

# Assessing the influence of loyalty reward programmes on low-income consumers' buying behaviour in the Buffalo City Metropolitan

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## Keywords

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## Abstract

Loyalty reward programmes have proven to be a reliable marketing strategy for most South African retailers. The actual influence and impact of loyalty reward programmes require further insight, especially in low-income communities. The aim of this study is to assess how low-income consumers' buying behaviour is influenced by loyalty reward programmes in the Buffalo City Metropolitan. The study adopted a positivist philosophical approach that employed a quantitative research design to gather data from consumers registered as loyalty reward members at various supermarket retailers in the Buffalo City Metropolitan. Purposive sampling enabled the collection of 164 completed questionnaires. An exploratory factor analysis identified five factors, followed by a regression analysis to determine the effects of each predictor variable on the dependent variable. While loyalty reward programmes positively influence some consumers, retailers need to adapt and reposition these programmes to allow low-income communities to benefit more from them.

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## Introduction

### 1.1. Background

Retailers all over the world use loyalty reward programmes as a marketing tool to lure consumers into purchasing products (Lakshman & Faiz, 2021). Consumers benefit from purchasing products at more affordable prices (often cost price), while retailers benefit from larger sales volumes and the ability to influence purchasing behaviour, generate income and attract new and existing consumers online and in-store (Håkansson & Snehota, 2022; Wang, 2023). Analysis of consumer purchase behaviour assist retailers in understanding consumer needs, while promotions at certain times help them to retain customers and gain their loyalty (Bombajj & Dekimpe, 2020; Campbell, 2021; Gorlier & Michel, 2020).

Consumer loyalty and purchasing behaviour is influenced by the loyalty programme and special offerings of respective retailers (Corbishley, Meintjes & Mason, 2023; Curatman & Suros, 2022; Pavone, Meyer-Waarden & Munzel, 2023; Thomas, Singh & Gangwar, 2022). Retailers are constantly reimagining and repositioning special offerings using their loyalty reward programmes to remain relevant to consumers and increase their loyalty. Loyalty reward programmes are available in all major South African retailers, including supermarkets, hardware stores, restaurants, clothing retailers, mobile phone outlets, and banks. Business Tech (2024) revealed the Top 25 most used loyalty programmes for 2022/2023, the top 5 of which were Checkers Xtra Savings, Clicks Club Card, Pick n Pay Smart Shopper, Dis-Chem Benefits and Woolworths WRewards. Most loyalty reward programmes are considered positive for consumers and retailers. South Africa's loyalty reward programmes are not unique compared to the rest of the world. However, low-income earners face unique socio-economic barriers and exhibit distinct engagement patterns with loyalty reward programmes (Chauke & Pelsler, 2022; Engelbrecht & De Beer, 2019). There is a need to understand how low-income earners use loyalty reward programmes and how retailers can enhance loyalty benefits for them (Brown & Williams, 2021; Buys & Parumasur, 2021).

## **1.2. Problem Statement**

Loyalty reward programmes gather data on consumer purchase behaviour and allows the retailer to establish a personal relationship with the consumer to generate a feeling of loyalty and commitment. Customer retention is a significant competitive advantage for any retailer, and, through loyalty reward programmes, retailers can influence consumers to remain loyal (Buys & Parumasur, 2021; Gielens & Steenkamp, 2019). What is lacking from retailers' loyalty reward programmes is an opportunity for consumers to share their expectations and experiences to improve these programmes (Corbishley *et al.*, 2023; Mgiba & Koopman, 2023; Zitha & Roberts-Lombard, 2022). Loyalty reward programmes in South Africa overlook the uniqueness and benefits of having loyalty reward programmes that benefit low-income consumers (Chauke & Pelsler, 2022; Brown & Williams, 2021).

## **1.3. Research Objective**

The study aims to assess the influence of loyalty reward programmes on low-income consumers' buying behaviour in supermarkets in the Buffalo City Metropolitan of the Eastern Cape Province in South Africa.

## **2. Literature Review**

The majority of product and service retailers in the South African retail landscape use loyalty reward programmes to attract consumers and offer additional benefits like special promotions, cash-back rewards and points redeemed for cash based on their purchases (Corbishley *et al.*, 2023). Curatman and Suros (2022) and Pavone *et al.* (2023) note a causal relationship between loyalty reward programmes and consumer repurchasing behaviour. The challenge faced by retailers is the tendency of consumers to move between retailers with their loyalty programmes to purchase goods at reduced prices, rather than to purchase all goods

required at a single retailer (Thomas *et al.*, 2022). Although the effectiveness of loyalty reward programmes has been extensively studied in South Africa (Engelbrecht & De Beer, 2019), retailers do not seem to understand that consumer loyalty is determined by loyalty reward programme benefits, as well as consumer income. It is therefore important that retailers understand consumer expectations in relation to their income and that loyalty reward programme benefits are adjusted accordingly (Buys & Parumasur, 2021).

South African consumers are enrolled in multiple loyalty reward programmes that enable retailers to carefully analyse what influences purchasing behaviour and offer enhanced promotions and rewards to increase consumer loyalty. A loyalty study conducted among consumers with a household income of R10,000 or less revealed that 82% of these consumers consistently use loyalty reward programmes (Cromhout, 2022). In this study, a 'low-income consumer' is defined based on a socio-economic measure, with an average income ranging between R4,500 and R9,999.00. The benefits offered by loyalty reward programmes significantly influenced their choice of retailers, banks, and other service providers (Stiehler-Mulder & Cunningham, 2022).

From a theoretical lens, retailers employ loyalty reward programmes to establish customer relationships that increase consumer loyalty (Khairawati, 2020; Otara, 2019), while consumers enrol in loyalty reward programmes for the sole purpose of benefiting from retailer promotions (Mwencha & Muathe, 2019). Customer retention requires more than just special promotions; it requires that retailers understand consumer expectations and circumstances and make adequate provisions to meet these needs (Kim, Steinhoff & Palmatier, 2023), satisfy the consumer, and increase loyalty. It is important to note that although loyalty reward programmes might increase sales, it does not mean that consumers are loyal (Meyer-Waarden, Bruwer & Galan, 2023). Therefore, retailers must focus on establishing long-term customer relationships through loyalty reward programmes instead of once-off sales promotions that generate high sales volumes (Chen, Yang & Choi 2021).

## **2.1. Loyalty Reward Programme**

The primary objective of loyalty reward programmes is to increase the number of consumers by offering incentives to frequent buyers, which subsequently enhances sales revenue and profitability (Worthington & Fear, 2011; Chipunza & Samuel, 2019). Loyalty reward programmes serve as strategic tools for retailers to establish interactive and personalised relationships with consumers, leveraging the data collected to customise marketing techniques and communication (Tsekouras & Kounetas, 2019). Loyalty reward programmes have been shown to increase sales and profitability more than other marketing activities like advertising and category management programmes (Lin & Bowman, 2022).

Retailers implement loyalty reward programmes for several reasons, like rewarding loyal consumers, gathering data to better understand and influence consumer behaviour, and gaining a competitive market share (O'Malley, 2018). By offering rewards and incentives, retailers encourage consumers to purchase new products, increase purchase frequency, and accept higher prices. Additionally, retailers can improve targeting accuracy, reduce expenses, and gain insight into consumer purchasing patterns (Kazmi, Yousafzai & Manzoor,

2020). In the past, low-income consumers were often overlooked when retailers were establishing promotions, due to the assumption that these consumers had limited access to necessary resources. It is crucial that retailers recognise that not all consumers are equal and that they need to focus on providing the best value to their most valuable customers to maximise loyalty and profitability (Stiehler-Mulder & Cunningham, 2022). A well-designed loyalty scheme targets high-value consumer segments while discouraging less valuable consumers (O'Brien & Jones, 2016). Enhancing customer rewards can increase loyalty, leading to greater profits over time. Why is it important to assess the influence of loyalty reward programmes on low-income consumers?

Loyalty reward programmes can be monetary (cash rewards, bonus points, vouchers) or based on special treatment aimed at fostering consumer attitudinal attachment, like trust and assurance. A consumer's decision to make a purchase or continue making repeat purchases depends on their belief that the benefits of the reward outweigh the associated costs, including membership fees, purchase requirements, and switching costs (Meyer-Waarden, 2018). Verhoef and Bijmolt (2019) suggest that consumers prefer monetary incentives over special treatment, as the latter has limited impact on the relationship quality. Therefore, a strategically developed and long-term loyalty reward programme can cultivate customer commitment and motivate them to become top-tier customers (O'Brien & Jones, 2016).

While the prevalence and efficacy of loyalty reward programmes have been noticed in South Africa (Engelbrecht, & De Beer, 2019), studies often overlook disparities in consumer experience between different income groups. Chauke (2022) and Brown and Williams (2021) emphasise the unique barriers influencing the spending behaviour of low-income earners in the retail sector.

## **2.2. Loyalty Reward Programmes in Supermarkets**

Loyalty reward programmes have become standard practice, especially in retail, where it is used to increase customer spending and attract new customers (Bombaij & Dekimpe, 2020; Mafini, Zengele & Klopper, 2020). In competitive, low-involvement industries like retail, loyalty reward programmes encourage consumer loyalty, even when customers have no distinct reason to prefer one store over another (Okundaye, 2021). Retailers use loyalty reward programmes to offer unique and compelling benefits that set them apart from typical loyalty initiatives. Retailers continuously aim to redefine the customer experience by providing distinctive advantages and a novel approach to consumer rewards (Dwivedi, Ismagilova & Hughes, 2022). This differentiation helps retailers compete in the retail market and demonstrate their commitment to meeting evolving customer needs through innovative, customer-centric solutions (East, Singh, Wright & Vanhuele, 2022).

Increasing competition among retailers pressures them to increase consumer loyalty (Okundaye, 2021; Dincer, 2018), especially as new competitors enter the market (Pretorius & Kruger, 2018). In the USA in 2021, Blue Apron introduced a new loyalty rewards programme in collaboration with Aspiration. The Blue Apron

Aspiration Zero Card allows customers to earn cash-back rewards and contributes to environmental efforts through Aspiration's tree-planting programme (Hwang, Baloglu & Tanford, 2022; Kotler & Armstrong, 2021). Dani Simpson, Blue Apron's Chief Marketing Officer, states that this approach allows them to contribute to the environment while recognising their most loyal customers (Business Wire, 2021; Paraskevas & Blokdijk, 2022). In South Africa, retailers like Shoprite/Checkers, Spar, and Pick n Pay have transformed retail by shifting from brick-and-mortar to digital transactions, implementing subscription-based models, and transforming the grocery shopping experience. The Checkers Xtra-savings card stands out with its innovative loyalty reward programme, which anticipates future consumer trends, challenges, and opportunities, and proactively seeks innovative solutions to stay ahead (Ndofirepi, Farinloye & Mogaji, 2020). In such an emerging retail setting, there remains a need to provide loyalty reward programmes that meet the needs of low-income consumers.

### **2.3. The Influence of Loyalty Reward Programmes on Consumer Purchase Behaviour**

Various perspectives exist on how loyalty reward programmes influence consumer buying behaviour. Fornell, Rust and Dekimpe (2019) explore the correlation between customer satisfaction and loyalty in supermarket retail environments, emphasising the role of exceptional services, discounts, membership benefits, and product availability in fostering loyalty. Marreiros, Romana and Lopes (2023) highlight the influence of financial benefits, customer value, and product quality on loyalty, particularly among university students in Malaysia. Sanjay, Arpitha, Laxmana-Naik and Gopalak (2022) reveal that food loyalty reward programmes significantly increase the wallet share of members compared to non-members. Ines and Moreira (2023) indicate that perceived value, satisfaction of loyalty intention, and customer brand equity significantly influence supermarket loyalty in Portugal. Binuyo, Ekpe and Binuyo (2019) show that factors like perceived quality, product package, and consumer experience play a critical role in customer loyalty in Nigeria. These studies underscore the multifaceted nature of loyalty and the factors that contribute to customer allegiance in retail settings. The latter studies highlight the critical role of customer-centric factors like exceptional services, financial benefits, consumer value, and perceived quality in shaping consumer buying behaviour. Additionally, the influence of loyalty reward programmes on buying behaviour, as demonstrated by Sanjay *et al.* (2022), underscores their significance in consumer decision-making. While loyalty reward programmes are widely implemented to influence consumer behaviour, the evolving nature of consumer preferences and expectations, coupled with the dynamic socio-economic landscape, has created a distinct gap in understanding how consumers in different regions (especially low-income regions) truly use loyalty reward programmes.

#### **Customer Satisfaction**

Customer satisfaction is a critical metric that assesses the extent to which a product or service meets or surpasses customer expectations (Liu, Li & Huang, 2020; Ladhari & Chebat, 2017). Consumer satisfaction impacts customer loyalty, word-of-mouth marketing and consumer behaviour. Higher levels of consumer

satisfaction leads to increased brand loyalty and a greater likelihood of repeat purchases (Paraskevas & Blokdijk, 2022). While loyalty can be described as steadfast preference that extends to unwavering support, satisfaction pertains to the assessment of a product or service post-use, indicating the fulfilment of its intended purpose (Taylor & Baker, 2018). Consequently, satisfaction is regarded as a crucial precursor to loyalty, and the transition from satisfaction to loyalty is closely intertwined with the theoretical understanding of loyalty (Vesel & Zabkar, 2019).

### **Services Quality**

Service quality is defined as the efforts made by a service provider to fulfil the needs of its customers and align with their expectations (Natalia & Suparna, 2023). Service quality has a major influence on consumer buying behaviour. It focuses on delivering on consumer expectations and providing value to the overall service experience (Otieno, Harun & Nzulwa, 2020). The quality of service received when interacting with a brand or product creates an experience that, in turn, influences consumer buying decisions. The standard of service involves a focused assessment that captures customer perceptions of specific service dimensions that are tested for tangibility, reliability, responsiveness, assurance and empathy (Supriyanto, Wiyono & Burhanuddin, 2021)

### **Consumer Expectation**

Expectation springs from the evaluation of loyalty reward programme value propositions, and consumer intent to use the rewards offered. It is a personal comprehension and evaluation of something, shaped by experiences and viewpoints (Otara, 2019). In the context of consumers, expectation encompasses their convictions, practices, norms, and standards, which, in turn, impact their buying behaviour (Satish, 2018). Consumers are motivated to participate in loyalty reward programmes if they believe their participation will lead to desirable outcomes, like discounts, exclusive offers, or other rewards (Sinha & Banerjee, 2020). Various marketing methods, like product promotion, increased sales, public relations, reward schemes, and online presence, can influence consumer perception (Otieno, *et al.*, 2020). Chen *et al.* (2020) note that when consumers encounter a product or service that surpasses their expectations, it leads to satisfaction and fosters willingness to repurchase. Bausenhart and Wearden (2022) believe consumer buying behaviour is greatly influenced by expectations of the associated outcomes of the loyalty reward offered.

### **Value**

Value can be characterised as the balance between a product's perceived quality or benefits and the customer's perceived sacrifices associated with purchasing the product (Zith & Roberts-Lombard, 2022). According to Ladhari and Chebat (2017), consumer value refers to an emotional bond formed between a company and a consumer following the consumer's use of the company's product or service, and the realisation that it provides added value. Consumer value, like loyalty, is a multidimensional and intricate concept. It is widely acknowledged that creating and delivering exceptional customer value is crucial in increasing organisational value (Johson, Fine & Christia, 2020)

## **Access**

Loyalty is a psychological process encompassing consumer attitudes, preferences, and purchase intentions. Access to loyalty reward programmes and their associated benefits significantly influence consumer attitude towards the programme (Meyer-Waarden, Bruwer & Galan, 2023). The ease of access to loyalty reward programmes remains salient to consumers when redeeming a reward and significantly influences consumer attitudes towards these programmes. According to Bombaij, Gelper, and Dekimpe (2022), when it comes to the redemption of loyalty points, consumers want to have uninterrupted access to their loyalty rewards. There is limited understanding of how members' purchasing, and redemption experience interact when they are not constrained by point expiration, allowing them to decide when and how much to redeem at their discretion (Dorotic, Verhoef, Fok & Bijmolt, 2014).

### **2.4. The Impact of Point Accumulation on Consumer Buying Behaviour**

Magatef and Tomalieh (2015), Chang, Gao, and Zhu (2015), Bwire (2016), and Choi (2015) explored the relationship between point accumulation and consumer buying behaviours, with mixed findings. These authors primarily focus on the impact of point systems on organisational performance, but do not establish a clear link between point accumulation and consumer buying behaviour. Sun, Nazlan, Leung and Bai (2020) highlight the effect of point accumulation on consumer buying behaviour, showing that consumers are differently affected by programmes that assign different points to different products. They note that heavy purchasers are more inclined to buy items linked to point accumulation. Kiarie, Kirori and Wachira (2021) examine the impact of cumulative point-based programmes on consumer loyalty, revealing that consumers earn points that translates to rewards which consumers are willing to accumulate by making more purchases. Consumers with low or moderate initial patronage eventually increase their purchases and loyalty to the retailer. Kim (2018) assesses the behaviour of consumers enrolled in point accumulation and instant cash-back programmes in Kenya, finding that the hedonic accumulation and redemption ratio significantly influences consumer loyalty and satisfaction. Kim's study indicates that redeeming points at hedonic outlets increases loyalty more for infrequent shoppers than for frequent ones. Kamau (2017) explores point systems' impact on customer retention in supermarkets, identifying a notable correlation between point systems and customer retention. Kamau suggests that implementing point systems in supermarkets encourages repeat purchases and recommends frequent redemption of accumulated points to motivate loyal customers. The aforementioned authors' findings prove that points influence consumer buying behaviour, as well as their loyalty and level of satisfaction with the retailer.

### **2.5. Reward Frequency and Consumer Buying Behaviour**

Naylor, Lamberton and Norton (2023) examine the influence of loyalty reward programmes on consumer buying behaviour in fine-dining restaurants, finding that customers enrolled in these programmes exhibit a positive attitude towards patronising other restaurant products, leading to increased sales. Immediate rewards,

like discounts and food quality are primary motivators for enrolling in loyalty reward programmes. Katja, Jana, and Hübner (2017) introduce a “keep reward” promotion strategy to enhance traditional lenient policies, showing that it significantly increases consumer intention to keep a product compared to conventional buying. This strategy is most effective among frequent online shoppers, who are more likely to make repeat purchases and take advantage of the “keep reward”. Fornell *et al.* (2019) study of the impact of frequent rewards on customer booking options in hotel and online travel agency (OTA) websites, found that guests prefer making frequent hotel reservations and reimbursing points quickly. However, redemption time did not significantly impact consumer choice, indicating that loyalty reward programmes’ impact in the hotel and OTA industry differs from other sectors. Masuda, Han and Lee (2022) assessed the influence of customer satisfaction and the frequency of reward programmes on customer loyalty in the motor vehicle industry in Ghana. Their findings show that consistent rewards offered to members significantly affect customer satisfaction. In contrast, promotional discounts do not influence customer satisfaction or loyalty significantly. Member reward cards and discount promotions directly influence customer loyalty.

It is evident that loyalty reward programmes are used differently by consumers across industries. It is therefore important to understand, from a South African perspective, how low-income consumers use the loyalty reward programmes offered by local retailers.

### **3. Research Methodology**

#### **3.1 Research Design**

The aim of this study is to assess the influence of loyalty reward programmes on the continuous purchase behaviour of low-income consumers in the Buffalo City Metropolitan in South Africa’s Eastern Cape Province. The employment of a quantitative research methodology is informed by a positivist philosophical framework through which self-administered questionnaires were distributed to participants at retail supermarkets in the Buffalo City Metropolitan. This methodological design aligns with studies conducted by Corbishley *et al.* (2023); Mgiba & Koopman (2023); Chauke and Pelser (2022); and Dlamini and Chinje (2019) in customer loyalty and repurchasing behaviour.

#### **3.2 Population and Sampling**

The study targeted low-income consumers who are registered as loyalty reward members at various local retail supermarkets in the Buffalo City Metropolitan. There was no data available on the consumers registered with a loyalty reward programme and therefore the entire Buffalo City Metropolitan population was used to calculate the sample population. A purposive sampling method was employed through which each member of the population has an equal chance of being selected to participate in the study. A simple random sampling method was employed, and fieldworkers requested customers exiting retailers to complete the questionnaire. The sampling method allows for fair selection of respondents across the specific population and reduces the level of bias compared to other sampling methods. Two screening questions were asked to ensure that the respondents were over the age of 18 and loyalty programme members before the questionnaire was



administered. The sample size was determined using the Raosoft (2023) calculator in which a 95% confidence level, with an 8% margin of error was captured to determine the sample size. A total of 151 completed questionnaires were required for adequate statistical analysis. The researchers collected a total of 164 completed questionnaires for statistical analysis.

### 3.3 Data Collection Instrument Design

The self-administered questionnaire was the most appropriate instrument to use for data collection given the ease of access to respondents at retail supermarkets in the Buffalo City Metropolitan (Smith, 2019; Johnson *et al.*, 2020). The questionnaire was divided into two sections, with demographic and economic details of respondents being captured in Section A. Section B consisted of a 5-point Likert scale requesting respondents to select their level of agreement against the consumer loyalty, consumer behaviour and consumer satisfaction constructs (Auh, Bell, McLeod, & Shih, 2020). The constructs used in the 5-point Likert scale were derived from the literature review and the researchers confirm that the research instrument was valid (Brown & Williams, 2021).

### 3.4 Data analysis

The data collected from the questionnaires were captured on Microsoft Excel and transferred into SPSS (Bennett, Heritage & Allen, 2022) for statistical analysis. Descriptive statistics was used to generate a profile of the respondents who participated in the study, considering gender, ethnicity, age, subscription to loyalty reward programmes, highest level of education and average spending per week at the retailer. Inferential statistics was applied for more advanced statistical analysis as exploratory factor analysis (EFA), correlation of factors and a regression analysis.

### 3.5 Ethics

Ethics clearance for this study was obtained from the IIE’s Research Ethics Committee with reference number M.400623.

## 4. Results and Findings

The aim of this study is to assess how loyalty reward programmes influence low-income consumers’ buying behaviour in supermarkets in the Buffalo City Metropolitan Area of South Africa’s Eastern Cape province. The majority of the participants were female (69%) between the ages of 41 and 50 years, who had obtained a matric certificate as their highest level of education (47%). The majority of respondents were classified as Black Africans (54%) and noted that they spend on average R300 to R500 per week at their local supermarket.

An EFA was conducted in which five factors (see Table 1) were identified from the 31 variables. The Oblimin rotation with Kaiser normalisation test determined the relationship between the influence of loyalty reward programmes on repeat purchases.

**Table 1: Exploratory Factor Analysis and Reliability**

	<b>Factor</b>	<b>Mean</b>	<b>Cronbach</b>	<b>Average</b>
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			<b>Alpha</b>	<b>inter item correlation</b>
<b>Customer Satisfaction</b>		9.274	.835	.426
I'm satisfied with the loyalty reward service	.478			
I'm satisfied with the marketing information.	.726			
I'm satisfied with the process of redeeming my rewards.	.482			
I'm satisfied with the type of reward programme I am using	.619			
<b>Service quality</b>		11.103	.653	.994
I am getting a better quality of service using loyalty reward programmes	.373			
Products information is bold and visible	.507			
I find it easy to shop around the supermarket	.540			
Payment at the till is quick and easy	.605			
I get better services when showing my loyalty card	.192			
<b>Expectation</b>		8.932	.387	0.133
My expectations with prices are exceeded using loyalty reward programmes	.463			
Sometimes, the supermarket runs out of stock with promotion.	.531			
I expect to have access to loyalty rewards when I buy online	.615			
I get products delivered to my house at a low cost when ordered online	.881			
<b>Value</b>		15.951	.688	.289
Loyalty programmes make me feel appreciated as a customer	.421			
I will recommend the use of loyalty programmes to other consumers	.551			
The value of loyalty reward is worth the price of products	.640			
I get value for money on products and services	.694			
I believe loyalty programmes offer more valuable benefits	.512			
<b>Access</b>		4.451	.809	.509
I find loyalty reward programmes easy to use	.793			
I can easily access loyalty reward points whilst in store	.720			
I did not register with loyalty programmes	.672			

**Factor 1, Consumer Satisfaction**, is the most influential factor, as indicated by initial eigen values and extraction sums of squared loadings. This factor encompasses various aspects of consumer experiences with loyalty reward programmes, including satisfaction with rewards, programme features, and overall type of loyalty reward. It accounts for nearly 39.5% of the total variance in consumer perceptions, highlighting its pivotal role in shaping consumer attitudes and behaviours. Bei and Chiao (2016) and Giró Manzano (2021) found that satisfaction remains a crucial precursor to loyalty that supports the increase in purchases and customers being more loyal towards the retailer. Supermarkets must ensure that their loyalty reward programmes benefit consumers.

**Factor 2, Service Quality**, represents consumer perceptions of the quality of service provided by loyalty reward programmes. This factor explains over 21% of the variance and underscores the significance of delivering high-quality experiences to foster customer loyalty and buying behaviour. Yulida *et al.* (2023), Mgiba and Madela (2020), and Ahsan *et al.* (2022) note the integral role that quality plays in influencing consumer buying and repurchasing behaviour. Therefore, supermarkets should ensure consumers have the best service when engaging with goods and services.

**Factor 3** reflects consumer **Expectations** of the benefits and rewards offered by loyalty reward programmes. This factor contributed 16.7% of the total variance, which notes how critical it is for retailers to understand the importance of meeting and exceeding customer expectations. Peppers and Rogers (2022) confirm that consumer expectations moderate the effect of satisfaction and buying behaviour. Retailers can easily stimulate frequent buying by making consumers feel their expectations take centre stage and are not ignored, as well as releasing loyalty rewards during levels of high expectations on certain products to stimulate buying (Beattie, 2023).

**Factors 4, Value**, influences consumer perceptions of loyalty reward programmes and buying behaviour. Value represents the perceived benefits and rewards relative to the effort or investment required from consumers. Factor 4 contributes 12.1% of the total variance, highlighting its role in shaping consumer decisions and behaviours. This aligns with Slywotzky (2015)'s assertion of consumer value, which is crucial in increasing organisational value and consumer buying behaviour.

**Factors 5, Access**, relates to the ease of participation and use of loyalty reward programme benefits. Factor 5 contributes 10.5% of the total variance, highlighting its role in shaping consumer decisions and behaviours. Khairawati (2020) confirms that access to loyalty rewards significantly influences consumer buying behaviour.

Table 2 reflects the initial eigen values indicating each factor's variance before extraction.

**Table 2: EFA Eigen Values and Extraction Sums of Squared Loadings.**

Component	Initial Eigen Values	Extraction Sums of Squared Loadings
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	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
<b>Factor 1</b>	1.974	39.487	39.487	1.974	39.487	39.487
<b>Factor 2</b>	1.062	21.249	60.736	1.062	21.249	60.736
<b>Factor 3</b>	.837	16.740	77.476			
<b>Factor 4</b>	.602	12.050	89.525			
<b>Factor 5</b>	.524	10.475	100.000			

The five factors identified in this exploratory factor analysis highlight the key dimensions of aspects that influence consumer buying behaviour using loyalty reward programmes. Retailers need to gain a deeper understanding of consumer expectations and how it influences buying behaviour through loyalty reward programmes at local supermarkets. The five factors informed the development of hypotheses that were tested to assess how loyalty reward programmes influence repurchasing behaviour of low-income consumers in the Buffalo City Metropolitan.

- H<sub>0</sub>: There is no significant correlation between access to loyalty reward programmes and positive attitudes towards these programmes.
- H<sub>1</sub>: There is a correlation between consumer satisfaction with the loyalty reward programme and their inclination to repurchase from the same supermarket.
- H<sub>2</sub>: The various aspects of loyalty reward programmes can significantly predict consumer buying behaviour.
- H<sub>3</sub>: The perceived quality of service and the extent to which expectations are met are significant predictors of consumers' perceived value of loyalty reward programmes.
- H<sub>4</sub>: Specific types of loyalty reward programmes are significant predictors of consumer repurchasing behaviour.

### Null Hypothesis

H<sub>0</sub> conducted a Pearson's Product Moment Correlation and found that the calculated significant value (0.000) was less than the 0.5 significance value as presented in Table 3. The null hypothesis is rejected, given the positive correlation between access to loyalty reward programmes and positive customer attitudes towards these programmes.

**Table 3: Correlation between the Ease of Access to Loyalty Reward Programmes and Positive Attitudes towards Them.**

Variable	N	Mean	SD	Df	Sig.	r-tab
Access to loyalty reward programmes	164	5.604	2.104	162	0.000	0.391

Positive attitudes towards loyalty reward programmes	164	15.921	3.944			
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\*P<0.05 (P<0.05 means that the items are of significant value).

### Hypothesis One

H<sub>1</sub> was rejected as the calculated significance value ( $p < 0.000$ ) is less than 0.05 which is the significant value. This indicates that there is no correlation between consumer satisfaction and loyalty reward programmes, and customer willingness to repurchase from the same supermarket.

**Table 4: Correlation between Consumer Satisfaction with Loyalty Reward Programmes and Inclination to Repurchase.**

Variable	N	Mean	SD	Df	Sig.	r-tab
Customer satisfaction	164	9.27	2.53	162	0.000	0.335
Repurchasing behaviour	164	8.52	2.76			

\*P<0.05 (Significant)

### Hypothesis Two

A multiple regression analysis was applied to determine if the various loyalty reward programmes can significantly predict consumer buying decisions (see Table 5). The results presented a F<sub>cal</sub> (63.21) and a calculated significance value of  $p < 0.000$  was calculated at  $p < 0.05$  level of significance. Since the calculated significance value ( $p < 0.001$ ) was less than the significance value (0.05), the various aspects of loyalty reward programmes significantly predicted consumer buying decisions. This indicates that various aspects of loyalty reward programmes predict consumer buying decisions in supermarkets in the Buffalo City Metropolitan.

Furthermore, the results reveal a significant positive composite correlation between the predictor variables (various aspects of loyalty reward programmes) and consumer buying decisions ( $R = 0.789 > 0.05$ ). This indicates that the various aspects of loyalty reward programmes significantly predict consumer buying decisions in supermarkets in the Buffalo City Metropolitan. The coefficient of determination ( $R^2 = 0.723$ ) implies that all the predictor variables jointly account for 72% ( $R^2 \times 100$ ) of the total variance in consumer buying decisions.

The multiple regression analyses show that the predictor variables contribute to consumer buying decisions. Each independent variable positively correlates to consumer buying decisions as their significant values (0.00) were less than 0.05. This implies that all aspects of loyalty reward programmes jointly and individually predict consumer buying decisions.

**Table 5: Multiple Regression Analysis for Various Aspects of Loyalty Reward Programmes as Consumers' Buying Decisions.**

R = .789	Fcal. = 63.21
R Square = .723	P = .000

Adjusted R Square = .701		p < 0.05		Standard Error = 5.14	
Model	Unstandardised Coefficient		Standardised coefficient	t	Sig
	B	Std. Error	Beta		
(Constant)	8.162	9.23		2.768	.000
The types of loyalty reward programmes that influence my buying decision	1.891	.218	.765	6.327	.000
Only buy products when there is a promotion	.832	.214	.481	8.421	.000
I'm enticed to buy products linked to loyalty reward programmes	.691	.513	.328	2.721	.000
I believe loyalty reward programmes offer more attractive benefits	.421	.345	.678	2.538	.000
Loyalty reward programmes save me a lot of money	.211	.621	.037	1.729	.000

### Hypothesis Three

The perceived quality of service and the extent to which expectations are met are significant predictors of consumers' perceived value of loyalty reward programmes. Table 6 presents the results from the multiple regression analysis, which indicate a Fcal of 85.592 and a calculated significance value of  $p < 0.000$  at  $p < 0.05$ . Since the calculated significance value ( $p < 0.001$ ) is less than the significance value (0.05), the perceived quality of service and the extent to which expectations are met are significant predictors of consumers' perceived value of loyalty reward programmes. This indicates that the perceived quality of service and extent to which expectations are met informed consumers' perceived value of loyalty reward programmes in supermarkets in the Buffalo City Metropolitan. The results support the significant positive composite correlation between the predictor variables (perceived quality of service and the extent to which expectations are met) and consumers' perceived value of loyalty reward programmes ( $R = 0.891 > 0.05$ ). The predictor variables contribute to and predict consumers' perceived value of loyalty reward programmes in supermarkets in the Buffalo City Metropolitan. The coefficient of determination ( $R^2 = 0.732$ ) implies that all the predictor variables jointly account for 73% ( $R^2 \times 100$ ) of the total variance in consumers' perceived value of loyalty reward programmes. Each independent variable positively correlates to consumers' perceived value of loyalty reward programmes at significant values of 0.001 and 0.00 for perceived quality of service and the extent to which expectations are met, respectively.

**Table 6: Multiple Regression Analysis for Perceived Quality of Service and the Extent to which Expectations Are Met as Predictors of Consumers' Perceived Value from Loyalty Reward Programmes.**

R = .891	Fcal. = 85.592
R Square = .912	P = .000
Adjusted R Square = .732	p < 0.05

Standard Error = 5.996					
Model	Unstandardised Coefficient		Standardised coefficient	t	Sig
	B	Std. Error	Beta		
(Constant)	.572	.874		.655	.514
Perceived Quality of Service	.189	.058	.229	3.274	.001
Extent to which Expectations Are Met	.445	.079	.395	5.651	.000

a. Dependent Variable: Perceived Value

### Hypothesis four

Table 7 presents the results from the multiple regression analysis, which presented a  $F_{cal}$  of 0.723 and calculated significance value of 0.000 at a 0.05 level of significance. Since the calculated significance value ( $p = 0.000$ ) is less than the significance value (0.05), the specific types of loyalty reward programmes (discounted price and instant cashback) are significant predictors of consumer repurchasing behaviour. This indicates that discounted prices and instant cashback significantly influence consumer repurchasing behaviour in supermarkets in the Buffalo City Metropolitan. Similarly, the results reveal that the specific types of loyalty reward programmes (discounted price and instant cashback) jointly predict consumer repurchasing behaviour ( $R = 0.760 > 0.05$ ). This shows that the predictor variables contribute to and predict consumer repurchasing behaviour in supermarkets in the Buffalo City Metropolitan. The coefficient of determination ( $R^2 = 0.691$ ) implies that all the predictor variables jointly account for 69% ( $R^2 \times 100$ ) of the total variance in consumers' perceived value of loyalty reward programmes. The multiple regression analysis confirm that the predictor variables positively contribute to consumer repurchasing behaviour. Each independent variable (discounted price and instant cashback) positively predicts consumer repurchasing behaviour as calculated significant values of 0.001 and 0.00 were obtained for a discounted price and instant cashback, respectively.

**Table 7: Multiple Regression Analysis for Specific Types of Loyalty Reward Programmes as Predictors of Consumers' Repurchasing Behaviour.**

R = .760		$F_{cal.} = .723$			
R Square = .931		P = .000			
Adjusted R Square = .691		$p < 0.05$			
Standard Error = 2.772					
Model	Unstandardised Coefficient		Standardised coefficient	t	Sig
	B	Std. Error	Beta		
(Constant)	8.459	.571		14.804	.000
Discounted price	.176	.309	.046	.570	.000
Instant cashback	.175	.198	.072	.886	.003

a. Dependent Variable: Repurchasing Behaviour

## 5. Managerial Implications

The practical recommendation of this study aims at providing retailers with ideas on how loyalty reward programmes can be enhanced to provide greater benefits for lower income consumers whilst repurchasing behaviour remains consistent.

- Generic loyalty reward programmes are not equitable in nature, and retailers need to consider developing loyalty reward programmes that are unique and specifically designed to support and benefit the low-income consumer in the geographical locations of South Africa with lower economic activity.
- Retailers need to conduct in-depth research on the influence of loyalty reward programmes on the low, medium and high-income consumer and their purchasing behaviour to gain better insight into consumer spending behaviour across these main income brackets. Informed decisions can be made on product specials and loyalty reward programmes to stimulate consumer buying and the frequency thereof.
- Retailers need to ensure that their product offering is of quality and satisfies consumer expectations to generate repeat purchases. Having more insight on consumer buying behaviour and frequency buying patterns will enable retailers to meet consumer expectations through loyalty reward programmes.
- Retailers must consider developing loyalty reward programmes with frequent and high-impact rewards for consumers to stimulate buying and ensure the availability of maximum loyal reward programme benefits to consumers.

## 6. Conclusions, Limitations and Future Research

The aim of the study was to assess how loyalty reward programmes influence low-income consumer buying behaviour in supermarkets in the Buffalo City Metropolitan of the Eastern Cape province in South Africa. The five exploratory factor analyses and hypotheses concluded that loyalty reward programmes are a unique marketing tool that requires constant analyses of the purchasing data. This will enable retailers to predict possible future spending if the loyalty reward programme meets the expectations of low-income consumers.

The loyalty reward programmes at most retailers across the Buffalo City Metropolitan promotes repurchase behaviour amongst the local community, however the lack of income from this community impact their ability to repurchase. It is crucial for retailers to consider how access to promotions in loyalty reward programmes can be improved to be more inclusive of low-income consumers.

This study highlights the importance of retailers repositioning their loyalty reward programmes in low-income groups to add more value to and benefit local communities. A limitation of the study is that only consumers in Buffalo City Metropolitan were surveyed. There is much more data available across various other low-income communities and underdeveloped economies where retailers can adapt their loyalty reward programmes to



support the community, while increasing participation in loyalty reward programmes and sales. It is therefore recommended that a more comprehensive study be conducted on low-income consumers across South Africa using loyalty reward programmes to determine how these programmes can be improved and differentiated to prioritise low-income communities.

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