



## Participating in Retail Loyalty Programs: Tertiary Students Perceptions in an Emerging Economy

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### Abstract

*South African tertiary students outspend the average individual in the country, making the student segment a valuable market for retailers. Retailers often turn to relationship marketing by implementing loyalty programs for competitiveness. However, most existing research focuses on the post-enrolment of loyalty programs. Scant research exists on the factors influencing initial loyalty program participation. To close the research gap, this study investigated the perception of 299 students on the influencing factors of their involvement in loyalty retail programs. A descriptive research design with a quantitative approach was adopted, using convenience sampling. The acquired data was analysed using the latest SPSS software. The findings indicate that immediate discounts on specific items, the flexibility to use loyalty cards across numerous outlets, unlimited benefit duration, and immediate rewards are essential for students. This study adds useful insights by advancing knowledge on retailers' improvement in the effectiveness and engagement of their loyalty programs among student customers, potentially reducing customer switching to other merchants. The study adds new knowledge to relationship marketing by providing practical guidance for retail practitioners aiming to enhance loyalty as well as achieve loyalty program involvement among tertiary students.*

**Keywords:** Emerging Economy, Perceptions, Programs, Retail Loyalty, Tertiary Students.

### Introduction

The concept of loyalty and its conceptualisation have been a subject of debate among marketing researchers for over 60 years (Watson, Beck, Henderson & Palmatier, 2015). For

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instance, Keller (1993) views customer loyalty as a favourable attitude toward a retailer while other researchers concur that a comprehensive definition of loyalty necessitates the inclusion of two dimensions, that is attitude and behaviour (Leenheer, Van Heerde, Bijmolt & Smidts, 2007; Kreis & Mafael, 2014; Tanford & Malek, 2015; Rowley, 2005). Similarly, Dick and Basu (1994) propose that attitudinal loyalty is associated with emotional commitment and high levels of trust in a corporation. Behavioural loyalty, on the other hand, refers to a purchasing intention that includes trust and emotional connection to a brand. In contrast, behavioural loyalty refers to purchasing intentions, actual repeat purchases, and favourable word-of-mouth promotion (Tanford & Malek, 2015).

In addition, retailers are increasingly providing competitive rates, comparable promotions, and products in the current competitive environment (Morgan, Parish & Deitz, 2015). Retailers are driven to create enduring customer relationships in order to stand out from the competition and increase customer value. One method of remaining competitive is to implement lucrative loyalty programs among customers. Although the amount of research on loyalty programs has increased significantly, the majority of the extant studies have concentrated on post-enrolment factors. However, little is known about the variables that affect regular participation in the existing loyalty program involvement. Few studies have examined the factors that may influence loyalty program membership among South African university students, a group with substantial purchasing power in the nation's retail sector (Marketing Spread, 2018; Student Village, 2017; Where to Bank, 2016). Morgan et al. (2015) claim that loyalty programs have become preferred to raise sales. Meyer-Waarden (2015) maintain that the most popular benefits of having a loyalty program include customer advocacy, increased share-of-wallet, reduced costs on advertising, building relationships, and increased customer lifetime value. Additional benefits of loyalty program usage, include obtaining customer information, building better customer relationships, increasing repeat-purchase rates, and customer retention (Zaki, Kandeil, Neely & McColl-Kennedy, 2016). Although the increase in younger consumers' involvement with loyalty programs seems to have gotten less attention, it is noteworthy that South Africans have utilised loyalty programs more frequently in overall (Nielsen, 2016).

Literature on loyalty programs' is still fragmented, both from a negative and positive perspective, leaving room for further empirical studies (Leenheer et al., 2007; Kwiatek et al., 2018; Liu & Yang, 2009). This study aims to advance existing knowledge by expanding the understanding of what neoteric factors influence student-customer participation in the context of loyalty programs in an emerging market retail environment. The researchers have heeded the call for further research in the realm of loyalty programs to be conducted and make an important contribution to the loyalty programs literature from the identified gaps in several extant studies (Banik, Gao & Rabbane, 2019; Kim, Shi & Srinivasan, 2001; Liu & Yang, 2009; Yi & Jeon, 2003). Furthermore, developing a new theory contribution that emanates from well-established literature suggests that consumers are not similar, locally, continentally, and globally (Schwartz, 1999; Keillor, D'Amico & Horton, 2001). Therefore, the question addressed in this study is:

RQ1. *What aspects of tertiary students' perceptions affect their willingness to actively participate in retail loyalty programs?*

### **Loyalty and Loyalty Programs**

Loyalty is important in gaining and retaining a competitive advantage in a business-to-consumer (B2C) model (Yilmaz, Ari, & Gürbüz, 2018; Islam, Ahmed, Rahman, & Al Asheq, 2021). According to Cossío-Silva, Revilla-Camacho, Vega-Vazquez, and Palacios-Florencio (2016), loyalty's attitudinal and behavioural characteristics provide a potential reward for competitiveness. As a result, firms should strive to acquire loyal customers. According to the proposition of this study, loyal consumers can be obtained and retained by implementing effective loyalty programs. Liu and Yang (2009) defined loyalty programs as a long-term marketing technique that involves customers accumulating some type of points and exchanging the accumulated points for rewards (monetary or non-monetary). Kwiatak, Morgan and Baltezarevic (2018) defined loyalty programs as an organisation's structural effort to build attitudinal and behavioural bonds among its customers through various loyalty-oriented best practices. Whereas Meyer-Waarden (2015) as well as Morgan et al. (2015) defined a loyalty program as a structured and rule-based program designed by a company, business, or retailer to reward users for their loyal buying behaviour. In this study, the researchers believe that loyalty programs resultantly lead to relationship building between the retailer and the customer (student), eventually developing customer loyalty. The researcher's claim is supported by Kang, Alejandro, and Groza (2015), who opined that customers' strong preference for loyalty programs increases their loyalty toward the organisation offering the loyalty program. Mimouni-Chaabane and Volle (2010) concur with the researchers of this study by pointing out that investment in loyalty programs results in a stronger customer and organisation relationship. Loyalty programs are designed to drive repeat purchase behaviour in various markets or contexts (Bolton, Kannan & Bramlett, 2000; Lewis, 2004; Liu & Yang, 2009) and generate customer loyalty (Yi & Jeon, 2003).

Septianto, An, Chiew, Paramita, and Tanudharma (2019), as well as Blattberg, Kim, and Neslin (2008) maintain that customer tier programs and frequency reward programs are the two predominant loyalty program structures. Customer tier programs intend to encourage customers to buy a certain number of products at a certain price, then collect a certain number of points, and thereafter, stand a chance to qualify for a tier (Septianto et al., 2019). Frequent reward programs encourage customers to buy a certain number of products, then collect a certain number of points, and thereafter get some rewards. Though both types of loyalty programs are lucrative to attract and retain customers, there is no conclusion on the conditions under which the loyalty program structures can be more effective among participating students, who happen to be the largest cohort beneficiaries in an emerging market such as South Africa (Student Village, 2017). More so, extant literature seems to show that there is still a limited understanding of the contextual factors that influence the conditions under which student participation in loyalty programs is imperative and a driver of customer loyalty in the retail sector in an emerging market. Several companies recognise the advantages of implementing loyalty programs. However, they may experience challenges in determining how to effectively implement the different types of loyalty programs among

different consumer cohorts, specifically in the retail sector, whereby retail loyalty programs experienced a 15% increase in customer loyalty from 2016 to 2017 (Colloquy, 2017). Canada has the greatest participation rates in retail reward programs globally, with 85% of its citizens using numerous loyalty programs (Corbishley, 2017). South Africa, The United States of America (U.S.A), and New Zealand are closely behind with 84% (Marketing Spread, 2018). The U.S.A. has over 3.8 billion loyalty program memberships spanning all sectors, with the retail sector accounting for 1.6 billion memberships (Colloquy, 2017). According to estimates, the U.S.A loyalty program market was worth around \$47 billion and \$55 billion in 2018 regarding company spending (Venugopal, 2019). South African retailers have been slowly catching up with their global counterparts in terms of total membership count, according to Truth's (2017).

Since the adoption of loyalty programs continues to grow annually, numerous studies investigated the associated benefits of loyalty program adoption (Liu, 2007; Rust, Zeithaml, & Lemon, 2000; Wirtz, Mattila, & Lwin, 2007), though studies are lacking in providing empirical support for factors influencing student-centric loyalty program participation (Beck, Chapman, & Palmatier, 2015; Pick & Eisend, 2016; Yang, Chan, Yu, & Fock, 2019). Yet students are a lucrative audience to attract and convert in loyalty program uptake (Student Village, 2017).

### South African Retailers and Loyalty Programs

The retail trade industry is highly competitive in South Africa, with many retailers turning to loyalty programs to retain customers and increase customer loyalty (Demoulin & Zidda, 2008). Another reason retailers turn to loyalty programs is the increased use of loyalty programs among consumers (PWC, 2023). In 2013, an estimated 10 million South Africans participated in at least one of the 70 to 80 loyalty programs in operation (PWC, 2023). Table 1 shows South Africa's top five retail groups majorly contribute to the retail trading industry revenue.

Table 1: 2023 Retail Trade Sales by Retail Type at Current Pricing

Type of Retailer	Percentage (%)
General dealers	45.8
Textiles, clothing, footwear and leather goods	16.9
Tobacco, food, and drinks in specialty shops	8.2
Glass, paint, and hardware	7.9
Pharmaceuticals and medical goods, cosmetics and toiletries	7.6
Household furniture, appliances and equipment	3.9
All other retailers	9.7
Total	100.00

Source: Statistics South Africa (2023)

The programs with the most participating loyalty card members fall into one of the following categories: general dealers, retailers in pharmaceutical and medical goods, cosmetics and

toiletries, or retailers in textiles, clothing, footwear, and leather goods (Treasury, 2023). The breakdown of South Africa's retail trade sales by retailer category for 2023 is shown in Table 1. General dealers account for 45.8% of all retail trade sales, making them the dominant force in the retail and trade sector (Statistics South Africa, 2023). Due to their dominance in the sum of general dealer stores, general retailers have significant sales. They are consequently important actors in the retail trade sector in South Africa (Provincial Treasury of the Republic of South Africa, 2023). Textiles, clothing, footwear, and leather retailers made up the second-largest share of the trade sales at 16.9%, while the lowest emanated from household furniture, appliances, and equipment, with only 3.9% (Statistics South Africa, 2023).

In this study, we focussed on retailers with established and widely adopted loyalty programs by students as the targeted population of interest. The reason is, in practice, retailers misapply loyalty programs as they inadvertently and universally use loyalty programs similarly across all customers, yet customers are not equal and cannot be treated as homogenous beings (Mattison Thompson & Tuzovic, 2020). We considered retailers that significantly contribute to the South African economy through retail and trade sales. The key players include Dis-Chem, Pick n Pay, Woolworths, The Foschini Group, Clicks, and Edgars.

## **Literature Review**

Several organisations opt for loyalty programs to build relationships with customers and retain loyal customers to create a much-needed competitive advantage (Morgan et al., 2015). Loyalty programs are a useful technique to build customer relationships and ultimately retain loyal customers. Reflecting on earlier discussions, the literature review provides the theoretical and conceptual underpinnings of this study.

### ***Theoretical and Conceptual Background***

#### ***Relationship Marketing***

Relationship marketing is defined as a marketing strategy aimed at long-term relationships with customers to encourage ongoing patronage and, ultimately, loyalty (Burrow & Fowler, 2015). This approach gained traction during the economic recession of the 1980s, characterised by rising interest rates and inflation coupled with stagnant economic growth (Morgan et al., 2015). Instead of focusing on single, isolated transactions, marketing efforts have evolved to prioritise a long-term view of relationships with customers (Du Toit, 2012). This change emphasises the importance of investigating the advantages of enduring connections, devoted clients, and purposeful customer partnerships. Building lucrative, long-lasting relationships with clients, improving customer retention, maximising customer lifetime value, and encouraging customer loyalty are the main goals of relationship marketing (Christopher et al., 2013; Jamal et al., 2015). Supporting this strategy is the economic principle that acquiring new customer can be five to seven times more expensive than maintaining an existing one (Chou & Hsu, 2016; Proctor, 2014). Kuhn (2016) opines that retailers are increasingly implementing loyalty programs as a method of effectively practicing relationship marketing. To successfully implement relationship marketing, three guidelines are crucial (Berry, 1995). The three guidelines for successfully implementing relationship marketing as shown in Figure 1, include: targeting profitable customers, practicing multiple

levels of relationship marketing, and utilising technology as an alternative to mass marketing (Berry, 1995; Morgan et al., 2015).

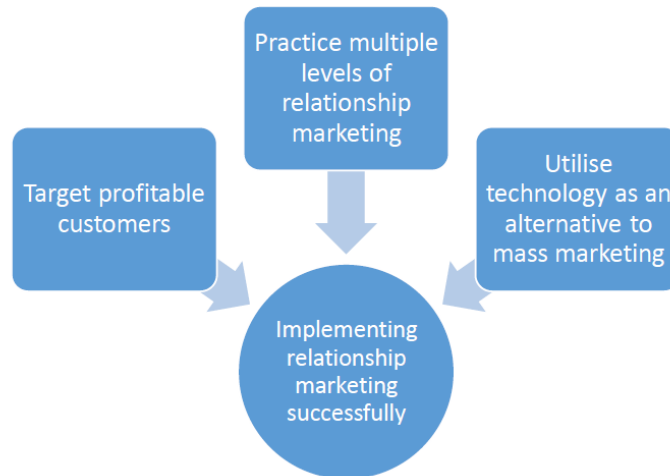


Fig. 1: Guidelines for Implementing Successful Relationship Marketing Strategies  
Source: Morgan *et al.*, (2015:21)

First, by identifying potential new customers, retailers can determine which of its present customers are loyal and what they value (Morgan et al., 2015). Second, relationship marketing should be implemented at several levels, both financially and socially. The second recommendation encourages offering financial incentives, like a discounted price or incentives, to foster loyalty. However, social engagement should be used to foster loyalty to establish a lasting relationship with customers. Effective engagement includes forming personal connections with consumers through direct and individualised communication such as addressing a customer by name (personalisation), maintaining consistent communication, and allowing customers to interact with the same staff member across different transactions (Morgan et al., 2015). Social ties can make customers more tolerant of poor service, even while they cannot replace subpar core products or foster loyalty. Attaching the customer to the retailer through the operational design of the service and the product itself is the third relationship marketing tenet. The use of technology as a substitute for mass marketing is highlighted as the third guideline. Hence, marketers should leverage technology to reduce the costs of learning about client preferences to deploy relationship marketing successfully. Utilising technology to monitor consumer purchase patterns, customising and enhancing communications, and developing personalised pricing and marketing plans are all methods to cut expenses (Morgan et al., 2015). Since one theory cannot provide a holistic view to address the research problem, this study incorporated the Equity theory, which is elaborated on in the subsequent section.

#### *Equity Theory and Loyalty Programs*

De Wulf et al. (2013) propose that the Equity theory is a fundamental motivational theory developed in 1965 and remains influential in understanding the factors that may affect customers' participation in loyalty programs. Originally developed for the field of industrial



and organisational psychology, the theory, as proposed by Adams (1965), posits that parties in transactional relationships assess the balance between their contributions (perceived inputs) and the rewards they receive (perceived outputs). For instance, a worker provides services (the perceived input) in return for pay (the perceived output). According to the definition of "perceived," the worth of the inputs and outputs is arbitrary, decided by the person supplying them, and may not always be equally valued by the other party to the transaction.

It is crucial to understand that because the components of the transaction are interrelated and dependent on perception, they cannot be rigidly categorised as inputs or outputs. One or both parties can feel that the exchange is unjust in any exchange relationship. Feelings of being undervalued or over-rewarded can result from this perception of imbalance between what is provided (perceived inputs) and what is received (perceived outputs), inciting resentment or rage. Perceived inequity could prompt either parties to change their behaviour to adjust their contributions, potentially leading to doubt and distrust in the exchange relationship. In contrast, when both parties in an exchange relationship believe that their contributions and rewards are equitable, they experience satisfaction, known as equity (Adams, 1965). The relationship is based on trust that both people care about each other's welfare and won't take advantage of one another, which is fostered by a feeling of equity. Compared to other circumstances, the equity theory—also known as the principle of social justice—assists in determining whether a condition is fair, just, or acceptable (Corbishley, 2017). De Wulf et al. (2013) point out that understanding the exchange mechanism enables behaviour prediction.

The Equity theory can be applied to determine what elements might encourage customers to join loyalty programs (De Wulf et al., 2013; Corbishley, 2017). A reciprocal connection is established when a customer joins a loyalty program, in which the provider and the participant exchange value (input) in the hope of receiving something in return (output). In anticipation of the benefits of a loyalty program, the participant puts effort into the program and provides private details such as contact data. In addition to providing program benefits, the program provider anticipates long-term relationship benefits (De Wulf et al., 2013). Steyn et al. (2010) warn that a loyalty program's success in one nation could not be the same in another. Adopting Equity Theory as a framework to investigate the characteristics that motivate South African tertiary students to participate in loyalty programs, the current study sought to expand on the work of De Wulf et al. (2013).

Expanding on earlier studies, De Wulf et al. (2013, p. 73) found that program benefits—which can be hard, soft, immediate, or delayed—are important motivators for customers to join loyalty programs. Previous studies show that other structural elements of a loyalty program, such as a customer's desire to accrue points or receive a free item after making a specific number of purchases, also matter. These preferences can significantly affect their decision to participate in a loyalty program (Leenheer et al., 2007; Demoulin & Zidda, 2009; McCall & Voorhees, 2010; Gomez et al., 2012). Consequently, the current study examines the structure of the loyalty program and the rewards structure, which are previously overlooked aspects that may impact consumer involvement in loyalty programs.

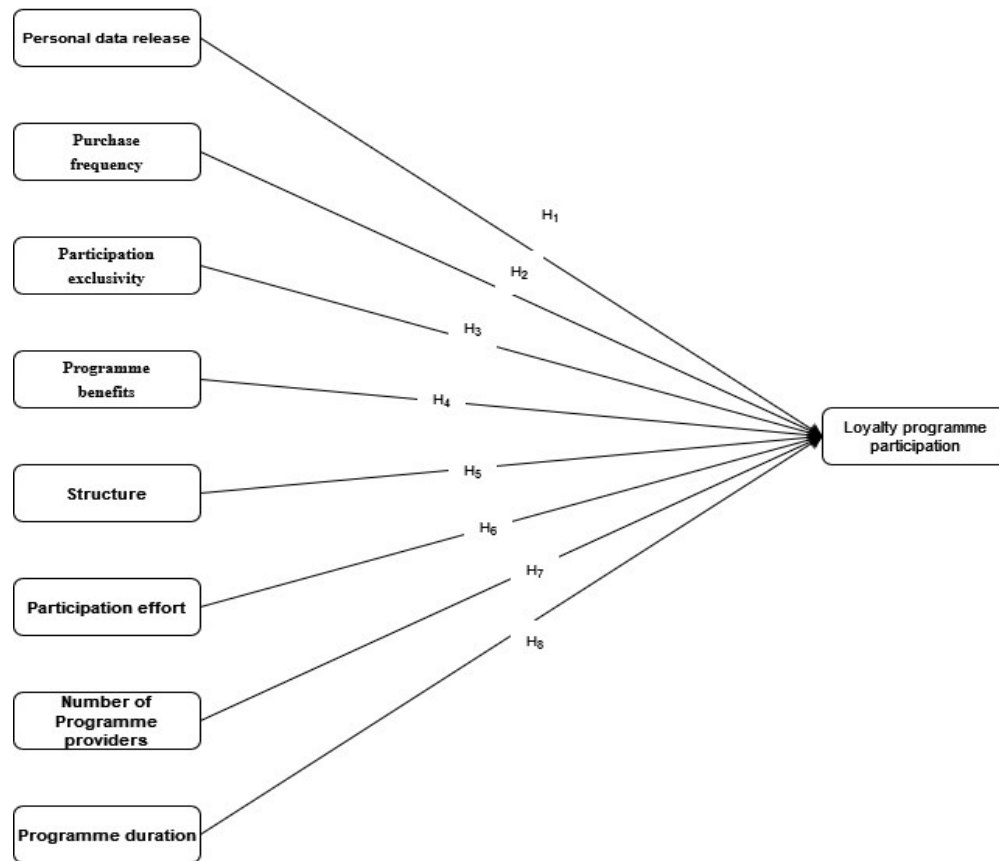


Fig. 2: Conceptual Model of the Study  
Source: Authors Own Development (2024)

To better debunk the proposed conceptual model and hypothesis development, the relationships indicated in Figure 2 are discussed.

#### *Personal Data Release and Loyalty Program*

Personal data release refers to the information consumers are asked to provide to the loyalty program provider when joining or signing up for the loyalty program (De Wulf et al., 2013). De Wulf et al. (2013) differentiate between two levels of personal data required from participants to join a loyalty program, namely basic and extended, which is expected. The first level is basic personal data, including information like a participant's name and address. The second level is extended personal data, including relationship status, race, age, and income. In today's competitive business environment, retailers use personal information to build long-term customer relationships, ultimately enhancing their overall service experience (Akpojivi, 2013).

Retailers can use these systems to track and identify the purchasing patterns of members of loyalty programs, including information on the brands, items, quantities bought, and the frequency and timing of purchases (Akpojivi, 2013). According to earlier studies, customers are becoming increasingly concerned about their personal information being disclosed to manufacturers and merchants (Graeff & Harmon, 2002; De Wulf et al., 2013; Akpojivi, 2013;



Accenture consulting, 2016). Fascinatingly, millennials, sometimes called Generation Y (born 1982–2004), are more likely than Baby Boomers (born 1946–1964) to give retailers personal information. Akpojivi (2013) states that existing loyalty cards and privacy concerns primarily stem from an American and European context, with the limited investigation into South African consumers' apprehension regarding personal data release. Knoesen (2017) explains that, despite protected by The Protection of Personal Information (PoPI) Act, most South African consumers still harbour suspicions about how their personal data is used (Gous, 2017). Retailers risk reputational damage if consumers perceive them as mishandling personal data obtained through loyalty programs, such as selling it to a third party, even though releasing personal data is crucial for loyalty program participation (Prymas, 2013). As a result, this study proposes the first hypothesis as follows:

*H<sub>1</sub>: Personal data release positively impacts loyalty program participation by tertiary students*

#### *Purchase Frequency and Loyalty Program*

According to De Wulf et al. (2013), purchase frequency is the number of purchases a customer makes at a store that offers a loyalty program during a given time frame. Numerous loyalty programs are designed to promote the frequency of purchases of a retailer's merchandise. As a result, student consumers are more likely to receive incentives for their purchases, and as they do, they are more inclined to join a loyalty program. Deriving from an operant conditioning point of view (Skinner, 1953), loyalty programs serve as the conditioning stimulus that sustains desired continuous behaviour. In support of this view, several prior studies have found that loyalty program rewards can be influenced by consumer behaviour and further increase the frequency of the same behaviour (Eisenberger & Rhoades, 2001; Strohmets, Rind, Fisher, & Lynn, 2002). Therefore, retail purchase frequency is expected to influence student-consumer loyalty program participation positively. As a result, we propose the second hypothesis for this study as follows:

*H<sub>2</sub>: Purchase frequency positively impacts loyalty program participation by tertiary students.*

#### *Participation Exclusivity and Loyalty Program*

Exclusive participation, as defined by De Wulf et al. (2013), is “the extent to which participation in the loyalty program is restricted to a specific group of consumers”. Loyalty programs that restrict participation are called closed or exclusive loyalty programs. In contrast, programs without any participation restrictions are called open or non-exclusive programs (Kumar & Reinartz, 2012; De Wulf et al., 2013). Arbore and Estes (2013) argue that a loyalty program with restricted participation can evoke feelings of uniqueness or superiority among its members, making the program more attractive. Closed or exclusive loyalty programs are designed to align with the specific target market that the company aims to serve. Whereas, open or non-exclusive loyalty programs allow retailers to gain insights into a more diverse consumer market (Esmark et al., 2016; Kumar & Reinartz, 2012). Dis-Chem stands out as the first among the retailers investigated to implement a loyalty program specifically targeting young adults aged 18 to 25 (Dis-Chem, 2024), the typical age range of

tertiary students, called FOR YOUth program, launched on 16th of June 2018 (Marketing Spread, 2018). In its first year of operating, the program had great value for money for South African students from which the value for money provided information on bursaries, opportunities to win petrol vouchers, and the grand prize, a Nissan Juke (Marketing Spread, 2018).

Wheretobank (2016) postulates that in comparison to South African retailers, the banks in particular, have recognised the advantage of attracting students and have targeted them using exclusive student accounts with lower fees than a normal cheque or current account, increasing their loyalty program participation. Okpara and Onuoha (2013) recommend that by catering to students' immediate needs, banks will further establish long-term relationships that lead to profit increases. Checkers, another retailer, used a loyalty program campaign as a relationship-building strategy. By offering students an exclusive deal, Checkers gathered valuable data on students and witnessed a gradual increase in student loyalty program participation. As a result, we propose the following hypothesis:

*H<sub>3</sub>: Exclusive participation positively impacts loyalty program participation by tertiary students*

#### *Program Benefits and Loyalty Program*

Consumers actively participate in loyalty programs to redeem some form of benefit. These benefits, referred to as program rewards, can take various forms (De Wulf et al., 2013). They may include tangible rewards such as discounts or points and intangible rewards like access to product information, a sense of community, or recognition (Meyer-Waarden, 2015; Meyer-Waarden et al., 2013). Researchers following the insights of De Wulf et al. (2013) and Meyer-Waarden et al. (2013) categorise these benefits to understand their impact on consumer participation in loyalty programs. Notably, in low-involvement purchases (such as routine buys of inexpensive goods like bread, cold drinks and sweets) the rewards offered by a loyalty program can significantly influence the purchase decision, sometimes even more than the specific brand being purchased (Meyer-Waarden, 2015). Previous research has classified loyalty program benefits in various ways (Kim et al., 2013; McCall & Voorhees, 2010), including distinguishing between hard and soft benefits, considering economical, psychological or sociological benefits, and categorising them as utilitarian, hedonic or symbolic benefits (Chabata, 2021; Dorotic, Kapalle, Minnema, Mijnlief & Wunderlich, 2015; Overmars & Poels, 2015; Sung & Lee, 2015; Wei & Satchabut, 2018). Additionally, a customer's decision to join a loyalty program may also be influenced by the hardness or softness of the offered perks and whether they are immediate (at the time of purchase) or future-focused. Because of the provided literature to this point, the following hypothesis is put forth:

*H<sub>4</sub>: Program benefits positively impact loyalty program participation by tertiary students*

#### *Structure of the Loyalty Program and Structure of Rewards*

The structure of a loyalty program and the design of its rewards play a crucial role in encouraging participation (Leenheer, 2007; McCall & Voorhees, 2010; Meyer-Waarden, 2015). Although previous studies have emphasised the importance of matching rewards and program structure, there is currently insufficient empirical data to support the ideal loyalty program. Tanford, Raab, and Kim (2012) contend that because the structure of the rewards offered by limited-service hotels did not appeal to them, customers exhibited higher price sensitivity for limited-service hotels and were more likely to shift to a non-preferred hotel brand at a cheaper rate than full-service guests. Moreover, there have been mixed findings on the effectiveness of loyalty program participation because loyalty programs vary enormously in their structure as well as their overall rewards, which furthermore influence the overall effectiveness of the loyalty program (Nunes & Dreze, 2006; Roehm, Pullins & Roehm, 2002; Zhang & Breugelmans, 2012). Per the provided discussion, the following hypothesis is formulated:

*H<sub>5</sub>: The structure of loyalty program and structure of rewards positively impact loyalty program participation by tertiary students*

#### *Participation Effort and Loyalty Program*

Participation effort encompasses both the financial and non-financial costs expected from consumers when joining a loyalty program (Dorotic et al., 2012). Before enrolling in a loyalty program, customers review the potential benefits of participation against the associated costs (Dorotic et al., 2012; Meyer-Waarden, 2015). The expenses incurred to redeem earned benefits, the expenses paid to redeem benefits, and any stress associated with program participation (such as redeeming benefits prior to their expiration) are all considered components of participation effort. The distance customers must travel to utilise the loyalty program, the effort needed to redeem benefits, and transportation and convenience charges are some of the expenses that consumers consider. Dorotic et al. (2012) propose that organisations can boost enrolment by reducing participation effort and perceived costs. Notably, there have been varying findings regarding the willingness of students to invest effort in earning and redeeming loyalty program rewards (Business Tech, 2017; Code Broker, 2018). Business Tech (2017) reports that 6% of respondents aged 16-24 are influenced by participation effort, suggesting greater willingness among younger consumers to go through the effort to earn and redeem rewards. Code Broker (2018) pointed out that most Millennials lack the motivation to join a loyalty program with associated activities. In this study, participation effort is a factor influencing tertiary students' engagements in retail loyalty programs with the following proposed hypothesis:

*H<sub>6</sub>: Participation effort positively impacts loyalty program participation by tertiary students*

#### *Number of Program Providers and Loyalty Program*

Customers who purchase at several establishments can receive perks from varying loyalty programs. This kind of program is known as a partnership loyalty program or multi-vendor loyalty program. Members of a multi-vendor loyalty program can accrue advantages by

purchasing at different partner locations, and ownership may belong to a single merchant or brand. Usually, these loyalty schemes make use of a common currency, like points. Consumers who shop at any of the pre-selected partners receive rewards or points (Dawkhari, 2016). Multi-vendor loyalty programs are advantageous to both consumers and merchants. A hosting retailer may be able to draw in more clients at a reduced price by providing such a program. Additionally, multi-vendor programs lead to higher participation rates in loyalty programs and provide an opportunity to obtain more information about the target market through partners (Dorotic et al., 2015). Customers benefit from multi-vendor loyalty programs by having the opportunity to gain more loyalty program benefits without being restricted by one retailer and a larger variety of product options at participating partners (Kutlu, 2015). With the following hypothesis developed, the current study investigated the number of program vendors as an element that could impact South African tertiary students' involvement in retail loyalty programs:

*H<sub>7</sub>: The number of program providers positively impacts loyalty program participation by tertiary students*

#### *Program Duration and Loyalty Program*

Program length is "the period during which the program benefits are available to consumers," (De Wulf et al., 2013). Some program providers place time constraints on redeeming rewards to lower the cost of loyalty program rewards. Some members consequently forfeit prizes for not using them promptly (Dorotic et al., 2014). The decision to limit benefits has been debated as both a motivator and a demotivator for loyalty program participation (Dorotic, 2015). When implementing a limited-duration program, customers may be incentivised to maximise benefits by shopping more frequently and redeeming rewards before expiration. However, customers might feel frustrated when points expire unused, potentially reducing their motivation to engage with the loyalty program again (Oba, 2017). On the other hand, by offering an unlimited loyalty program could encourage customers to return and consequently earn benefits, but it might also remove the sense of urgency, delaying their redemption efforts (Oba, 2017). Remarkably, one of the least recognised parts of loyalty programs is the effect of program longevity on consumer loyalty and perceptions, as explained by Dorotic et al. (2014). Code Broker (2018) enumerated that 30% of the market is dissatisfied with store loyalty programs since points expire before they can be spent.

Among the major South African retailers examined in this study, Dis-Chem currently stands out as the only retailer that has not imposed limitations on its loyalty program benefits collection (Dis-Chem, 2024). Program duration does not apply to Woolworths' WRewards, as customers receive instant discounts upon purchase (Woolworths, 2023). The original validity of Pick n Pay's Smart Shopper points was three years. However, in 2017, the Smart Shopper points program's lifetime was altered, and they now expire after 13 months (The Citizen, 2017). Edgars' Thank U points expire after 14 months, and members must accrue 10,000 points before being redeemed (Thank U, 2018). Clicks ClubCard cash back points expire after 12 months of accumulation (Clicks ClubCard, 2016). The Foschini Group's TFG

Rewards program tailors its expiry date to individual members' purchase behaviour. Based on the provided review, the following hypothesis is proposed for our study.

*H<sub>8</sub>: Program duration positively impacts loyalty program participation by tertiary students*

### **Research and Methodology**

A descriptive research design aligned with a quantitative research approach was adopted. Zikmund and Babin (2015) confirm that numbers are assigned for collected data to address the research question in quantitative studies. Zikmund, D'Alessandro, Winzar, Lowe, and Babin (2017) maintain that descriptive research enhances the understanding of the research problem and gains insights into customer behaviour. Convenience non-probability sampling was used. The convenience sampling technique involved selecting respondents based on their accessibility which makes it simpler for researchers to collect data (Chabata, 2024; Joseph, Bush & Ortinau, 2009). However, the drawback of adopting a non-probability sampling technique is that results cannot be generalised to the larger population (Iacobucci, 2010) or used as a universal rule.

The total population size of students from a selected South African tertiary institution was considered sufficient as the student registration numbers were over one thousand five-hundred and a sample size of 299 respondents aged 18 and above, but below 65 was accomplished. Clow and James (2013) propose that a large sample is appropriate at a confidence level of 95% for quantitative studies. While students in the chosen sample may have less experience with loyalty programs from other sectors, such as hotels and airlines, evidence shows that they have ample involvement with loyalty programs of retail stores (Mattison, Thompson & Tuzovic, 2020) as they buy their daily utilities and groceries.

### ***Questionnaire Development***

Silver, Stevens, Wrenn, and Loudon (2012) recommend that a researcher must define what aspects are required to measure the scale items in their research instrument. The material reviewed in the literature review section served as the basis for developing the self-administered online questionnaire. Both demographic and five-point Likert-scale item questions were included in the questionnaire.

### ***Data Collection and Analysis***

An online self-administered questionnaire, specifically the central-location intercept method, was used to gather data for the study. Respondents can be more autonomous and objective while completing a self-administered questionnaire since they are responsible for reading, analysing, and responding to the researcher's questions (Zikmund & Babin, 2015). This approach allows for speedy data collection at a low cost, without requiring a predefined sample (Cooper & Schindler, 2014). Of the 350 distributed questionnaires, 299 were fully completed for analysis, resulting in an 85% response rate. The data was analysed using the latest Statistical Package for the Social Sciences (SPSS 29). Given the study's nature, descriptive statistics and frequencies were employed to describe the findings. A thorough graphical analysis of the data was produced using frequencies and percentages.

**Results and Findings**

***Reliability and Validity***

A research tool or questionnaire's internal consistency is tested using reliability. It assesses whether a question produces consistent responses when posed in a variety of ways. Cronbach's alpha was adopted to test the internal reliability of the research instrument. The reliability results of the constructs being studied are presented in Table 2.

Table 2: Cronbach Alpha Empirical Results

Construct	$\alpha$ (or coefficient alpha)
Personal data release	0.754
Purchase frequency	0.787
Participation exclusivity	0.792
Program benefits	0.990
Structure	0.786
Participation effort	0.865
Number of program providers	0.842
Program duration	0.750

Source: Authors Own Development (2024)

The coefficient alpha, also known as Cronbach’s alpha, serves to determine the internal consistency of measuring a construct (Zikmund & Babin, 2015). In this study, all constructs tested were above 0.75 and were therefore considered reliable (See Table 2). Validity assesses the accuracy of the measurement, specifically whether each question used to measure a concept truthfully represents the given concept (Zikmund & Babin, 2015). A pre-test was employed to confirm the authenticity of the current investigation. During the pilot testing process, the researchers asked the participants to mark any questions they felt were confusing, and the questions were modified accordingly. Additionally, a panel of two marketing and research specialists used content validity testing (Taniguchi, 2017). Five questions were reworded considering their responses and perspectives.

**Demographic Results**

The study's empirical findings are presented and discussed in this section, beginning with a breakdown of the sample's demographic profile. Table 3 shows that 34.7% (n = 104) of the sample were male, whereas the majority (n = 184, 61.7%) were female. Most respondents were between the ages of 18 and 23 (n = 255, 85.4%). Regarding race, the sample primarily comprised of Black respondents (n = 229, 76.6%), then white respondents (n = 42, 14%). All of the other racial groups—Coloured, Indian, Asian, and other—represented only a small percentage of the respondents (between 0% and 4.0%). Interestingly, 76.9% of respondents (n = 230) said they were pursuing a degree, whilst 23.1% (n = 69) said they were pursuing a pre-degree or higher certificate.



Table 3: Demographic Results

		Percentage
Gender		
Male	104	34.7
Female	184	61.7
Transgender	1	0.3
Other	2	0.7
Prefer not to say	8	2.6
Total		100
Age Group		
18 – 23	255	85.4
24 – 28	42	13.9
29 – 33	2	0.7
34 – 37	0	0
38 – 42	0	0
43 – 47	0	0
48 – 52	0	0
53 – 57	0	0
Total		100
Race		
Black	229	76.6
White	42	14
Coloured	12	4.0
Indian	10	3.3
Asian	0	0
Other	6	2.1
Total		100
Anticipated level of qualification		
Certificate or Pre-degree	69	23.1
Degree	230	76.9
Total		100

Source: Authors Own Development (2024)

According to the results in Table 4, several students actively participate in loyalty programs offered by South African retailers. Furthermore, many of them engage in multiple programs, with 44.9% of the sample using between 1 to 3 programs, while only 4.7% use more than 10 loyalty programs.

Table 4: Student Participation in Loyalty Programs

Number of loyalty programs	Percentage
1 – 3	44.9
4 – 6	25.3
7 – 10	25.1
More than 10	4.7

Source: Authors Own Development (2024)

### ***Hypothesized Results***

Table 5: Results of the Tested Hypothesis of this Study

Hypothesised relationships	P-values	Significant/ Insignificant
H <sub>1</sub>	0.015*	Supported
H <sub>2</sub>	0.028*	Supported
H <sub>3</sub>	0.001*	Supported
H <sub>4</sub>	0.025*	Supported
H <sub>5</sub>	0.028*	Supported
H <sub>6</sub>	0.027*	Supported
H <sub>7</sub>	0.008*	Supported
H <sub>8</sub>	0.035*	Supported

Source: Authors Own Development (2024)

Table 5 summarises the hypothesis data, confirming that all the relationships were supported and significant.

### **Findings and Discussions**

The study investigated the factors influencing South African tertiary students' involvement in retail loyalty programs. According to the empirical findings, students are more likely to sign up for a retail loyalty program that simply asks for their basic personal information. They also prefer retail loyalty programs that do not have a time limit on using rewards as well as those offered by the stores they often shop and permit using a single loyalty card at several different stores ( $p < 0.05$ ). Moreover, respondents had no discernible preference for programs that were open to all or exclusive to particular groups. When it comes to effort, students are more likely to sign up for retail loyalty programs that provide online point-checking loyalty cards for purchases, online registration to study loyalty point structures and rewards, instant discounts, and free products based on the frequency of purchases ( $p < 0.05$ ). The demand for instant benefits was also clear as students expressed a stronger preference for features linked to rapid rewards than for delayed information or prizes.

Furthermore, when it came to current involvement in a retail loyalty program, respondents who are enrolled in such programs consistently showed statistically significant higher mean ratings for various characteristics when separated from the respondents who are not. These results imply that participants currently enrolled in a retail loyalty program would be more

inclined to sign up for another program provided by a store they regularly visit. Finally, loyalty card schemes that require only basic personal information and award points based on spending are appealing to the respondents under study.

### **Conclusion and Recommendations**

The study found several factors influenced South African tertiary students' likelihood of participating in retail loyalty programs. Students appreciated programs that required basic information to join, and the study sample appeared to favour loyalty programs that permitted the use of reward cards at many retailers. Participation in loyalty programs was also favoured when there were no time restrictions on using benefits and prizes. Convenience plays a significant role, with students preferring programs that offer online services and loyalty cards over those that require extra effort and potentially cause inconvenience. Another important factor for loyalty program engagement is immediate rewards, including lucrative discounts, depending on purchase frequency. Therefore, while developing or modifying their loyalty programs for student audiences, businesses are advised to take partnerships with other retailers and organisations into consideration.

Retail outlets should recognise that tertiary students are a significant part of their loyalty program target audience. South African tertiary students spend on average 2714 rands per month (approximately US\$150), resulting in annual spending of 32568 rands (approximately \$1800) per tertiary student, higher than the average annual spending of 31215 rands (approximately \$1700) for the typical South African citizen (Student Village, 2017). Consequently, the South African tertiary student population represents an invaluable market for retailers to consider when designing or adjusting their loyalty programs for future success and relationship building. Given that students prefer online options when joining and checking rewards, the study recommends that retailers incorporate online features into their loyalty programs since most tertiary students are technologically savvy. Like any other study, the caveats of this study included the use of a non-probability sampling, limited geographic representation due to the selection of a single tertiary institution, and the need for future longitudinal studies to assess the evolution of influential factors for loyalty program participation.

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