarterly basis based on the amount of money they have spent. Rewards are in the form of monetary vouchers which could be used to purchase any products that the member would like (C. Mitchell, personal communication, November 4, 2014). Both of these programmes focus on the

Literature Review

member and rewarding them as opposed to focussing on loyalty and loyal customers (Humby & Hunt, 2003, p. 5).

The differences in the definitions of the terms *loyalty* and *retail loyalty* has been explained in this chapter (Humby & Hunt, 2003, p. 9). There are different types of loyalty and this study focusses on attitudinal and behavioural loyalty as attitudinal loyalty applies to the customers' attitudes, trust and commitment towards the brand and company and behavioural loyalty concerns the purchasing behaviours of the member (Gustavsson & Lundgren, 2005, p. 8). The customers' attitudes towards *Fanatics* and the way that the programme operates was explored through questionnaires which were conducted in-store and online.

The respondents stated that they would like more discounts so Pan Macmillan partnered with *Fanatics* and sent out a mailer with some discounted deals on a few of their books. This resulted in an average of 38% sales generation for Pan Macmillan in a week for those titles only which were featured in the mailer. More about this partnership will follow later. It cannot be confirmed if these people had been a part of the questionnaire sample groups or not but this purchasing behaviour can be analysed in terms of behavioural loyalty. This can only be analysed in future when similar mailers are sent out to them as the frequency of their purchases can be noted, when they purchase things and what they purchase can also be analysed and compared in order to see their level of behavioural loyalty. On a superficial level, the degree of behavioural loyalty of those who purchased books as a result of the mailer appears to be high as the frequency of purchases is high, especially during mid-December.

Customer relationship management consists of three stages whereby a company acquires members, engages with them and retains them (Xie & Chen, 2013, p. 466). It appears as though Exclusive Books needs to work on customer acquisition and customer engagement as there are still many people who have never heard of *Fanatics* and there are people who have heard about it but are not members because they do not know how to join. Furthermore, they need to find more efficient ways of engaging or communicating with their customers as there are members who do not receive email communication and there are others who have complained about the website and call centre. This has been established through the empirical data generated from the questionnaires.

There are various reasons people join rewards programmes, ranging from receiving discounts, invitations to events, information on products and also to be a part of a community and to receive recognition (C. Mitchell, personal communication, January 16, 2015). These reasons are classified as hedonic, symbolic and utilitarian benefits (Kim et al, 2013, p. 95) and also as discount-led, points-led, information-led and privilege-led currency but they essentially mean the same thing (Humby & Hunt, 2003, p. 30). Benefits could also be categorised as hard or soft, depending on whether they are tangible (Kim et al, 2013, p. 99). These benefits are linked to the tiers of a rewards programme. The bigger and

Literature Review

better rewards are usually for the highest tier, have the least people in it out of all the tiers and they have the highest level of spend.

Exclusive Books segments their members into six tiers (New, Blue, Silver, Gold, Platinum and Platinum-plus) according to the amount of money they spend annually, where spending R1 results in a placement in the New tier and R8801 upwards in the Platinum-plus tier (C. Mitchell, personal communication, December 11, 2014). Research has shown that the most effective rewards programmes consist of three tiers as opposed to two (Xie & Chen, 2013, p. 474). The third tier is about recognition.

Chapter 3: Methodology

3.1. Introduction

This chapter explains the methods used in obtaining the primary research of the study. It also explains the differences in three different research purposes, namely the exploratory purpose, the explanatory purpose and the descriptive purpose (Hesse-Biber & Leavy, 2011; Engel and Schutt, 2014 & Wiid & Diggins, 2009). This study will employ an exploratory purpose and it may draw on the descriptive purpose. This chapter will also provide an explanation of three types of research approaches used in obtaining data; the quantitative method, qualitative method and mixed method approach. The data obtained in this study is largely of a qualitative and quantitative nature, so the mixed method approach is the chosen approach (Creswell, 2003, p. 19).

Furthermore, three research strategies will be explored; sequential, concurrent and transformative. This study has employed a concurrent research strategy so as to obtain a comprehensive level of analysis of the research topic (Driscoll, Appiah-Yeboah, Salib & Rupert, 2007, p. 20). The method of data collection in this study includes two kinds of questionnaires, one conducted in-store and one conducted online, and a face-to-face interview with the Head of *Fanatics*, Cameron Mitchell. This chapter will also present the procedure for sample selection and the characteristics of the chosen samples. The questionnaire design will be explored in detail, ranging from the layout to the wording and reasoning of the questions being asked and the completion and coding of the questionnaire. Lastly, this chapter will present the reliability and validity of this study (Anastasi & Urbina, 1997 & Denscombe, 1998).

3.2. Research Purpose

There are three purposes when undertaking a research study, namely exploratory, explanatory or causal case studies and descriptive research. The aims of each of these research purposes are different and they seek to ask different questions (Yin, 2013, p. 9).

3.2.1. Exploratory Purpose

The research purpose of this study is exploratory in nature as it aims to gather information about a research problem for which the knowledge is either incomplete or not known. Knowledge around rewards programmes in the retail book industry in South Africa is minimal. Exploratory research entails investigation about a topic and the data that is obtained is usually preliminary and it aids future research (Hesse-Biber & Leavy, 2011, p. 10). Engel and Schutt (2014, p. 9) explains that exploratory research attempts to answer ‘what’ kinds of questions.

Methodology

3.2.2. Explanatory Purpose

Explanatory research or causal case studies attempts to discover the causes and effects of occurrences and to predict how an occurrence will change in response to a variation in another occurrence and it answers ‘why’ kinds of questions (Engel & Schutt, 2014, p. 10). This kind of research uses theories and existing knowledge to explain and answer research questions (Gustavsson & Lundgren, 2005, p. 18).

3.2.3. Descriptive Purpose

The objective of descriptive research is to describe, in an in-depth manner, the subject matter of the research such as situations, attitudes, individuals or groups and objects, amongst other things. This kind of research aims to collect facts by answering questions such as who, when, what, how and where (Wiid & Diggines, 2009, p. 55).

Since the purpose of this study is *to explore the ways in which book stores can build more effective rewards programmes in order to increase their sales and customer satisfaction*, and secondarily *to try and establish how publishers can benefit from the rewards programmes of book stores, or more specifically, from Fanatics*, it could be considered descriptive. However, in addition to being descriptive, it is mostly exploratory in nature as the knowledge around what kinds of things Exclusive Books can do to improve the programme to increase sales and customer satisfaction and what kinds of things publishers can do to benefit from the programme is limited or non-existent, and as a result, needs to be explored. The data that is obtained is used to build on the knowledge base and it will not only aid future research, but pose more questions for future research because the knowledge on rewards programmes in a South African context is limited. Furthermore, there is limited knowledge around the meaning and connotations of the terms *loyalty programme* and *rewards programme* and thus, this study aims to explore the possible meanings, connotations and preferences amongst people but future research is most definitely required in order to establish a well-rounded, concrete level of theory around the terminology.

3.3. Research Approach

Multiple methods can be used when conducting research. These methods include quantitative methods, qualitative methods and mixed methods, which is a combination of the two.

3.3.1. Quantitative Method

Quantitative research involves a large collection of data, drawn from a large sample group, which is objective and numerical in nature (Wiid & Diggines, 2009, p. 86). Because it is numerical in nature it is relatively easy to tally up the results and produce accurate statistics and this research method is most commonly used when the research purpose is explanatory, descriptive or evaluative (Engel & Schutt, 2014, p. 12). Furthermore, causal relationships between multiple variables can be easily established

Methodology

using this method (Hesse-Biber & Leavy, 2011, p. 8). Law (2008, p. 51) explains that quantitative research data is collected using questionnaires or surveys which are highly structured and consist of set, closed-ended kinds of questions.

3.3.2. Qualitative Method

Qualitative research is almost the opposite of quantitative research as the data that is collected is in-depth, subjective, drawn from a small sample group and there is a focus on words, categorisation and qualities (Dwyer, 2012, p. 55). There is no simple way of tallying up the data numerically so themes have to be developed through the analysis of words and categorisation. This research method is most commonly used when the research purpose is exploratory, but it may also be used for descriptive purposes (Engel & Schutt, 2014, p. 12). Qualitative research data is collected through focus groups, interviews, field research, case studies and surveys which consist of open-ended questions so as to get subjective, personal opinions and insight (Hesse-Biber & Leavy, 2011, p. 5).

3.3.3. Mixed Method

The mixed method approach has been chosen for this study as the objectives are, briefly, to find out why people join or do not join *Fanatics*, what they purchase with their rewards, what their perceptions and opinions are about certain terminology relating to the programme, if they think a social initiative needs to be tied in to the programme and how publishers can contribute to or benefit from a partnership with the programme, if at all. It will take open-ended and closed-ended questions to obtain data to try and establish answers to the objectives. For example, what people buy can be closed-ended but what people's opinions and perceptions are about terminology that is used has to be open-ended.

The type of analysis of the mixed method is statistical and textual in nature and this method has been chosen for this study as the results from one method can inform or develop the results from the other method and different levels of analysis can be established (Creswell, 2003, p. 16). A finding could be qualitative in nature, *preference and reasons for the preference of one term (loyalty programme or rewards programme) over another*, but the quantitative method informs the extent of this preference, *the percentage of the sample who prefer one term over another*.

Methodology

Table 3: *Quantitative, qualitative and mixed method research approaches.*

Tend to or typically use	Quantitative	Qualitative	Mixed method
These strategies	Surveys and experiments.	Phenomenology, grounded theory, narrative, case study and ethnography.	Sequential, concurrent and transformative.
These methods	Closed-ended questions and numeric data.	Open-ended questions and text or image data.	Open and closed-ended questions, quantitative and qualitative data and analysis.
These practices of research, as the researcher	Tests or verifies theories, identifies variables to study, uses standards of validity and reliability, unbiased approaches are utilised, statistical and numerical procedures.	Collects participant meanings, focus on a single phenomenon or concept, study of the context or setting of participants, interpretation of data and validates the accuracy of findings.	Collects qualitative and quantitative data, integrates the data at different stages of inquiry, presents visual pictures of the procedures in the study and develops a rationale for mixing.

(Adapted from Creswell, 2003, p. 19).

3.4. Research Strategy

There are three research strategies which fall under the mixed method approach; sequential, concurrent and transformative.

3.4.1. Sequential

The sequential research strategy usually includes starting with qualitative data for exploratory reasons and the researcher would then follow up on the results with a quantitative method (Creswell, 2003, p. 16). The quantitative method involves a large sample from the population so that the results that are obtained may be generalised to the population from which the sample was drawn (Driscoll et al, 2007, p. 21). A researcher may also begin with quantitative data, test a specific theory and then employ a qualitative method. The aim of this strategy is to expand the findings of one method with the findings of another.

3.4.2. Concurrent

In the concurrent strategy the researcher combines qualitative and quantitative data, which is obtained simultaneously, in order to establish a well-rounded and all-inclusive analysis of the research question (Creswell, 2003, p. 16). The researcher uses all the information that is obtained in the study to come to a conclusion about the research question and the process of data collection and interpretation is a larger procedure than in the other two strategies.

3.4.3. Transformative

In this strategy the researcher uses qualitative and quantitative data. This strategy changes one form of data into another form, usually qualitative to quantitative, so that they can be combined (Driscoll et al, 2007, p. 20). Two terms which are related to this strategy is *qualitising* and *quantitising*. *Qualitising* involves the conversion of quantitative data to qualitative data and *quantitising* involves the transformation of qualitative data which is coded, into quantitative data (Driscoll et al, 2007, p. 20).

This study has employed a concurrent research strategy so as to obtain a comprehensive level of analysis of the research topic. Qualitative and quantitative data were obtained concurrently and the aim is to utilise all the data to establish the findings. The reason for making use of this strategy is because this study is an exploratory study and thus needs to explore all the data in order to pick up on trends and to achieve a comprehensive level of analysis in an attempt at understanding the research topic. The questionnaire requested qualitative and quantitative responses and it is best to analyse each aspect of this data together as it is highly unlikely that the data can be generalised to the population, thus discounting the sequential strategy as the key strategy. For example, the preferred term between *loyalty programme* and *rewards programme* cannot be generalised to the population as this question is about people's opinions as opposed to observable or measurable facts. This study seeks to explore the data for trends and possible answers to the topic and not to claim generalisation. The aim of this study is also not to transform the data in a *quantitising* or *qualitising* manner, so the transformative strategy is discounted.

3.5. Data Collection Method

According to Yin (2003, p. 85) there are multiple methods of collecting data such as interviews, documentation, archival records and direct observation amongst other methods. This study focusses on questionnaires and an interview as they provide different kinds of data which are both qualitative and quantitative in nature. Both of these methods have advantages and disadvantages.

There are two kinds of questionnaires employed in this study. One for respondents who may or may not be members of *Fanatics* and another for respondents who are definitely members (see Appendix B). The questionnaire for those who may or may not be members, now called Group 1, was administered face-to-face in multiple Exclusive Books stores around South Africa. This questionnaire consists of open and closed-ended questions and the intention is to have a small sample from the population as this is the more time-consuming data collection method of the two questionnaires.

The questionnaire for those respondents who are definitely a member, now called Group 2, was administered online to *Fanatics'* member database. This questionnaire consists of open and mostly closed-ended questions and the intention was to have a larger sample of approximately 200 respondents

Methodology

from the large member database. 200 respondents is the maximum amount of questionnaires that the researcher would have been able to analyse within the limited time-frame in which to complete the research report. A sample of 200 would have been better than a sample of 50 respondents because the data obtained could have increased the reliability of the results and it could have provided data which is more accurate and representative of the database as a whole. The reason for the online questionnaire is because it is much easier, less time-consuming and more cost-effective to administer a questionnaire online than it is to administer in person. The online questionnaire is sent all at one time to multiple people as opposed to asking one person at a time when it is conducted face-to-face and the data coding and capturing is far easier as it is not a manual process.

The aim of 200 respondents was not reached, possibly because there was no incentive provided for filling in the questionnaire. 50 people completed the questionnaire online but this could arguably consist of more honest and well thought-out responses as the respondents wanted to fill in the questionnaire as opposed to completing it in order to get something in return, through an incentive.

The interview took place at the head office of Exclusive Books with Cameron Mitchell. The purpose of this interview was to obtain factual information about *Fanatics*, its relative tiers, how it functions, how the member database works, other background information and relevant data that needed to be extracted for other chapters of this report.

Table 4: *Advantages and disadvantages in two data collection methods that this study employs.*

Data Collection Method	Advantages	Disadvantages
Online Surveys/ Questionnaires	-The respondents can be honest about their responses as they are detached from the interviewer. -A large sample can be obtained. -It is economical and not time-consuming. -Data capturing can be automated and is thus, faster.	-If the survey or questionnaire is not designed with the correct input validation, the respondent can select two responses which are mutually exclusive (such as yes and no) or they can move onto the next page without selecting a response for each question. -Lower response rate due to online fatigue. -Not reaching the whole population due to not having access to email.

Methodology

Data Collection Method	Advantages	Disadvantages
Face-to-face Surveys/Questionnaires	-The researcher can ask anyone in the population as the survey is not restricted to email access. -The researcher can ask the questions, thus getting a higher response rate to each question.	-The respondent may not fill in all the questions which can result in no significant conclusions being reached due to limited information. -It can be time-consuming. -Respondents may be biased or dishonest in responses or the interviewer could be biased. -Problems of reflexivity where the respondent responds in a way that the interviewer would like to hear. -Data capturing is manual and thus takes time and is open to capturing errors by the data capturer.
Interviews	-They are targeted and focus directly on the topic of study. -Clarification on points during the discussion can easily be established. -They are more personal and qualitative.	-There may be bias due to questions which are insufficiently constructed. -There may be response bias. -There may be inaccuracies in the data due to poor recollection by the interviewer. -Problems of reflexivity.

(Adapted from Yin, 2003, p. 86).

3.6. Procedure for Sample Selection

It was decided that Exclusive Books in South Africa would be the chosen book retailer with which to conduct the research for this study as they have the biggest rewards programme in the book industry. Due to Exclusive Books having the biggest programme, it is assumed that they can put sufficient resources into the programme and on their customers, both in keeping them and in attracting new ones. Furthermore, most other retailers do not have a rewards programme in place and if they do, it is not directly focussed on the book industry or it is not big enough for this study.

Methodology

As previously discussed, The Book Lounge has a programme but this store was discounted from the study as the programme is small, limited to one store and it is situated in the Western Cape. The researcher is based in Gauteng, another province of South Africa. CNA has a rewards programme called *ThankU*, but this card is not specific to the purchases of books. It has been explained that this card can be used for any kinds of purchases from any of the stores within the Edcon group so they have also been discounted from this study as the data obtained could potentially be limited and limiting.

To reiterate, Sample Group 1 consists of a combination of members who either are or are not members of *Fanatics* and sample Group 2 consists of members who are definitely members of *Fanatics*. The samples of this study are drawn from two populations which are not necessarily mutually exclusive as some of the respondents in Group 1 are members of *Fanatics*. Group 1 is drawn from ten Exclusive Books stores around South Africa. The researcher approached the first two people she saw in Melrose Arch, Hyde Park, Sandton, Mandela Square and the first four in Rosebank and asked them if they would like to take part in the study by filling in a questionnaire which takes a maximum of two minutes to complete.

Because the other stores are in further parts of the researcher's province or in other provinces altogether, the researcher asked the sales representatives of Pan Macmillan² publishers to conduct the questionnaires. One sales representative conducted the questionnaire in Cresta and Menlyn Park, another conducted it in Midlands Mall and Pavilion and the third representative conducted the questionnaire in Cavendish Square. The first sales representative could only conduct one questionnaire per store due to time constraints. The list of stores and number of respondents are featured in Table 5. The reason the stores in Table 5 were selected is because they are not too far from where the researcher lives and the other stores were chosen by the sales representatives because it was convenient for them as they were already going to the stores for their monthly subscription meetings.

Group 2 was drawn from the *Fanatics* database. The questionnaire was sent to members of multiple tiers in the programme. In total, it was sent to 90 members of the platinum tier, 180 of the gold tier, 360 members of the silver tier and 600 members of the blue tier. This breakdown was chosen because they are the most likely of the tiers to open the questionnaire. Furthermore, the historic level of engagement is highest in this breakdown of members and the questionnaire was not sent to the platinum-plus or blue tiers as *Fanatics* has established that their level of engagement is not as high as it is in the other tiers (C. Mitchell, personal communication, February 5, 2015). The members who responded to the questionnaire formed the sample. The researcher sent the questionnaire to Cameron Mitchell who got the questionnaire set up using Google Forms and it was sent out to the database.

² The researcher works as a sales and marketing co-ordinator at Pan Macmillan.

Methodology

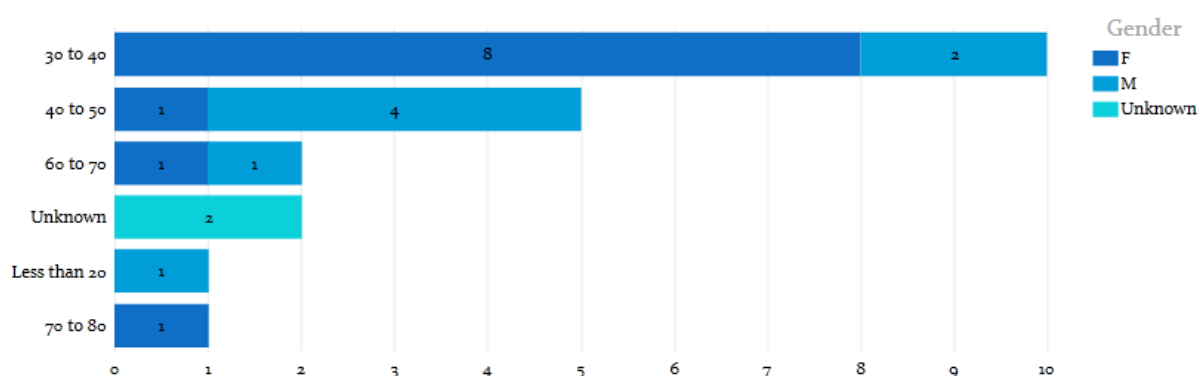
Table 5: Sample characteristics of the respondents of Group 1.

Province	Store Name	Number of Respondents
Gauteng	Exclusive Books Melrose Arch	2
	Exclusive Books Hyde Park	2
	Exclusive Books Sandton	2
	Exclusive Books Mandela Square	2
	Exclusive Books Rosebank	4
	Exclusive Books Cresta	1
	Exclusive Books Menlyn Park	1
KwaZulu-Natal	Exclusive Books Midlands Mall	2
	Exclusive Books Pavilion	2
Western Cape	Exclusive Books Cavendish Square	3
Total Stores	10	
Total Respondents	21	

3.7. Characteristics of Sample

Group 1 consists of a sample size of 21 respondents across the ten previously-listed stores. Of these 21 respondents, 52% are females, 38% are males and 10% failed to answer the question. The age breakdown of this sample can also be seen in Figure 1. The respondents of this group are from three different provinces in South Africa.

Figure 1: Stacked bar graph of the age and gender of sample Group 1.

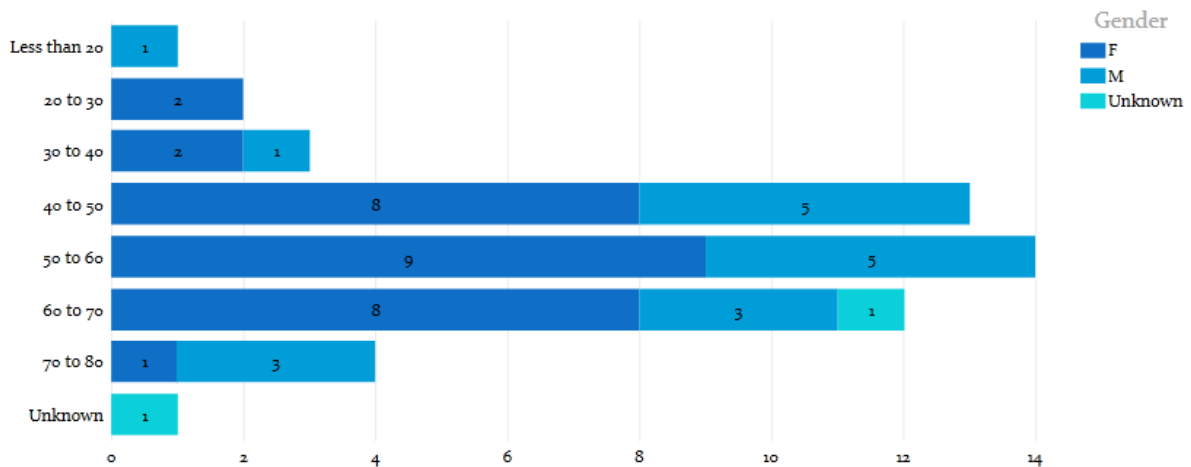


Group 2 consists of a sample size of 50 respondents across the *Fanatics* database. It is important to note that 450 000 of these members are active in the programme, which means that they either make purchases or read their mail from *Fanatics* (C. Mitchell, personal communication, January 16, 2015).

Methodology

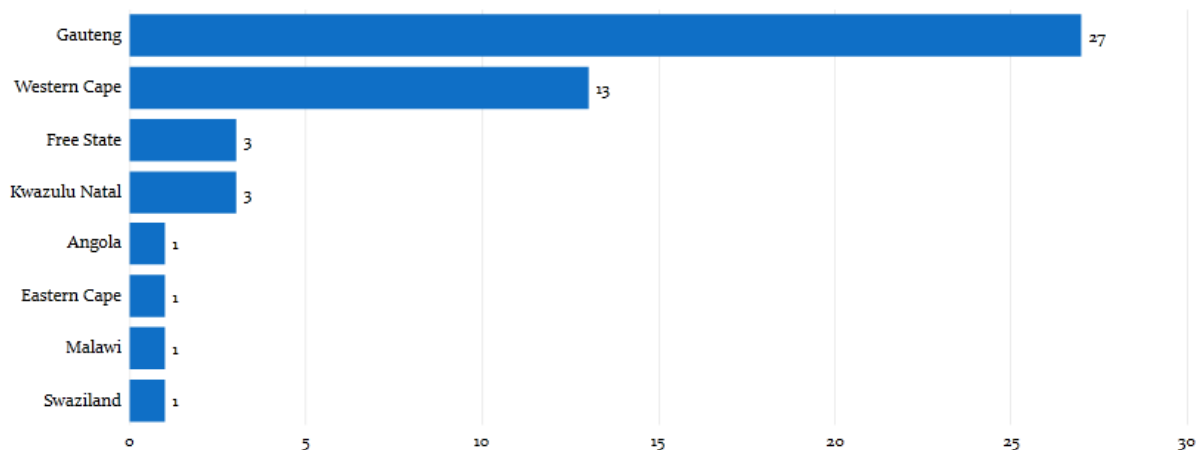
Of these 50 respondents, 60% are female, 36% are male and 4% failed to answer the question. The age breakdown of this sample can be seen in Figure 2.

Figure 2: Stacked bar graph of the age and gender of sample Group 2.



The respondents from this sample are from five provinces in South Africa – Gauteng, Western Cape, Free State, KwaZulu-Natal and Eastern Cape but there are also three respondents from neighbouring countries – Angola, Malawi and Swaziland. This can be viewed in Figure 3.

Figure 3: Stacked bar graph of the locations of sample Group 2.



3.8. Questionnaire Design

It is essential that the questionnaire looks appealing and is not over-populated or long as the respondent may get frustrated or lose interest and discontinue the questionnaire or provide answers that are not meaningful or sufficiently considered. The questionnaire also needs to ask relevant questions in order to obtain accurate and worthwhile data and results.

Methodology

3.8.1. Layout of Questionnaire

The questionnaire contains an introductory section which explains the reason behind the research and it informs the respondent that *Fanatics* cares about their opinions and that their feedback is valuable. There is an 'interviewee information' section which requests the respondents' particulars and an explanation is provided for this section. The respondents could choose if they wanted to provide their contact details and they were reassured that their personal information would remain confidential and would be used by the researcher only in order to clarify their responses if necessary. They were also reassured that they would remain anonymous as respondents in the study. The reasoning for the sections and questions in the questionnaire will follow shortly.

The next section of the questionnaire is a 'voluntary information' section and this part is where all the questions related to *Fanatics* and the respondents' opinions are featured. This is voluntary because respondents had the choice to take part or not to take part and they could choose which questions they feel comfortable answering and they could withdraw from the questionnaire at any point. Following this section is a 'queries section' which explains that the respondent can contact the interviewer at any point in time should they have any questions about the questionnaire or the study or should they wish to no longer have their questionnaire as part of the study and it provides the interviewer's contact details. By reading through and understanding the introductory section by Cameron Mitchell, the explanations prior to each section of the questionnaire and by filling in their contact information, it is regarded as informed consent on the part of the respondent.

The questionnaire consists of fourteen questions for Group 1 and eleven questions for Group 2. These questions are largely closed-ended whereby the respondent ticks off the blocks relevant to their response, but there are also some open-ended questions whereby the respondent can provide their opinion in words. Some of the closed-ended questions have lines underneath for the respondent to write a comment or to clarify their choice, should they feel the need to do so.

3.8.2. Reasoning for Questions

The reasoning for each of the questions in the questionnaire can be found in Appendix A.

3.8.3. Wording of Questions

The way in which a question has been worded can have an impact on the way in which the respondent responds to the question. The wording needs to be clear and to the point, no jargon should be used and double-barrelled questions are to be avoided as it could cause confusion and even lead to a biased response (Law, 2008, p. 56). The responses that a respondent gives is likely to be more informative and understandable if the questionnaire is kept simple and the wording is concise as the respondents are more likely to understand the questions better.

Methodology

3.8.4. Completion of Questionnaire

The researcher decided that each respondent should fill in the questionnaire themselves as opposed to the researcher reading out the question and then filling in the answers. The reason for this is because the researcher could read the question in a certain way which could influence the respondent's choice or cause them to answer in a way which they normally would not answer (Law, 2008, p. 58). The researcher may also record the respondent's answer in an inaccurate way by misunderstanding their answer, mishearing the response or by making certain assumptions about the response. There is a high possibility that respondent or interviewer bias could be present should the interviewer ask the questions as opposed to the respondent reading and filling in the questionnaire themselves. Furthermore, the respondent is more likely to feel comfortable filling in the questionnaire themselves as they have more time to think about their responses and they will not feel pressured to give an immediate response should the interviewer be asking the questions verbally.

3.8.5. Coding of Questionnaire

Microsoft Excel PowerPivot is the programme that was used to codify the data that was obtained. The questions were presented in separate columns along the first row of the spreadsheet and the respondents were listed down multiple rows of the first column. For the data of Group 1, each question, with all its possible closed-ended responses were allocated to a column and if there was an open-ended aspect to the question, that question was also put into a separate column. The data of Group 2 was represented similarly to that of Group 1 but the responses were grouped together irrespective of whether they were open or closed-ended. The reason for this is because Exclusive Books did not distinguish between the two when building the questionnaire on Google Forms and because the input validation was not designed properly which means that respondents could select two responses to a question which is mutually exclusive in nature, such as yes and no.

For Group 1, the closed-ended questions were quantified according to a statistical Excel formula called 'distinct count' and the open-ended questions were organised and categorised into themes through common words which the respondents used. This is more time-consuming as the data is manually and qualitatively analysed as opposed to being calculated using a formula. It is essential that the data is 'clean' and consistent so that the formula calculates the data accurately and effectively. To ensure data quality, the data of Group 2 had to be cleaned up and standardised using Excel Power Query. For example, if respondent A said that they are from Johannesburg and respondent B said that they are from JHB, the researcher had to standardise the captured data so that all the data says Johannesburg or all of it says JHB. There could not be a combination of Johannesburg and JHB. In order to visualise this data as stacked bar graphs (or any other kind of graph), Excel Power View was used.

3.9. Reliability and Validity

3.9.1. Validity

According to Anastasi and Urbina (1997, p. 113), ‘the validity of a test concerns *what* the test measures and *how well* it does so. It tells us what can be *inferred* from the test scores.’ Further to this, validity is concerned with the extent to which data and the methods used to obtain that data are honest and accurate (Denscombe, 1998, p. 241). In terms of face validity the instruments used (questionnaires and interview) are deemed valid if they measure what they purport to measure and content validity is whether the instrument acknowledges all the necessary features of the concepts which it is supposed to measure (Smailes & Street, 2011, p. 253).

In order to increase the validity in this study, the researcher conducted a face-to-face interview with the Head of the *Fanatics* programme, so as to obtain the most accurate, relevant and up-to-date information and data. By requesting the contact details of the respondents, validity can potentially be increased as the researcher could contact any respondent to elaborate on their response or to clarify any confusion which may arise regarding their response during data analysis. There is also more than one method of collecting data in this research study so the results can be compared, thus giving an idea about the validity in the study. However, validity can be affected if any of the respondents are in a rush or if they are uncomfortable whilst completing the questionnaire (i.e. not having a chair on which to sit or a table on which to press and a clipboard could be uncomfortable for some people) and also if they do not wish to be contacted, so responses which are unclear or vague cannot be validated or clarified.

3.9.2. Reliability

According to Carmines and Zeller (1979, p. 11) the reliability in a study is the degree to which a procedure of measure will produce the same results on repeated trials. A research instrument needs to produce the same data each time that it is used in order to be reliable and the only time that the data will be different is if there is a change in the thing that is being measured and not the instrument itself (Denscombe, 1998, p. 240). In other words, the data will be different if there is a change in the respondent and not the questionnaire.

In order to increase the reliability in this study, the interview with Cameron Mitchell was recorded using a recording device and notes were also written by hand should the device have malfunctioned or should aspects of the recording not have been clear. The interview was recorded to increase reliability as the information that is given is valuable, it needs to be accurately interpreted and information can be lost or incorrectly recalled if the researcher were to rely purely on notes or memory. Furthermore, when the data was vague, the interviewer contacted Cameron Mitchell to verify and clarify the data.

3.10. Conclusion

This study is concerned with an exploratory purpose and it has touched on a descriptive purpose as it aims to build on knowledge which is either incomplete or unknown and it aims to answer ‘what’ kinds of questions (Engel & Schutt, 2014, p. 9). It has touched on a descriptive purpose as the objective is also to describe *how* publishers can benefit from rewards programmes such as *Fanatics* (Wiid & Diggines, 2009, p. 55). This study employed a mixed method approach in obtaining data as the questions in the questionnaire consists of open and closed-ended questions which are of a quantitative and qualitative nature and the interview with Cameron Mitchell, Head of *Fanatics*, is also qualitative. Using the mixed method approach makes the shortfalls negligent in using either a quantitative or a qualitative approach as the responses of one method informs the responses of the other method (Creswell, 2003, p. 19).

It was decided that this study would use a concurrent research strategy so that a comprehensive analysis of the research topic could be done. This research strategy makes use of all the data in a study so as to come to a well-rounded conclusion, especially because this study is exploratory in nature and does not focus on established theories or prior knowledge as it is minimal. This strategy is the most comprehensive as some data in the study could be used to inform other data in the study which could otherwise not be understood in isolation (Creswell, 2003, p. 16). Two methods of data collection is done in this study, namely an in-store and online questionnaire to 21 and 50 respondents respectively and an interview with Cameron Mitchell. This chapter explained how the researcher selected the samples, both in-store and online and the characteristics of the sample are presented in terms of age group, gender and province.

The questionnaires are designed with introductory sections to the multiple sections to explain why certain data is being requested and to let the respondent know that they can contact the researcher at any time, should they need to and the questions are clearly marked and boxes and lines are provided for the responses. The reasoning of the questions is provided in the appendices and the questionnaires are coded using Microsoft Excel products such as PowerPivot and Power Query. Lastly, the chapter defined reliability and validity and provided an explanation as to how the researcher attempted to increase the reliability and the validity in the study (Anastasi & Urbina, 1997 & Denscombe, 1998).

Chapter 4: Data Presentation

4.1. Introduction

This chapter describes *Fanatics*' background and operations as per the interview with Cameron Mitchell, Head of *Fanatics*. It explains when *Fanatics* was established, how many members are on the database and how the programme operates in terms of being a member and the kinds of benefits that the member receives. The data which was obtained from Cameron Mitchell during the interview and the questionnaires which were conducted both in-store and online is presented and it forms the primary data of the study.

The predominant questions that were asked in the questionnaire include the reasons that people joined *Fanatics*, what kinds of products they purchase with their rewards and whether they have a preference for the term *loyalty programme* or *rewards programme* and the reasons for their preference. They were also asked if *Fanatics* should introduce a social initiative and whether or not *Fanatics* should partner with publishers. The questionnaires can be found in Appendix B.

4.2. Background to *Fanatics*

Exclusive Books' *Fanatics* was established in October 1998 and it was created based on the principles and workings of Tesco's rewards programme. Rewards programmes were not as prominent in 1998 as they are at the moment and using the best of Tesco's model was the route that Exclusive Books took. *Fanatics* is run both as a club and a rewards programme (C. Mitchell, personal communication, January 16, 2015). It functions as a club as it provides information to its members, it invites them to events and gives them information about products. *Fanatics* is also a rewards programme as it gives vouchers and rewards to its members. When *Fanatics* does an analysis of its programme, it does so on two different levels, as a club and a rewards programme. *Fanatics* has 740 000 members on a twelve-month rolling period but the programme currently works on an active member base of approximately 450 000 people. Of these 450 000 people, 250 000-300 000 people make purchases using their cards (C. Mitchell, personal communication, January 16, 2015).

4.3. How *Fanatics* Operates

People can sign up to *Fanatics* in-store or online and they receive a membership card which is to be swiped each time a purchase is made in order to earn points. The card works at every Exclusive Books store around the country. For every Rand the member spends, one point is earned. This applies in-store and online but points are only earned on products, not gift cards that are purchased (Exclusives, 2015). Members accumulate points and at the end of every quarter, *Fanatics* provides a coupon to the value of R20 to members who have 400 points or more. If the member does not accumulate 400 points, these points are carried over to the next quarter (C. Mitchell, personal communication, January 16, 2015).

Data Presentation

These coupons can be redeemed for any purchase, so long as the member presents their *Fanatics* card. Benefits related to being a member of *Fanatics* includes receiving details of special offers, events, sales, book launches and signings and the member receives a voucher to the value of R30 on their birthday (Exclusives, 2015).

4.4. Question One: Why Join *Fanatics*?

According to Cameron Mitchell, people join *Fanatics* so that they can gain rewards and have access to information about products, events and book signings and people join for the sense of inclusion (personal communication, January 16, 2015).

When the respondents filled in the question regarding their reasons for joining *Fanatics*, they could select more than one reason. The data obtained suggests that of the 62% of respondents in Group 1 who are members of *Fanatics*, all of them joined for rewards, 39% of them joined for information about events and 8% joined for information about products. In Group 2, 53% of the respondents joined for rewards, 35% joined for information about new books, 11% joined for information about events and 1% joined for the link to Nu Metro. Exclusive Books and Nu Metro are no longer partners in *Fanatics* as they are currently both privately owned after being sold by Times Media Group (C. Mitchell, personal communication, January 16, 2015).

4.5. Question Two: What do People Purchase with their Rewards?

When the respondents filled in the question regarding what they purchase with their rewards, they could select more than one option. Fiction books appears to be the most popular products that Group 1 (33%) and Group 2 (57%) purchase, followed by non-fiction books at 27% and 30% respectively. Magazines and gifts were also popular items to purchase with 9% of Group 1 purchasing magazines and 4% purchasing gifts and with regards to Group 2, 20% of them purchased magazines and 20% purchased gifts.

This empirical data obtained from the sample is representative of the *Fanatics* population who use their rewards because the most popular products that are bought using the rewards according to the extracted data from the *Fanatics* database are trade paperback fiction followed by paperback fiction, then South African non-fiction followed by cookery and biographies. Table 6 shows the rate of redemption of the rewards that were issued by *Fanatics* to its members from January 2013 to June 2014 (C. Mitchell, personal communication, January 19, 2015). The data related to the redemption rate for quarter 3 and 4 of 2014 was not available at the time of compiling this report.

Data Presentation

Table 6: *Rate of redemption of rewards issued by Fanatics to its members.*

Year	2014	2014	2013	2013	2013	2013
Quarter	2	1	4	3	2	1
Percentage of redemption	58,14%	60,56%	69,19%	50,24%	1,27%	2,06% ³

The five most popular items that were purchased using the rewards that the members received are listed below, with *Real Meal Revolution* being the most popular (C. Mitchell, personal communication, January 22, 2015).

1. Real Meal Revolution – Tim Noakes (Quivertree Publications)
2. David and Goliath – Malcolm Gladwell (Little, Brown and Company)
3. The Fault in our Stars – John Green (Penguin)
4. Diary of a Wimpy Kid: Hard Luck – Jeff Kinney (Penguin)
5. Kobra – Deon Meyer (Human & Rousseau).

In addition to what people purchase with their rewards, the question *what kinds of rewards would you like to receive* was also asked. Most people in both groups prefer to receive percentage discounts off their books followed by monetary vouchers. As their third and fourth preferences, Group 1 prefer the accumulation of points to get free books and then exclusive invitations to events whereas Group 2 prefer the inverse of the preferences of Group 1.

4.6. Question Three: Loyalty Programme or Rewards Programme?

Exclusive Books prefers using the term *rewards programme* when referring to *Fanatics*. They believe that ‘rewards’ is a more positive term and gives the impression that the customer is getting something back. On the other hand, they believe that the term ‘loyalty’ sounds negative, arrogant and it may give the impression that the company is expecting its members to be loyal. Cameron Mitchell stated that the customers can choose to be loyal but *Fanatics* is about rewards and a focus on the customer, not about demanding loyalty from them (C. Mitchell, personal communication, January 16, 2015).

Overall, Group 1 prefer the term *rewards programme* and Group 2 prefer the term *loyalty programme*. Group 1 consists of 52% of respondents who prefer *rewards programme*, 38% who prefer *loyalty programme* and 10% who are either indifferent or did not respond. Group 2 consists of 52% of respondents who prefer *loyalty programme*, 38% who prefer *rewards programme* and 10% who did not respond. This is an interesting observation as there is an equal but opposite response between the two

³ The rate of redemption of Q1 and Q2 of 2013 are low as the programme was still in testing.

Data Presentation

groups. Some of the reasons given by these respondents for their choice of term do not appear to make sense (e.g. ‘don’t really know what fanatics has to do with exclusive’ (*sic*) and ‘loyalty is positive, rewards is negative.’) so some of the reasons which are easier to understand are listed in Table 7.

Table 7: *Some of the reasons provided by the respondents of both groups for their choice of term.*

Group	Rewards Programme	Frequency	Loyalty Programme	Frequency
1	You get something back	2	Customer loyalty	1
1	It sounds better	1	Shows support to stores	1
1	Loyalty sounds cheap	1	Rewarded for being loyal	2
1	Get more from the programme	1	Feeling of belonging	1
1	Don’t feel loyal to the store as I would to family	1	Not mercurial – more specific	1
1	Sounds smarter	1	Loyal but sounds like you won’t be rewarded	1
1	All others are loyalty programmes	1		
2	Get something back	1	Sounds better	4
2	Because it is a reward	4	Reward has a connotation of pleasing others. Loyalty is more encouraging, warmer, less judgement	1
2	Rewards more appropriate. They have different meanings	1	Speaks for itself	2
2	Rewards more emotional appeal. Loyal to people not companies	1	Prefer the word	1
2	Too many loyalty programmes around	1	Rewards for buying at EB, not another store	2
2	Loyalty doesn’t imply rewards. Rewards imply free gifts.	2	Status thing	1
2	Reward first, then think about loyalty	1	It’s more than just rewards	1
2			More focussed on the long term	1
2			Loyalty is a stronger word	1

Data Presentation

Based on the reasons provided by the respondents in both groups, there seems to be a focus on the actual words *rewards* and *loyalty*. The respondents focus on the way these words sound and what these words imply in a literal sense. It appears as though they have chosen their preference based on what sounds better to them as opposed to what meanings or connotations each of these terms have.

By focussing on the literal sense of the word, they are assuming that rewards programmes are merely about obtaining rewards and possibly having loyalty come into the equation at a later stage and that loyalty programmes are merely about being loyal to the company and the possibility of receiving a reward may or may not be present. Those who chose the word *rewards programme* are more focussed on the rewards that they will get and those who chose *loyalty programme* are more focussed on being loyal to the store, to book-buying and to reading. Some respondents said that there is a saturation of the term *loyalty programme* and others said that loyalty applies to people and personal relationships as opposed to being loyal to a company or store.

Many of the respondents who prefer the term *rewards programme* chose it because the programme is about rewards and getting something back. Many respondents who prefer the term *loyalty programme* chose it because they feel they are being loyal to the company, that it is more than just rewards and that they feel a sense of belonging, warmth and status.

4.7. Question Four: Should *Fanatics* Introduce a Social Initiative?

Cameron Mitchell believes that *Fanatics* should introduce a social initiative to the programme. An example of a social initiative that they could include is for customers to donate an amount of money to the Reading Trust for every time that they swipe their *Fanatics* card. *Fanatics* should be realistic about the uptake of this social initiative should it be introduced as Cameron Mitchell feels that the swipe rate or use of the *Fanatics* cards would only increase by two to five percent (C. Mitchell, personal communication, December 11, 2014). At the moment there is not a low incidence of swiping amongst members so the swipe rate is not likely to increase by a significant amount.

When asked if they are more likely to swipe their cards if *Fanatics* introduced a social initiative to the programme, 52% of Group 1 said no and 48% of them said yes. There is almost a half split in Group 1 about whether or not a social initiative should be introduced. However, Group 2 was more in favour of a social initiative to be introduced. When asked how important they believe a social responsibility initiative is, 48% of them said they would like to donate a part of their rewards, 12% said they love the idea and would make sure to present their cards, 38% said they would prefer to get their rewards in full and 2% did not respond to the question.

Data Presentation

Of the respondents in Group 1 who said that they are not more likely to swipe their cards should a social initiative be introduced, the majority are equally of the 30-40 and 40-50 age group. Of the respondents in Group 1 who responded yes to the question, the majority are of the 30-40 age group. However, a significant finding is that 55% of those who said no, are males and 80% of those who said yes, are females.

Of the respondents in Group 2 who said that they would like to donate a part of their rewards, the majority are of the 50-60 age group and 63% of them are females. Of those who said they love the idea and would make sure to present their cards, the majority are equally of the 60-70 and 70-80 age group and there is a 50% split between males and females. Of those who said that they would prefer to get their rewards in full, the majority are of the 40-50 age group and 58% of them are females.

4.8. Question Five: Should *Fanatics* Partner with Publishers?

Partnering with publishers is a good idea for both *Fanatics* and the publisher according to Cameron Mitchell, but it is essential to do the promotions, discounts or giveaways at the right time. Doing these promotions during holiday seasons and on Mondays or Tuesdays is not the right time as people are either out of the office on holiday or they are busy starting their week and have a lot to do so they do not engage with the communication that is sent to them (C. Mitchell, personal communication, January 16, 2015). The open rate for these mailers averaged 2% which is significantly lower than the average industry standard open rate for mailers in the media and publishing industry (C. Mitchell, personal communication, February 5, 2015). Cameron Mitchell also explained that it is relatively easy to operate this partnership as the communication is easy to send out and the assessment of the success of the promotion is also easy and not time-consuming to do.

The key is for publishers to know when the right time is in which to start the promotion and also to send out the promotion once the book products have been on the market long enough to have been recognised but short enough not to have been forgotten. Customers are more likely to buy the product after they have seen it elsewhere at least once before (C. Mitchell, personal communication, January 16, 2015). For example, if they previously saw an advert about a book, they are more likely to buy it than someone who has seen the book in *Fanatics*' communication mailers for the first time.

When asked how publishers could contribute to *Fanatics*, 36% of the respondents of Group 1 said that publishers could offer occasional discounts on their books, 31% said that publishers could do random giveaways, 19% want invitations to events and 14% want more competitions. 51% of Group 2 said that publishers could offer occasional discounts on their books, 29% want invitations to events, 16% want publishers to offer random giveaways and 4% want more competitions.

Data Presentation

Pan Macmillan and *Fanatics* worked together to create a mailer to send out to the members. The mailer consisted of a discounted offer on ten of Pan Macmillan's titles and it was an offer for members only. In total, the sale of books equated an average of 38% of Pan Macmillan's total sales for these titles in Table 8 between 17 and 24 December 2014. 2% of members bought two or more of the books that were presented in the mailer. These *Fanatics* mailers generate an average of 38% of sales for Exclusive Books for the titles which are promoted. The mailer that was sent to the members is available in Appendix C.

Table 8: Results of the Pan Macmillan-Fanatics partnership of discounted deals in the mailers.

Title	Retail Price	Discounted Price	Percentage of Pan Macmillan's Total Sales for 1 Week on 10 Titles
Edge of Eternity	R350	R310	38%
What I Know for Sure	R229	R189	36%
How to Drive	R275	R235	34%
Behind the Door	R240	R200	17%
The Gruffalo 15 th Anniversary Edition	R129	R99	58%
The Texture of Shadows	R230	R190	46%
Why States Recover	R299	R259	41%
Raising the Bar	R240	R200	39%
Saving Grace	R250	R210	38%
The Missing Piece	R240	R200	34%
Total Titles	10		

4.9. Conclusion

Exclusive Books' *Fanatics* was established in 1998 and they based the rewards programme on Tesco's rewards model as Tesco was one of the leaders in terms of successful rewards programmes. *Fanatics'* database consists of 740 000 members, of which 250 000-300 000 make purchases (C. Mitchell, personal communication, January 16, 2015). *Fanatics* offers one point to the member for every Rand that they spend, both in-store and online. Once 400 points have been accumulated, the member receives a voucher to the value of R20. Vouchers are issued on a quarterly basis and members receive a R30 voucher on their birthdays. The benefits related to being a member of *Fanatics* includes receiving details of special offers, events, sales, book launches and signings (C. Mitchell, personal communication, January 16, 2015).

Data Presentation

The predominant reason that people join *Fanatics* is for rewards. Secondary to this reason, Group 1 joined for information about events whereas Group 2 joined for information about new books. Other people joined for the link to Nu Metro but Exclusive Books and Nu Metro are no longer a partnership as they were both sold by Times Media Group. When asked what they purchase with their rewards, fiction was the most popular genre, followed by non-fiction in both Group 1 and 2. Other items that both groups purchase using their rewards include magazines and gifts. Both groups expressed an interest in receiving percentage discounts followed by monetary vouchers when asked what kinds of rewards they would like to receive. Other kinds of rewards that they would like to receive includes the accumulation of points to get free books and exclusive invitations to events.

The majority of the respondents in both groups stated that they use their rewards to purchase fiction titles, followed by non-fiction. This appeared to be the case for most members of the *Fanatics* database because the most popular genre, as determined by a data extraction, is trade paperback fiction, followed by paperback fiction, local non-fiction, cookery and biographies (C. Mitchell, personal communication, January 22, 2015). The opposite is true for the South African book-buying market as a whole because local non-fiction is the most popular genre, followed by international fiction (Struik & Borgstrom, 2014, pp. 50-51). The most popular item which was bought using rewards by members of the *Fanatics* database is Tim Noakes' *Real Meal Revolution*.

Most of Group 1 preferred the term *rewards programme* whereas most of Group 2 preferred the term *loyalty programme*. Both groups appeared to choose their preferred term based on what it sounds like as opposed to the term's meanings and connotations. They also focussed on the literal sense of the word, assuming that rewards programmes concern receiving rewards and loyalty programmes are all about being loyal. There was a small handful that could recognise the difference in using these words. Exclusive Books refers to *Fanatics* as a rewards programme.

There was an almost half split in Group 1 about whether or not to introduce a social initiative and most of Group 2 were enthusiastic about a social initiative to be introduced. *Fanatics* should introduce a social initiative but they should not be hopeful of a significant increase in the swipe rate of the members' cards, especially because their swipe rate is already high.

Most respondents in Group 1 and 2 were interested in occasional discounts being offered to them by publishers on their books. This was the most sought after benefit, followed by other benefits such as random giveaways, invitations to events and more competitions. Pan Macmillan offered a R40 discount on their adult's books and R30 off a selected book for children and in a period of one week during December, when most people were out of the office and on holiday, they managed to sell an average of 38% of Pan Macmillan's total sales for those 10 titles during that week. This average sales figure was reached despite the very low open rate of 2% of the mailers when the average industry standard open

Data Presentation

rate for mailers in the media and publishing industry is significantly higher. Therefore, publishers and *Fanatics* should partner together as there is potential for higher sales, more publicity and marketing and both companies will benefit from this relationship.

Chapter 5: Data Analysis

5.1. Introduction

Because this research study is predominantly exploratory and specific to finding out certain questions regarding *Fanatics* and because there is a relatively small amount of research available on these research questions, this section aims to analyse the data that is presented in the previous chapter whilst applying as much of the theory that is available in chapter two.

This chapter analyses the reasons that people join *Fanatics* and what kinds of rewards they would like to receive, what kinds of things they purchase using their rewards and whether they prefer the term *loyalty programme* or *rewards programme*, the reasons for their choice and if this choice is influenced by their reason for joining the programme. It will also analyse if *Fanatics* should introduce a social initiative to the programme and if members are more likely to swipe their cards and lastly, it will analyse whether the partnership of *Fanatics* and publishers is a viable option, whilst analysing a pilot test of such a partnership with a publisher, Pan Macmillan. Because this study is exploratory in nature, all the data is comprehensively analysed and significant trends or findings are key factors to pay attention to.

5.2. Question One: Why Join *Fanatics*?

It is evident from the data that is presented in the previous chapter that most people joined *Fanatics* for the rewards that they would receive. There is a difference in the secondary and tertiary reasons amongst the two groups for joining *Fanatics*. Group 1 joined for information about events, followed by information about products whereas Group 2 joined for information about new products followed by information about events. There appears to be a significant difference in the percentage between the two groups regarding the reasons for joining *Fanatics*. It can be assumed, but not confirmed, that because Group 1 is an in-store based group, they are familiar with the products or they like going in-store to browse through the products whereas Group 2 may like to get information about the products online because they either may not like browsing in-store or they may prefer online communication.

Graham (2014) conducted a study on 3000 people and most of them (94.9%) join rewards programmes to save money and receive rewards. This appears to be the same case in this study where most respondents in both groups claim that they joined *Fanatics* in order to receive rewards. Other research confirms that most people join rewards programmes for economic reasons (Wirtz et al, 2007, p. 4). Humby and Hunt (2003, p. 30) also refer to these rewards in terms of points-led currency and discount-led currency.

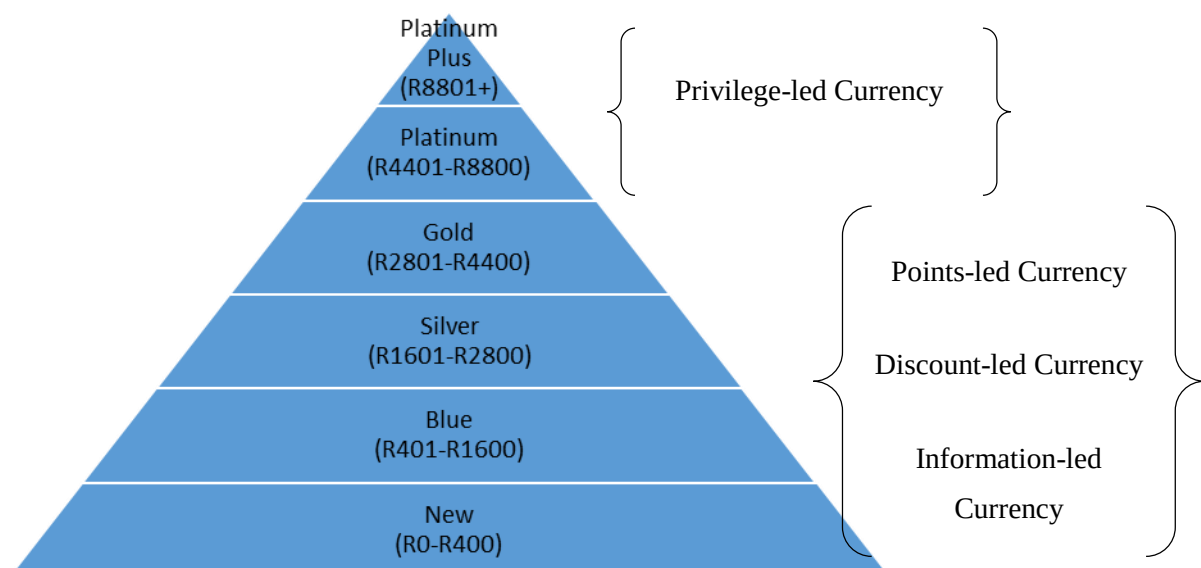
The reasons these respondents joined *Fanatics* are in line with what Kim et al explain about benefits; that there are three types of benefits to joining rewards programmes (2013, p. 95). The predominant

Data Analysis

reason for the respondents of Group 1 and 2 for joining *Fanatics* is for utilitarian benefits, which is not surprising as most people join rewards programmes for utilitarian benefits. The secondary reason for Group 2 joining *Fanatics* seems to be for hedonic benefits, which is also referred to as information-led currency by Humby and Hunt (2003, p. 30). The third benefit is possibly the least popular of the three but it definitely is a reason why people join rewards programmes. Social benefits and recognition are symbolic benefits and this relates to the way that people feel when being a part of a rewards programme. A respondent in Group 2 said that ‘it is a status thing’ and Cameron Mitchell explained that people join for inclusion and it is about the feeling of belonging. Humby and Hunt (2003, p. 32) refer to this kind of benefit as privilege-led currency.

These multiple forms of currency and benefits could be linked directly to the various tier levels in a rewards programme. As was previously mentioned, the most effective rewards programmes consist of three tiers as opposed to two as the third tier emphasises the feeling of status and importance in the customer (Xie & Chen, 2013, p. 474). The first tier rewards all customers for their purchases and tier two kinds of rewards are more specialised than tier one and they aim to promote and develop attitudinal and behavioural loyalty (Kumar & Shah, 2004, p. 322). If the customer is happy with their rewards and with the company, they are more likely to be loyal. Most people are interested in receiving rewards and discounts than they are about the status aspect. However, there is a group of people who are more interested in the status aspect than they are about receiving rewards. Figure 4 explains how the tiers are linked to the benefits and usually, the lowest tier consists of the highest number of people and the highest tier consists of the lowest number of people in the programme.

Figure 4: Breakdown of Fanatics’ tiers in terms of spend in Rands and loyalty currency.



Based on the responses of both Group 1 and Group 2, they are more interested in the hard benefits as opposed to soft benefits. These financial rewards are significant indicators of behavioural and attitudinal

loyalty. When asked if they are satisfied with the programme as it currently is, a significant amount of people said yes. This high rate of satisfaction amongst the two groups suggests that the level of attitudinal loyalty is high (Gustavsson & Lundgren, 2005, p. 8). The respondents of these two groups are likely to have a positive attitude towards *Fanatics* and it is highly likely that they trust the programme, are committed to it and will spread positive word of mouth most of the time. However, if the customer does not have a good attitude towards the company, there will be an impact on their behaviours, i.e. their purchases. If customers are satisfied, they are more likely to make purchases (Kumar & Shah, 2004, p. 320).

5.3. Question Two: What do People Purchase with their Rewards?

According to the empirical data, fiction is the most popular genre being bought by the *Fanatics* members of both groups, followed by non-fiction. This data could be generalised to the *Fanatics* population as the most popular genre being bought by members using their rewards is fiction, followed by non-fiction. This data cannot be generalised to the South African book-buying market as a whole. In South Africa, the most popular genre being bought is local non-fiction followed by international fiction (Struik & Borgstrom, 2014, pp. 50-51).

According to the latest annual book publishing business economic report, the volume of local fiction books sold in South Africa in 2013 is 1 088 000 compared to international fiction which is 2 629 000 (Struik & Borgstrom, 2014, p. 49). The volume of local non-fiction books sold in South Africa in 2013 is 3 001 000 compared to international non-fiction which is 1 839 000. There was a 16% decrease in local adult fiction sales in terms of volume between 2012 and 2013. During the same period, there was a 22.1% decrease in international adult fiction, a 15.6% increase in local non-fiction and a 27.1% decrease in international non-fiction. Therefore, it is evident from these figures that *Fanatics* members are buying fiction titles using their rewards but the South African population are buying more local non-fiction titles than any other genre and the sales figures are rising for this genre. There is a notably large discrepancy in the volume of titles sold between South African fiction and South African non-fiction and international fiction and international non-fiction.

There was a decrease of approximately 10% in the rate of redemption of *Fanatics* rewards between the fourth quarter of 2013 and the first and second quarters of 2014 (C. Mitchell, personal communication, January 19, 2015). This could be because in the fourth quarter people purchase Christmas gifts and by using their rewards they can get discounts and save money on the products. The first two quarters of 2013 had a low rate of redemption as the system was still in testing. According to PricewaterhouseCoopers (2013, p. 2) approximately 2-10% of the amount a customer spends goes towards the funding of rewards programmes. They also state that the objectives of rewards programmes is to accomplish a balance between revenue (incremental earnings) and costs (incremental redemptions)

and they have a goal to acquire profitable members (PwC, 2013, p. 1). Therefore, *Fanatics* needs to analyse their costs against their revenue and consider the redemption rate of the rewards which are issued.

Real Meal Revolution is the title which most people bought using their rewards (C. Mitchell, personal communication, January 22, 2015). This may be the case because the title was number one on the charts for weeks on end and selling significant amounts and because the subject matter is somewhat controversial in nature. Furthermore, this title has received a lot of publicity, both in the press and on television, so it is well-known and causing a hype, mostly amongst the South African community (as the author is South African) but also internationally. The top five items that people purchased using their rewards are all titles which received a lot of publicity. They are well-known titles and often people will buy the books that they have previously heard about.

5.4. Question Three: Loyalty Programme or Rewards Programme?

Loyalty programme and *rewards programme* means different things to different people. To some of the respondents it means being supportive of and loyal to the store and to others it means receiving rewards and getting something back. This is evident in the thematic analysis of their responses. Those respondents who prefer the term *loyalty programme* state that they chose the word because it is about being loyal and supportive and it is about receiving rewards for being loyal to Exclusive Books whereas those who prefer *rewards programme* state that it is about getting rewards, getting something back and then they will consider being loyal.

Others who prefer *rewards programme* chose the term without considering its meaning as they state that it sounds better and too many programmes are called loyalty programmes as opposed to rewards programmes. Some of the respondents who chose this term also state that one cannot be loyal to a company or a store. One can only be loyal to other people, in terms of their interaction such as in marriage, family life and friendships. This concept or idea is similar to Humby and Hunt's idea (2003, p. 9) as they explain that the term 'loyalty' is different to 'retail loyalty.' Thus, loyalty itself should be distinguished from retail loyalty as they mean different things. Furthermore, it is very rare that people will remain loyal to one retailer for all their needs, especially when their main concern appears to be in receiving discounts and cash back. This may suggest that they will buy from the retailer which gives them the best perceived value, whether it be in terms of price or in the value of the discounts and rewards that they receive.

Some of the respondents who prefer the term *loyalty programme* state that they chose it because the term is more encouraging and it means more to them because it is not purely about receiving rewards, but about loyalty. Some respondents also chose the term merely because they prefer the sound of it,

Data Analysis

stating that it ‘sounds better,’ ‘speaks for itself’ and they ‘prefer the word.’ Other respondents claim that there is a sense of belonging and status with regards to loyalty programmes but they did not explain further as to why this is their opinion.

At first glance, it may appear as though the differences in preference regarding the terms *loyalty programme* and *rewards programme* between the two groups may be linked to the reasons that they joined *Fanatics*. This could have appeared to be the case as it seems as though 55% of Group 1, who have a preference for *rewards programme*, joined because they would like to receive rewards first and foremost. It also appears as though 76% of Group 2 had a preference for the term *loyalty programme* and so it may seem as though they joined because they wanted information about products and events, which is possibly more linked to loyalty than it is to rewards as it shows support to the company when there is an interest in its products and events. However, this appearance that the quantitative data provides, is inaccurate and it is essential to analyse it from a qualitative perspective as well. The graphs produced by Excel Power View initially gives the impression that people who chose the term *rewards programme* chose it because they joined *Fanatics* as they are primarily interested in receiving rewards and those who chose *loyalty programmes* chose it because they are primarily interested in receiving information about events and products.

However, at closer view, it is evident that this is definitely not the case. It is important to realise that some respondents chose one reason for joining *Fanatics*, whereas other respondents chose two or more reasons for joining. For example, a respondent may have stated that they prefer the term *loyalty programme*, but they may have joined *Fanatics* because they wanted information on new products and they wanted to receive rewards. Thus, they would not have chosen their term based on their reasons for joining the programmes as it would be a contradiction. This finding could have been misinterpreted had the study employed a purely quantitative approach as opposed to a mixed method approach.

It may be argued that people may simply prefer the directness of the term *loyalty programme* and they may be more familiar with this term because it is a more popular term which is used globally and more often than the term *rewards programme*. They may also naturally have a preference for the term *loyalty programme* because they are most familiar with it and have never given a second thought to its connotations. There appears to be no link between the reasons that people join rewards programmes and the terminology that they prefer when referring to the programme. No significant finding has been made and thus future research should focus on the terminology itself and then try to establish in more detail if there are reasons for people’s preferences and what these reasons are.

5.5. Question Four: Should *Fanatics* Introduce a Social Initiative?

According to the results of the questionnaires, it appears as though introducing a social initiative to *Fanatics* would be a 'nice to have' value-add for some people more than a requirement because there is an almost half split in Group 1 about whether or not to introduce a social initiative. Group 2 shows more interest in wanting a social initiative as 60% of the respondents are in favour of a social initiative and claim that they are more likely to swipe their cards. It is not a significantly high percentage but perhaps this more than half split amongst both groups combined could contribute to the Reading Trust in a very positive way. It will be explained later why introducing a social initiative is more than just a value-add for its members.

It is possible that males may have scored higher in Group 1 for not wanting a social initiative because women may feel more inclined or pressured than men do to give the perception that they are happy to contribute to a social cause, especially when they are in person as opposed to completing the questionnaire online. Women may be more truthful online which may explain why they scored higher in Group 2 in terms of saying no to contributing to a social initiative. The fact that most of the 40-50 age category do not want to contribute to a social initiative is significant because it is this age group, and not the 30-40 age group, 60-70 and 70-80 age groups, as this research suggests, who usually contribute to social initiatives (Nielsen, 2013).

It is important to note that *Fanatics*' motivation for implementing a social initiative is highly likely going to have an influence on people's attitudes about the programme and the social initiative itself. These attitudes could then have an impact on people's behaviours, which will influence whether they buy from the company or not. *Fanatics*' motivation for introducing the social initiative would need to be to help society as opposed to being introduced to increase their sales and profits. Becker-Olsen, Cudmore and Hill (2006, p. 47) explain that there has to be a high degree of fit between companies and their social initiatives.

It can be argued that there is a high fit between *Fanatics* and their choice of social initiative, the Reading Trust, as *Fanatics* predominantly sells books and their social initiative would concern books and the promotion of reading. A high level of relatedness between *Fanatics* and the Reading Trust can improve consumer attitudes about *Fanatics* as the members would see these actions by *Fanatics* as appropriate and relevant and they would be supportive of the social initiative (Becker-Olsen et al, 2006, p. 47). Thus, it is viable for *Fanatics* to introduce a social initiative or corporate social responsibility but they need to allow their members to decide when they would like to swipe their cards to contribute towards the initiative and when they want to swipe to earn points for themselves.

Data Analysis

Furthermore, a very important reason for *Fanatics* to implement a social initiative would be to learn about and know their customers better, thereby building a strong customer profile. Perhaps a social cause may be a major motivator for the members who put minimal effort into bothering to use their cards, to use their cards more often. The higher the swipe rate is for the cards, the more the social initiative will benefit and the more *Fanatics* will learn about their customers' needs based on their purchases. As a result, they will be able to focus their marketing efforts more effectively, thus potentially making more sales, increasing their rate of customer satisfaction and building a more successful programme.

5.6. Question Five: Should *Fanatics* Partner with Publishers?

As was previously discussed, most people in both groups joined *Fanatics* primarily so that they could receive rewards, which is the most common reason that people join rewards programmes (Wirtz et al, 2007, p. 4). Because most of the respondents wanted rewards in the form of occasional discounts on their books, Pan Macmillan partnered with *Fanatics* in order to provide discounts on a selection of their books to the members. The results are encouraging but they could definitely have been better because the mailer was sent during the time of the year when most people have already left the office for their holiday breaks. This is a problem for multiple reasons. Apart from being away on holiday, Cameron Mitchell explained that most of the members of the *Fanatics* database provide their work email addresses as opposed to their personal email addresses in order to receive correspondence from *Fanatics* (C. Mitchell, personal communication, January 16, 2015). This means that many people would not have received the mail until they were back in the office. Secondly, once they got back from their holidays, the offer would have expired as it was for a limited period only (17-24 December 2014) and this could definitely impact negatively on customer satisfaction as they could feel as though they have lost out on good deals and discounted offers.

Nonetheless, considering these difficulties and low open rates for the mailer, the discounted offer proved successful. This is a significant finding considering that the open rate for this mailer was approximately only 2% (C. Mitchell, personal communication, February 5, 2015). The average industry standard open rate for mailers in the media and publishing industry is 20-23% (Chaffey, 2015; The Rocket Science Group, 2015 & Campaign Monitor, 2015). For a mail campaign which only had a 2% open rate to generate sales for another company which averaged 38% of their total sales for 10 products in a week when many people were away, is a significant finding. These kinds of mailers, when sent at the right time so that open rates are increased, have the potential to bring in greater sales figures for publishers and *Fanatics* alike.

Thus, publishers could benefit from partnering with *Fanatics* and they should be in partnership as they will make more sales and apart from the sales, they will receive free marketing and publicity which has

the potential to be far reaching through doing discounted deals like these. The key to successful partnerships with *Fanatics* is knowing when to send the mailer and which books to include. *Fanatics* could also benefit from this kind of partnership with publishers as their members will be getting what they want; more discounts, more rewards and good savings. This will result in a more successful and better rewards programme and it will increase sales and customer satisfaction.

5.7. Conclusion

According to most studies, the predominant reason that people join rewards programmes is so that they can receive rewards followed by secondary reasons such as invitations to events, access to competitions and also for status (Kim et al, 2013; Humby & Hunt, 2003 & Wirtz et al, 2007). These reasons are also the predominant reasons of the respondents of both groups in this study. The benefits that members receive can also be linked to the level of tier in which they are categorised. Discount-led, points-led and information-led currencies usually apply to all members, starting at the lowest tier to the highest tier but privilege-led currencies which relate to status, usually only apply to members of the highest tier as it is linked to their level of spend (Humby & Hunt, 2003, p. 30). The more one spends, the more benefits are earned and the more prestigious they are likely to be.

The empirical data shows that most members of both sample groups purchase fiction titles followed by non-fiction. This finding can be generalised to the *Fanatics* population as a whole (as they also purchase mostly fiction followed by non-fiction using their rewards) but not to the South African book-buying market. The latest annual book publishing business economic report states that the most popular genre being bought in South Africa in 2013 was local non-fiction at 3 001 000 titles, followed by international fiction at 2 629 000 titles (Struik & Borgstrom, 2014, p. 49). The five most popular genres that are bought by members using their rewards is trade paperback fiction, followed by paperback fiction, local non-fiction, cookery and then biographies. The most popular title that is bought using rewards from 2014 to date by members of *Fanatics* is *Real Meal Revolution* by Tim Noakes (C. Mitchell, personal communication, January 22, 2015). The latest figures from Exclusive Books shows that there was a redemption rate of rewards of 58.14% in the second quarter of 2014 and an overall average redemption rate of 60% (C. Mitchell, personal communication, January 19, 2015).

It is essential to establish the difference between loyalty and retail loyalty as a minor handful of respondents stated when expressing their preferences between the terms *loyalty programme* and *rewards programme*. *Fanatics* has established itself as a rewards programme and it needs to be clear that the programme is about rewarding their members as opposed to demanding loyalty from them. People may choose to be loyal and as some respondents have stated, they will choose whether or not to be loyal after they have received their rewards and if they feel the rewards are fair. There is a split in the preference of the terminology, with Group 1 expressing a preference for the term *rewards*

Data Analysis

programme and Group 2 expressing a preference for the term *loyalty programme*. A true and reliable conclusion cannot be reached as to the reasons for these preferences as many of the respondents chose their preferences based on what sounds better to them or based on the term with which they are most familiar. Further research is needed to establish the reasons for peoples' preferences in the terms and the connotations and meanings of the terminology because theory in this area is lacking.

Fanatics should introduce a social initiative as there is a high percentage of people who claim that they would support it by swiping their cards more often. *Fanatics* already has a high level of swiping so they should not expect a significant increase in their swipe rates but they can be hopeful that people who no longer bother to swipe their cards may start swiping it again as they will have a motivator in the form of a social cause. *Fanatics* also needs to be aware that customers' attitudes could be influenced by the type of social initiative that they implement. Therefore as Becker-Olsen et al (2006, p. 47) explain, it is essential that there is a high degree of fit between the programme and the social initiative. It is recommended that should *Fanatics* introduce a social initiative, it has to be in line with reading or the promotion of reading, which is why donating an amount per swipe to the Reading Trust would be a viable and successful option. Furthermore, introducing a social initiative can contribute towards a better rewards programme as *Fanatics* will have the potential to analyse the purchase behaviours of more members, thus targeting their marketing efforts more effectively. In turn, members will be happy to receive communication and information that they are interested in and the rate of customer satisfaction could increase, resulting in a more successful programme.

It is a significant finding that a mailer which had an open rate of approximately 2% managed to generate sales totalling an average of 38% of the total sales for ten products within the period of a week for Pan Macmillan. This is even more important considering that the average industry open rate for mailers in the media and publishing industry is 20-23%. The partnership between *Fanatics* and publishers could be even more successful should the open rates be increased. These rates could be increased by sending the mailers at the right time of year when people are in the office, choosing the product carefully and targeting it properly. Further to this, the sales figures of the books would rise and publishers would get publicity and marketing for their books for a very low cost and minimum effort. The members of *Fanatics* would be happy and express a higher level of attitudinal and behavioural loyalty as they would be receiving the benefits which they are most after – discounts, followed by free books and invitations to events and book launches. It is essential to keep the members happy as positive word of mouth and trust in the programme is what will promote it and the products. This too, like the implementation of a social initiative, will result in high satisfaction rates and a more successful and better rewards programme.

Chapter 6: Findings and Conclusions

This chapter will present the findings and conclusions of this study which are largely based on the empirical data obtained through the questionnaires and the interview and on the theories in the literature review. Further to this, the limitations and recommendations from this study will be expressed and the implications for theory, for *Fanatics* and publishers and future research will be presented.

6.1. Conclusion of the Study

6.1.1. Why Join *Fanatics*?

This study found that the reasons people join *Fanatics* is in line with what established theory states about the predominant reasons that people join rewards programmes. These reasons are presented largely in categories such as benefits and currencies, which this study has shown to be the same thing. Reasons for joining include receiving benefits which are either utilitarian (monetary-related), hedonic (entertainment and competitions) or symbolic (socially-related, recognition and status) in nature (Kim et al, 2013, p. 95). These benefits are the same as currency, which Humby and Hunt (2003, p. 30) discuss, because discount-led and points-led currencies are the same as utilitarian benefits, information-led currency is the same as hedonic benefits and privilege-led currency is the same as symbolic benefits.

Furthermore, most of the respondents in this study showed a significant preference for joining the programme in order to receive rewards or benefits of a utilitarian nature and they prefer hard benefits as opposed to soft benefits. Hard benefits are largely tangible and include cash-back rewards, discounts, vouchers and gifts (Kim et al, 2013, p. 99). All of the respondents of Group 1 who are members of *Fanatics* stated that they joined because they wanted rewards and 53% of Group 2 stated that they joined for rewards. Secondary to the rewards, Group 1 joined for invitations to events followed by information about products and Group 2 joined for information about products followed by invitations to events. This finding is not surprising and there are no interesting trends which stand out as the results of the empirical data are parallel to established theory.

Conclusions drawn from the empirical data and theory regarding the reasons for joining *Fanatics*.

- Most people join *Fanatics*, and rewards programmes in general, in order to receive rewards and to save money.
- Secondary reasons include joining for information about events and products, competitions, recognition, status and a sense of inclusion.

Findings and Conclusions

6.1.2. What do People Purchase with their Rewards?

Most of the respondents of both groups purchase fiction, followed by non-fiction using their rewards. This is also true for the rest of the *Fanatics* database. Most of the database purchases trade paperback fiction, followed by paperback fiction, local non-fiction, cookery and then biographies (C. Mitchell, personal communication, January 22, 2015). This is in contrast to the rest of the South African book-buying market who mostly purchase local non-fiction, followed by international fiction (Struik & Borgstrom, 2014, pp. 50-51). This is an interesting finding as local non-fiction is the most popular genre in South Africa but it is the third most-popular genre for Exclusive Books, which suggests that many people are buying their local non-fiction elsewhere.

The most popular item to be bought by the members of *Fanatics* using their rewards in 2014 to date is *Real Meal Revolution* by Tim Noakes (C. Mitchell, personal communication, January 22, 2015). Over the period of one year, June 2013 to June 2014, an average rate of 60% of the rewards which were issued were claimed by *Fanatics*' members (C. Mitchell, personal communication, January 19, 2015). PricewaterhouseCoopers (2013, p. 2) explains that 2-10% of the amount a customer spends goes towards the funding of rewards programmes. They also state that the objectives of rewards programmes is to maintain a balance between its revenue and costs (PwC, 2013, p.1).

Conclusions drawn from the empirical data and theory regarding what people purchase using their rewards.

- Most of the respondents from both groups and most of the *Fanatics* database spent their rewards on fiction followed by non-fiction.
- The most popular genre in the South African book-buying market is local non-fiction followed by international fiction.
- An average of 60% of the rewards issued to members by *Fanatics* during June 2013 to June 2014 were claimed.
- Tim Noakes' *Real Meal Revolution* is the most popular item being purchased using rewards.

6.1.3. Loyalty Programme or Rewards Programme?

There was a split in preference between the two groups regarding the terminology. Most of Group 1 expressed a preference for the term *rewards programme* but most of Group 2 expressed a preference for *loyalty programme*. Many of the respondents who prefer *rewards programme* are of the opinion that such a programme is about receiving rewards as opposed to being loyal first and foremost. Many of those who prefer the term *loyalty programme* are of the opinion that these programmes are about loyalty and showing support to the brands and to the stores and then it is about getting rewards. However, from the qualitative part of this question, the empirical data suggests that most of the respondents in both

Findings and Conclusions

groups chose a term without thinking critically about each term's connotations. They chose a term based on the way it sounds or on the literal sense or implications of the term.

A small handful of respondents understood the connotations of each term and explain how loyalty programmes almost demand that the member is loyal and they explain that people cannot be loyal to a company or store, but they can be loyal to family, friends or other people. This idea is evident to Humby and Hunt (2003, p. 9) as they differentiate between the term *loyalty* and *retail loyalty*. Cameron Mitchell agrees that the term *rewards programme* is more appropriate as it does not demand that the member be loyal, rather, it gives them the choice to be loyal (C. Mitchell, personal communication, January 16, 2015). It is also important to note that it is rare that people will remain loyal to just one retailer. They will buy from other retailers should they be getting a better deal, especially because they expressed a strong interest in receiving discounts and cash back.

Conclusions drawn from the empirical data and theory regarding the terminology *loyalty programme* and *rewards programme*.

- There is a difference in loyalty and retail loyalty, but this is only recognised by a small minority of respondents.
- Not all members understand the connotations of each of the terms and chose their preferences based on the way the terms sound or what they think each term refers to in a literal sense (i.e. Rewards programme = receiving rewards; Loyalty programme = being loyal).
- *Fanatics* is a rewards programme.
- There appears to be no link between the reasons that people join rewards programmes and the terminology that they prefer when referring to the programme but further research in this field and the terminology, its meanings and connotations needs to be done.

6.1.4. Should *Fanatics* Introduce a Social Initiative?

It is highly recommended that *Fanatics* introduce a social initiative to their programme. The empirical data suggests that it will be successful but not all members will make more of an effort to swipe their cards. 52% of Group 1 are not interested in such an initiative, whereas 48% of them are interested. 60% of Group 2 would support a social initiative with Exclusive Books. *Fanatics* already has a high swipe rate so their percentage of swipes will only increase by 2-5% (C. Mitchell, personal communication, December 11, 2015). However, it would be beneficial for *Fanatics* to introduce a social initiative as it could motivate customers, who already swipe and those who no longer make much of an effort, to swipe their cards, thus building a stronger customer profile. By doing so, they can learn more about their customers' needs and buying preferences, thus targeting marketing on a more personal and direct level. This could potentially result in more sales, a higher rate of customer satisfaction and a better rewards programme.

Findings and Conclusions

Fanatics would need to introduce an initiative which is of best fit between the programme and the initiative as it will have an impact on the attitudes of the members (Becker-Olsen et al, 2006, p. 47). If they believe that the cause is worthy to be supported and in line with *Fanatics* (i.e. promoting reading, literacy and the donation of books to the needy), they are more likely to take part and to spread positive word of mouth about the programme and the Exclusive Books chain as opposed to if the social initiative is unrelated to reading and books. The members would need to have a choice as to when they would like to swipe their cards to donate to the initiative and when they would like to swipe their cards to earn points for themselves. This could pose logistical problems, so *Fanatics* could introduce a separate card for the Reading Trust which could be swiped instead of the *Fanatics* card when members would like to donate towards the social initiative.

Conclusions drawn from the empirical data and theory regarding the introduction of a social initiative.

- *Fanatics* should introduce a social initiative but they should be realistic about the uptake in terms of the swipe rate, which will be up by 2-5%.
- By introducing a social initiative, *Fanatics* would be building a stronger customer profile and they could then target their marketing more effectively, which could increase customer satisfaction.
- *Fanatics* should introduce an initiative which is of best fit, such as donating to the Reading Trust.

6.1.5. Should *Fanatics* Partner with Publishers?

Publishers should partner with *Fanatics* where possible as it is a relationship from which both parties have the potential to benefit. Publishers will get the opportunity to market and publicise their books easily, the cost implications are minimal (especially when compared to marketing materials and adverts) and minimal effort is required. *Fanatics* will benefit because they will have satisfied members who are more likely to spread positive word of mouth and present an increase in their behavioural loyalty as a result of the discounts they have received. This is good for Exclusive Books and publishers as they have the potential to increase sales.

This kind of partnership is possible, viable and has the potential to be significantly successful as the average percentage of Pan Macmillan's total sales (of 10 specific titles) generated from the mailers which were sent to the *Fanatics* database about a discount on their books was 38% in the period of one week. More interesting than this finding is that this 38% of sales was achieved through minimal effort and an average open rate of only 2% of the mailers because it was in a period of time when most people were on holiday and not receiving emails (C. Mitchell, personal communication, February 5, 2015). The average industry standard for open rates of mailers in the media and publishing industry is 20-23%

Findings and Conclusions

(Chaffey, 2015; The Rocket Science Group, 2015 & Campaign Monitor, 2015). Therefore, if mailers are sent at the right time during the year, there is great potential to increase the sales from 38% as the open rate of the mailers would be greater than 2%.

It is absolutely essential to send out these mailers at the right time in order for the members to take advantage of the deals. They will feel as though they have lost out on a deal if the mailer is sent out at a time when they are not able to receive emails, such as peak holiday seasons. This could have an adverse impact on their attitudinal and behavioural loyalty and the way that they view *Fanatics*.

Conclusions drawn from the empirical data and theory regarding the partnership of *Fanatics* and publishers.

- Pan Macmillan achieved an average of 38% of their total sales for these 10 titles promoted during one week.
- The mailer was sent at a bad time of year so the average open rate for this mailer was only 2%, where the average industry standard open rate is 20-23%. There is great potential for growth.
- It is important to send the mailers out at the right time, taking note of holiday seasons, so that sales are not affected.

6.2. Limitations and Recommendations

There are a couple of limitations in this study, some of which were difficult or impossible to avoid. The first limitation is the sample size in the study. For a programme which has 740 000 members on its database, a total sample size of 71 people is very small and limiting. Generalising this sample's findings to the population proved difficult in some instances where the data could not be obtained from the entire database. For example, it is easy to generalise the findings of the sample to the population in terms of what they purchase using their rewards as the data can be obtained from the sample and compared to the data that is obtained from the database. The challenge is presented when questions are more of a qualitative nature such as the preference in terms of terminology such as *rewards programme* and *loyalty programme*, which cannot be extracted from the database.

The in-store sample was also mostly limited to Johannesburg as this is where the researcher is based. The sales representatives of Pan Macmillan managed to conduct a couple of questionnaires in Pretoria, KwaZulu-Natal and the Western Cape but this contributed to the sample size in a minimal way. The researcher was not present when the questionnaires were conducted so the level, if any, of interviewer bias cannot be established.

Findings and Conclusions

The following points are recommendations for *Fanatics*:

- There are still many people who know nothing about *Fanatics* and they have not heard about it. Perhaps in-store advertising would work in order to make the programme more well-known. Posters could be put up in the stores behind the till points and the staff should be trained to ask people for their *Fanatics* cards and to ask if they would like to apply for one if they don't have one. Working on customer relationship management at all times is key to any programme.
- There are some members who have stated that they have not been receiving communication from *Fanatics*. This could have a negative impact on the programme should negative word of mouth spread and people could start purchasing from other retailers. The empirical data also suggests that some members are having problems with the call centre and with the website. They were not specific about the details of the problems but it is recommended that staff are occasionally reminded about how to deal with difficult customers in a professional way and they need to be reminded about keeping the website up to date and easy to use.
- Most members appear to be satisfied with the programme but it is important to keep analysing the programme and conducting interviews with the members to see if things change over time, if the programme is still proving to be satisfactory to the members, if they are happy with the rewards and how the programme operates in general.
- As has been explained, a better rewards programme could be built by implementing a social initiative and by partnering with publishers and this could also increase the rate of customer satisfaction amongst members.

6.3. Implications

6.3.1. Implications for *Fanatics* and Publishers

Fanatics and publishers should work together to build a stronger rewards programme which could provide more rewards and discounts to the members. When customers are satisfied, they are more likely to stay with the company and continue making purchases and supporting them during events and launches. It is essential to maintain the relationships with the customers and to continue trying to build new ones as this could improve retail loyalty and increase the level of attitudinal and behavioural loyalty in the customer.

Research suggests that it is more profitable to maintain customers than to try and acquire them, but *Fanatics* could still advertise the programme in the stores and train their staff members to acquire members at the till points when the customers are paying. This process of acquiring members does not impact significantly on the costs of the rewards programme. Further to this, the customer call centre needs to put the needs of the customer first and the website needs to always be kept up to date.

Findings and Conclusions

Publishers need to make a selection of titles and provide the content of the mailer to *Fanatics* well in advance so that they can create the mailer and send it out to the database on time. Publishers also need to ensure that they have chosen the right titles and time in the year to send out the mailers so that the open rate is maximised. *Fanatics* could then extract the sales figures and send a report to the publishers so that they can analyse the success of their promotion.

6.3.2. Implications for Theory

This research study aimed to analyse five research questions related to rewards programmes. The area of study involved the reasons that people join, what they spend their rewards on, how they refer to the programme, if *Fanatics* should implement a social initiative and if they should partner with publishers.

Each of these questions generated empirical data which could be compared to the theoretical data that is currently available apart from the terminology used when referring to these programmes. There is very little to almost no theoretical data available which analyses the terms *loyalty programme* or *rewards programme*. There are connotations to the use of each of these terms and there is a reason that *Fanatics* consciously uses the term *rewards programme*. Most of the respondents chose a term which they prefer without critically thinking about this choice and analysing what the terms mean and what they imply. This is possibly one of the major areas of the study where theories could be built in order to create an understanding of the terminology and the reasons that people have preferences for each term.

A secondary area where theory could be built is around the success rate of the implementation of social initiatives to the rewards programmes of book retailers in terms of building a better customer profile and the resultant effectiveness rate of targeted marketing. There is not a lot of theory or data available about this area of study.

6.3.3. Implications for Future Research

This study focusses largely on *Fanatics* because it is the largest and one of the only rewards programmes in South Africa. This is an interesting observation and future research could include:

- Analysing why there are so few rewards programmes in the book industry in South Africa.
- Conducting research with another retail book chain such as Bargain Books or Reader's Warehouse and establishing the reasons they do not have a rewards programme and what it takes in order to implement one.
- Compare the differences in design and operation of a large and a small book retailer's rewards programme. (i.e. *Fanatics* compared to the programme of The Book Lounge).

Findings and Conclusions

- Investigate other successful ways in which publishers could market their books through retailers and their rewards programmes.
- The pros and cons of rewards programmes and how they create and destroy value.

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Appendix A

Reasoning for the Questions in the Questionnaires

Question	Reasoning for Question
Full name, contact number, location, email address, age and gender.	This information is primarily so that the researcher could contact the respondent should the need arise in order to clarify a response and secondarily, the age and gender will help to build a user profile of <i>Fanatics</i> ' programme and help to establish whether there are trends in the data which are predominant amongst certain age groups, genders or provinces. It also forms part of the informed consent on the part of the respondent to take part in this study.
1. Have you heard of Exclusive Books' rewards programme called <i>Fanatics</i> ?	This is to get an idea of how visibly advertised the programme is in store and to analyse if <i>Fanatics</i> needs to improve on their customer acquisition processes. This was only on the questionnaire for Group 1.
2. Are you a member of <i>Fanatics</i> ?	This is to get an idea of how many people in the sample are members of the programme. This was only asked to Group 1.
3. Why did you join <i>Fanatics</i> ? If other, please elaborate.	This is to explore the reasons why people are members of <i>Fanatics</i> and what motivates them to join this programme. It will help to establish if the reasons are the same or different to what the theory suggests about the reasons people join these programmes.
4. What are your reasons for not joining <i>Fanatics</i> ?	This is to establish the reasons why people have not joined and it could possibly provide insight as to how <i>Fanatics</i> can improve on their programme, customer satisfaction rates and customer engagement rates.
5. Are you satisfied with the programme as it is? Yes, because.../ No, because....	This question is to establish if people are satisfied overall and to see what the reasons are for their satisfaction or dissatisfaction so that <i>Fanatics</i> can take the necessary action to continue doing what satisfies the customers and discontinue doing what does not satisfy them. This is to help <i>Fanatics</i> build a better programme.
6. If you have lost interest in the programme, what are your reasons? If other, please explain.	This question will help to establish why customers have lost interest in the programme so that <i>Fanatics</i> can improve, if need be, especially in terms of customer relationship management.
7. How can <i>Fanatics</i> improve so that you have a better experience? <i>Fanatics</i> can....	This question will help to guide <i>Fanatics</i> and provide good ideas, opinions or advice on how they can provide a better experience to their members.
* 8. What should <i>Fanatics</i> continue doing so that you stay on the programme or what should they start doing so that you will join? Continue with.../ Start doing....	This question will establish where <i>Fanatics</i> stands in terms of their rewards, points that are earned and the programme in general. It will inform them on what they should continue doing and what they need to start doing.

Question	Reasoning for Question
9. What do you purchase with your rewards? Please elaborate on your choice (e.g. If non-fiction, specify if business, current affairs, politics etc.)	This question is to analyse what kinds of products people buy using their rewards, to see if they purchase gifts with their rewards, books that are expensive that they usually cannot afford or if they do not use their rewards at all. It will be compared to the data extracted from the <i>Fanatics</i> database to see if these results are generalisable to the rest of the <i>Fanatics</i> population.
10. What kind of rewards would you like to receive? If other, please explain.	This will help to inform <i>Fanatics</i> about their rewards and if they need to continue awarding the same rewards or if they need to re-look at what rewards they should be giving. It will also help publishers as they will know what the members want and if they are able to contribute towards the members' needs or not.
11. Do you prefer the term 'rewards programme' or 'loyalty programme'?	Different people use different terminology when referring to loyalty or rewards programmes. This question will establish if there is a preference for one of the terms and it will help to build on to theory which is currently lacking.
*12. What are the positive or negative connotations of the term you have chosen? Positive connotations.../ Negative connotations....	Having the respondents elaborate on their choice will help to establish if they randomly chose one of the terms or if they chose a term based on an informed decision. Question 11 is not an easy question as there are many connotations, positive and negative, to each of the terms.
13. How can publishers contribute to <i>Fanatics</i> ? Publishers can contribute by....	This question will help to establish if the publishing industry, particularly sales and marketing teams, and/or <i>Fanatics</i> can benefit from each other if they were to partner up with regards to rewards. This way, publishers will be getting marketing or exposure on their books and <i>Fanatics</i> can save some money by getting books sponsored by the publishers as giveaways for members.
14. Are you more likely to swipe your card if <i>Fanatics</i> introduces some kind of social initiative to the programme? For example, for every swipe of your card, <i>Fanatics</i> donates x amount to the Reading Trust.	Many rewards programmes have a social initiative linked to it. It would be interesting to see if <i>Fanatics</i> members would want to use their cards more often if there was a social initiative tied into the programme or if they are indifferent to it. The swipe rate would need to be analysed to establish if there was an increase or not. This could help <i>Fanatics</i> to target their marketing more effectively.

*These questions did not contain multiple choice boxes. They were purely qualitative.

Appendix B

Group 1 Questionnaire – Conducted in-store



Exclusive Books' Fanatics Rewards Programme

Fanatics believes that listening to the opinions of our members is the most important thing we do! We are so pleased to have Danuta Sosnowski assisting us with this in 2014, and we hope you are able to spend a few minutes of your time answering her questions. Your feedback shapes the way the *Fanatics* Programme works – as members, and as customers of Exclusive Books – and I'm extremely thankful for any time you can give to these efforts.

Yours sincerely
Cameron Mitchell
Fanatics



Interviewee Information

This information is being requested so that the interviewer can contact you for any clarification of your responses if necessary. This interviewee information section will not be used by anyone other than the researcher and your details will not be made available to anyone.

Full Name: _____
First Last

Location: _____
Area Province

Contact Number: () _____ Email Address: _____

General Information: _____
Age Gender

Voluntary Information

This information is being requested so that the researcher, Danuta Sosnowski, who is completing her Master's Degree in Publishing at Wits University can obtain relevant and detailed information about Fanatics. This information may be used in the research report but there will be no link to the interviewee, who will remain anonymous.

1. Have you heard of Exclusive Books' rewards programme called Fanatics?

☐ Yes ☐ No

2. Are you a member of Fanatics?

☐ Yes ☐ No

3. Why did you join Fanatics?

- ☐ Rewards (Discounts/Deals) ☐ Information about Events ☐ Information about Products
☐ Other ☐ n/a

If other, please elaborate _____

4. What are your reasons for not joining Fanatics?

- ☐ Not interested in it ☐ I don't normally join rewards programmes ☐ Fatigue (i.e. Too many loyalty programmes out there).
☐ I don't know how to ☐ Other ☐ n/a

If other, please explain _____

5. Are you satisfied with the programme as it is?

- ☐ Yes ☐ No ☐ n/a

Yes, because _____

No, because _____

6. If you have lost interest in the programme, what are your reasons?

- ☐ Too much communication ☐ Too little communication ☐ I forget to use my card
☐ The rewards are too small ☐ No longer interested ☐ Other
☐ n/a

If other, please explain _____

7. How can Fanatics improve so that you have a better experience?

- ☐ I'm happy with Fanatics ☐ n/a

Fanatics can _____

8. What should Fanatics continue doing so that you stay on the programme or what should they start doing so that you will join?

Continue with: _____

Start doing: _____

9. What do you purchase with your rewards?

- | | | |
|------------------------------------|--------------------------------------|--------------------------------|
| ☐ Fiction | ☐ Non-Fiction | ☐ Gifts |
| ☐ Magazines | ☐ Other | ☐ n/a |

Please elaborate on your choice (e.g. If non-fiction, specify if business, current affairs, politics etc)

10. What kind of rewards would you like to receive?

- | | | |
|---|---|---|
| ☐ Percentage Discounts (% off) | ☐ Monetary Vouchers | ☐ Points to get free books |
| ☐ Invitation to Events | ☐ Spend over X, get Y free | ☐ Other |

If other, please explain _____

11. Do you prefer the term 'rewards programme' or 'loyalty programme'?

- | | |
|--|--|
| ☐ Rewards Programme | ☐ Loyalty Programme |
|--|--|

12. What are the positive or negative connotations of the term you have chosen?

Positive connotations _____

Negative connotations _____

13. How can publishers contribute to Fanatics?

- | | | |
|--|--|--|
| ☐ Random Giveaways | ☐ More Competitions | ☐ Invitations to Events |
| ☐ Occasional Discounts on their Books | | |

Publishers can contribute by _____

14. Are you more likely to swipe your card if Fanatics introduces some kind of social initiative to the programme? For example, for every swipe of your card, Fanatics donates x amount to the Reading Trust.

- | | |
|------------------------------|-----------------------------|
| ☐ Yes | ☐ No |
|------------------------------|-----------------------------|

Queries

Thank you very much for taking the time to complete this questionnaire. If you have any questions about this questionnaire or the study, please don't hesitate to contact Danuta Sosnowski on 072 544 8875 or danuta.sosnowski@hotmail.com

Group 2 Questionnaire – Supplied to *Fanatics* for Online Rendition



Exclusive Books' Fanatics Rewards Programme

Interviewee Information

This information is being requested so that the interviewer can contact you for any clarification of your responses if necessary. This interviewee information section will not be used by anyone other than the researcher and your details will not be made available to anyone.

Full Name:

First

Last

Location:

Area

Province

Contact Number:

()

Email Address:

General Information:

Age

Gender

Voluntary Information

This information is being requested so that the researcher, Danuta Sosnowski, who is completing her Master's Degree in Publishing at Wits University can obtain relevant and detailed information about Fanatics. This information may be used in the research report but there will be no link to the interviewee, who will remain anonymous.

1. Why did you join Fanatics?

- ☐ Rewards (Discounts/Deals) ☐ Information about Events ☐ Information about Products
☐ Other

If other, please elaborate _____

2. Are you satisfied with the programme as it is?

- ☐ Yes ☐ No

Yes, because _____

No, because _____

3. If you have lost interest in the programme, what are your reasons?

- ☐ Too much communication ☐ Too little communication ☐ I forget to use my card
☐ The rewards are too small ☐ No longer interested ☐ Other

If other, please explain _____

4. How can Fanatics improve so that you have a better experience?

- ☐ I'm happy with Fanatics

Fanatics can _____

5. What should Fanatics continue doing so that you stay on the programme?

Continue with: _____

6. What do you purchase with your rewards?

- | | | |
|------------------------------------|---|--------------------------------|
| ☐ Fiction | ☐ Non-Fiction | ☐ Gifts |
| ☐ Magazines | ☐ I don't use my rewards | ☐ Other |

Please elaborate on your choice (e.g. If non-fiction, specify if business, current affairs, politics etc.)

7. What kind of rewards would you like to receive?

- | | | |
|---|---|---|
| ☐ Percentage Discounts (% off) | ☐ Monetary Vouchers | ☐ Points to get free books |
| ☐ Invitation to Events | ☐ Spend over X, get Y free | ☐ Other |

If other, please explain _____

8. Do you prefer the term 'rewards programme' or 'loyalty programme'?

- | | |
|--|--|
| ☐ Rewards Programme | ☐ Loyalty Programme |
|--|--|

9. What are the positive or negative connotations of the term you have chosen?

Positive connotations _____

Negative connotations _____

10. Are you more likely to swipe your card if Fanatics introduces some kind of social initiative to the programme? For example, for every swipe of your card, Fanatics donates x amount to the Reading Trust.

- | | |
|------------------------------|-----------------------------|
| ☐ Yes | ☐ No |
|------------------------------|-----------------------------|

11. How can publishers contribute to Fanatics?

- ☐ Random Giveaways ☐ More Competitions ☐ Invitations to Events
- Occasional Discounts on their
- ☐ Books

Publishers can contribute by _____

Queries

Thank you very much for taking the time to complete this questionnaire. If you have any questions about this questionnaire or the study, please don't hesitate to contact Danuta Sosnowski on 072 544 8875 or danuta.sosnowski@hotmail.com

Group 2 *Fanatics'* online rendition using Google Forms



Exclusive Books - Fanatics Reward Programme

Brief Survey to understand whether the Fanatics Programme still satisfies the needs of members.

Member Information

Your personal information is only requested so that the researcher can contact you for any clarification of your answers. It will never be used for any other purpose.

Title

First Name

Surname

Location - Province

Location - Area

Contact Number

This is for the researcher. None of your details were shared with the researcher

Email address

This is for the researcher. None of your details were shared with the researcher

Age

Gender

Continue »



50% completed

Questions about the programme

Why did you join Fanatics?

We hope that Fanatics offers a number of benefits - but what was the key benefit that drove your choice to join the programme?

- ☐ Information about Events
- ☐ Information about New Books
- ☐ Rewards
- ☐ Other:

Are you satisfied with the programme as it presently operates?

Please feel free to add your comments.

- ☐ Yes
- ☐ No
- ☐ Other:

If you believe you have lost interest in the programme, what are your reasons?

- ☐ Too much communication
- ☐ Too little communication
- ☐ I forget to carry my card
- ☐ The rewards are too small
- ☐ No longer purchase books
- ☐ Other:

How can Fanatics improve so that you have a better experience?

- ☐ I'm happy with Fanatics
- ☐ Other:

What do you believe Fanatics should focus on doing for you as a customer?

What do you normally purchase with your rewards?

- ☐ Fiction
- ☐ Non-Fiction
- ☐ Gifts
- ☐ Magazines
- ☐ I don't use my rewards
- ☐ Other:

If you are a Non-Fiction buyer - what are you most interested in?

^

v

What kind of rewards would you like to receive?

- ☐ Percentage Discounts (% off)
- ☐ Monetary Coupons
- ☐ Points to get free books
- ☐ Exclusive Invitations to Events
- ☐ Spend over X, get Y free
- ☐ Other:

If you preferred another type of reward, please tell us about it.

^

v

Which do you prefer?

- ☐ REWARDS Programme
- ☐ LOYALTY Programme

Why do you prefer this term?

^

v

How important do you believe a social responsibility initiative is.

If you had the option to donate your points to a charitable organisation instead of receiving coupons.

- ☐ I'd make sure to present my card. I love the idea.
- ☐ I'd prefer to get my rewards.
- ☐ I'd like to donate a part of my rewards

If publishers contributed to Fanatics what would you most like them to do?

- ☐ Random Giveaways
- ☐ More Competitions
- ☐ Invitations to Publisher Events
- ☐ Occasional Discounts on their books
- ☐ Other:

« Back

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100%: You made it.

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Appendix C

Pan Macmillan and *Fanatics* Mailer - Adults



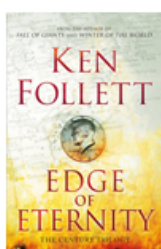
Dear Mrs Mitchell,

Fanatics is always on the lookout for the best value deals for members, and this offer is no exception!

For a limited time only, we are pleased to present a FANATICS price on the below listed titles – fresh in store, and with a massive R40 off each one. In addition you will earn your regular points.

Stock is limited, and this is strictly a member only offer – so please remember to present your card at the beginning of your purchase.

Offer runs from 17th December 2014 until 24nd December 2014, in partnership with Pan Macmillan Publishers.



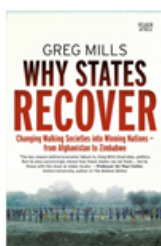
Edge of Eternity
by Ken Follett

The epic final volume in the Century Trilogy following on from the sweeping tale developed in *Fall of Giants* and *Winter of the World* detailing the fight for individual freedom in a world gripped by the mightiest clash of superpowers anyone has ever known.



What I Know For Sure
by Oprah Winfrey

The inspirational wisdom of Oprah Winfrey collected for the first time in a beautiful keepsake book.



Why States Recover
by Greg Mills

Why States Recover incorporates first-hand interviews with leadership to disaggregate various state failures and identify instance of recovery – while answering a key question: what role is there for insiders and outsiders?



Behind the Door
by Mandy Wiener and Barry Bateman

Bestselling author Mandy Wiener teams up with Eyewitness News reporter Barry Bateman to deliver a well-researched and fascinating account of the Oscar Pistorius and Reeva Steenkamp story – full of exclusive interviews.



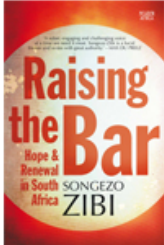
The Texture of Shadows
by Mandla Langa

The Texture of Shadows explores a world of hardened guerrilla fighters, corrupt police officers, ex-political prisoners and the victims of abuse of a system of bannings and beatings.



Saving Grace
by Jane Green

The latest offering from international bestselling author Jane Green tells the tale of a shattered marriage and a devastating betrayal.



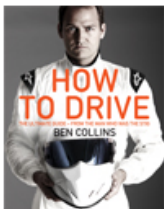
Raising the Bar
by Songezo Zibi

A fresh, unencumbered analysis of the topics that pervade our daily lives, including race, leadership, politics, government, violence, the position of women and the taboos that haunt us as South Africans.



The Missing Piece
by Kevin Lings

Explores various aspects of the South African economy over the past 20 years – what has worked and what has fallen short. It also looks into the next 20 years to see what needs to be done in order to put together the four pieces of our economy that will allow us to complete the puzzle and place South Africa on a higher potential growth path.



How to Drive
by Ben Collins

The ultimate guide to being the best driver you can be, by the man who was The Stig from BBC's internationally acclaimed *Top Gear*.

 **Want to unsubscribe?**
Please [click here](#) to unsubscribe.

 **Lost your Fanatics card?**
Please visit any Exclusive Books Store and request a replacement card at a charge of R20.00, quoting your membership number which is: 17225

 **New e-mail address?**
If so, please send an e-mail to info@fanatics.co.za with your membership number in the subject field and your new address details in the message area.

1 [Check your Fanatics points on Exclusives.co.za](#)
For more information on how to set it up, [click here](#).

Follow us:




You are receiving this mail because you registered with us as a member and have given us permission to send our communications to your email inbox.

Pan Macmillan and *Fanatics* Mailer - Children





*Unlimited Gruffalo
limited time*
17 Dec to 24 Dec

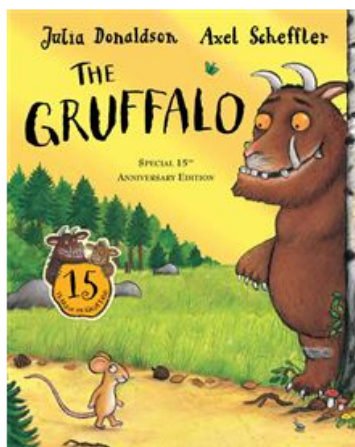
Fans, followers and friends of *The Gruffalo* will be leaping in excitement now that the birthday version of the classic is available.

For a limited time only, we are pleased to present a FANATICS price on this 15th Anniversary Edition of *The Gruffalo*. Take R30 off the normal price and still earn your normal points.

Stock is limited and this is strictly a members only offer - so please remember to present your card at the beginning of your purchase.

Offer runs from 17th December 2014 until 24th December 2014, in partnership with Pan Macmillan Publishers.

Offer valid in-store only.



***The Gruffalo* 15th anniversary edition**

Happy Birthday, *Gruffalo*!

A new, limited edition of *The Gruffalo*, the nation's favourite picture book.

Fifteen years after it was first published, the award-winning story of a clever little mouse outwitting the creatures of the deep dark wood continues to delight children and adults the world over. Created by Julia Donaldson and Axel Scheffler, the most successful picture book partnership ever, and translated into over fifty languages, *The Gruffalo* is a genuine modern classic.

Join in the *Gruffalo*'s birthday celebrations with this new edition, which comes complete with exclusive bonus content, including early drawings from Axel's sketchbook, some of which have never been seen before, and a new specially written foreword from Julia herself.

Look out for *The Gruffalo's Child* tenth anniversary limited edition!