# Effect of Customer Loyalty Schemes on Competitiveness of Supermarkets in Kenya

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**Abstract**
The purpose of the study was to establish the effect of customer loyalty schemes namely, customer loyalty cards and coalition loyalty programs on competitiveness of supermarkets in Nakuru town, Kenya. The target populations of the study were the managers and customers of Nakumatt, Tuskys and Naivas supermarkets in Nakuru town Kenya. A sample of 384 consisting of 375 customers and 9 managers was selected purposively for the study. Descriptive and regression statistics were used to analyze the data and the findings indicated that customer loyalty schemes had a positive effect on supermarkets' competitiveness. It is recommended that more attention in terms of constant innovation should be paid on the use of customer loyalty cards and coalition loyalty programs by supermarkets as a strategy for competitiveness.
**Key Words;** Customer loyalty Schemes, Coalition loyalty programs, Customer loyalty cards, Competiveness, Kenya.

## 1. Introduction

### 1.1 Background

In todays highly competitive markets a business that offers quality product and better services will definitely have an advantage over the others due to the diversity in the consumer markets and increasingly saturated supermarkets in the retail industry (Cant & Machado, 2004). A supermarket cannot purchase its competitiveness from the market; rather, it has to acquire superior ability to create more value to its customers and shareholders as well. Delighting the customer is crucial to the success of any business (Kotler & Armstrong, 2008). It has become primordial for supermarket operators to sustain business developments and foster customers trust by upholding good practices in their operations (Levy &Weitz, 2007). Managing customers and ensuring that they not only purchase products from the store, but also maintain a lifetime of patronage and maximize customer lifetime value is a sure ingredient for profitability (Rowley, 2005). Ensuring customer satisfaction is thus a paramount strategy supermarkets use to gain customers loyalty in today's competitive and turbulent environment.

Customer loyalty schemes are an important aspect of marketing in the 21st century (Duffy, 2005). Baker & Bass (2003) attributes this to the rise of relationship marketing. Slow growth rates in mature markets have resulted in the pool of new prospects being diminished, steering marketing attention toward retaining and growing existing customer relationships. McMullan & Gilmore (2008), describe a customer loyalty scheme as "a framework that guides an organization in choices that determine the nature and direction of attracting, maintaining and enhancing customer behavior characterized by a positive buying pattern and attitude towards the company, its products or services over time by rewarding loyalty, leading to customer retention." Depending on the industry, an improvement of 5 percent in customer retention leads to an increase of 25 percent to 85 percent in profits (Kerin, Hartley & Rudelius, 2009; Reichheld & Sasser, 1990). Furthermore, firms spend more than five times as much obtaining a new customer than retaining an existing one (Kotler & Keller, 2006; Wills, 2009).

Loyalty marketing in some of the developed countries like the United Kingdom is one of the most significant in the world with most major chains operating some form of reward system. Of the "big four" supermarkets, only Sainbury's and Tesco operate customer loyalty programs. Both Nector and Tesco's Clubcard scheme have been criticized for not offering value for money. When used for money off supermarket shopping, this roughly equate to a 1% discount, although offers can increase this discount by as much as four times for certain rewards. Some retailers with banking operations also award points for every pound spent on their credit cards, as well as bonus points for purchasing financial services (Kenley, 2009). The effect of customer loyalty scheme membership on store attraction can be divided into economic, psychological and sociological influences. For instance, customers who become members of the customer loyalty programs are likely to identify more strongly with the company, because the membership connects them to a group of privileged customers (Oliver, 1999).

The pursuit by organizations to retain their current customers and increase their market share has made customer loyalty schemes critical, thus becoming an essential concern for managers and a strategic obsession for many firms (Bodet, 2008). Research indicates that it costs three to six times more to sell products and services to new customers than the existing customers (Levy & Weitz, 2007). For this reason, successful retailers tend to focus on the importance of intimacy with the customer.

In Kenya, Nakumatt Supermarket was the first to adopt customer loyalty schemes. As a result many other supermarkets in the retail industry including Tuskys and Naivas have since adopted some of the loyalty schemes leading to more competition. With a large number of competing customer loyalty schemes by supermarkets, it is yet to be established whether supermarkets are merely giving away profits in a desperate struggle to win customers or it is a viable strategy that can increase their revenue potentials. Therefore, this study aimed at establishing the effects of customer loyalty schemes on competitiveness of supermarkets.

### 1.3 Objectives of Study

The general objective of the study was to establish the effects of customer loyalty schemes on competitiveness of supermarkets. The specific objectives were:

1) To determine the effect of customer loyalty cards on competitiveness of supermarkets.
2) To establish the effect of coalition loyalty programs on competitiveness of supermarkets.

### 1.4 Research Hypotheses

This paper focused on addressing the following two research hypotheses:

1) $H_{01}$: Customer loyalty cards have no significant effect on competitiveness of supermarkets.
2) $H_{02}$: Coalition loyalty programs have no significant effect on competitiveness of supermarkets.

## 2. Literature Review

### 2.1 Customer Loyalty Schemes

Customer loyalty schemes are structured as long-term marketing efforts which provide rewards to customers who demonstrate loyal buying behavior (Meyer-Waarden, 2007). They are effective ways that a company uses to reward its customers so that they can make repeat purchases. They do so by offering regular customers reduced price offers and discounts on products. This can be beneficial to the retail business because they create new relationships with potential customers and also strengthen the old customers' relationships. Successful customer loyalty schemes are designed to motivate customers in a business's target market to return often, make frequent purchases, and shun competitors. In retailing industry, these programs generally reward loyal customers with discounts, special offers, rebates, points, or prizes and delivers five types of value to participants: Cash Value: which is compared to the rewards worth in cash and how much was spent to obtain it; Redemption Value: compared to the range of products offered; Aspiration Value: compared to how much the customer wants as the reward; Relevance value: how achievable the rewards are and Convenience Value: how easy it is to collect the credits and redeem them for the reward (Buttle, 2004).

Recent years have witnessed a steep increase in organizations investing in customer loyalty schemes. This is a reflective of the corporate need to identity, satisfy, retain and maximize the value of most profitable customers, as well as the need to tailor the organization's offered products/services to them (Kim, Lee, Bu & Lee, 2009). Customer loyalty schemes make a good profit sense given the lifetime value of loyal customers and the role of customer "apostles" in helping to market the firm (Crosby, 2002). Crosby (2002) argues that for a customer loyalty scheme to be effective, it must be synergized among all elements of the organization. It is important for organizations to be aware that customers, who are interested in an organization, do so with expectations that the company will reciprocate and recognize loyalty with appropriate rewards (McMullan & Gilmore, 2008). Berry as cited by Noble & Phillips, (2004) pointed out, "When organizations can offer target customers value-adding benefits that are difficult or expensive for its competitors to provide and that are not readily available elsewhere, they create a strong foundation for maintaining and enhancing sustainable competitive advantage".

#### 2.1.1 Customer Loyalty Cards

Some of the customer loyalty schemes include Customer loyalty cards and Coalition Loyalty Programs. Customer Loyalty Cards are structured as long-term marketing effort which provides incentives to repeat customers who demonstrate loyal buying behavior. The primary aim of customer loyalty cards is to build up emotional relationships that generate benefits. The benefits need to be valuable and should be capable of creating an emotional connection between the customers and the company (Butscher, 2002). Organizations can take active measures to develop interactive programs that not only identify but also reward their best customers (Dato-on, Joyce & Manolis, 2006).

The loyalty card personalized relationship process begins with giving the individualized plastic card to the customers, who will be scanned during shopper check out that records customer identity and all purchases. Usually the customer loyalty card is given to the customer for free in exchange with personal information including customer's name, address, phone number, number of household members and is used as a tool to accumulate the information about purchasing behavior from customers who subscribe while they can collect points which are redeemable in future for substantial rewards in return (Meyer-Warden, 2008). The overall objective of loyalty cards is to modify customer repeat behavior by stimulating product or service usage and retain customers by increasing switching costs aimed at creating a win-win situation for the initiating company and customers (Meyer-Warden, 2007). According to Noble and Phillips (2004), this strategy encourages customers to return to a retailer in order to save money, receive special offers or extras and earn additional products/services in appreciation for their loyalty.

**2.1.2 Coalition Loyalty Programs**

Coalition loyalty programs are schemes that offer incentives to customers of two or more businesses in return for allowing them to collect user data. Such a program packages customer benefits into a single customer loyalty program. They are often used because they allow a cost-effective way to offer customers a variety of attractive benefits that they would not be able to provide without the support of other businesses (Buttle, 2004). From an organization's perspective, coalition loyalty programs offer a number of benefits: funding requirements and risks are split between multiple companies and do not all fall on one organization. Further more businesses can share customer data about preferences, lifestyle and demographics. For example, the increased value of multiple incentives may attract new customers to businesses that they wouldn't ordinarily patronize. Partners can benefit from cross-promotion and combined deals. From the customer perspective, a coalition loyalty program offers a wider range of incentives associated with a single card. Furthermore, because the costs are lower than for individual loyalty plans, businesses may be able to pass those savings on to the customer as more attractive incentives (Ahmad & Buttle, 2001).

**2.2 Customer Loyalty Schemes and Organizational Competiveness**

Customer loyalty leads to increased and guaranteed income and is a key determinant of an organization's market share and profitability from loyal customers who are cheaper to serve; less price sensitive, foster positive word-of-mouth promotion and defy competitor’s strategies (Lewis & Soureli, 2006). They demand less time and attention from the organizations they patronize (Yang & Peterson, 2004), and behave favorably towards the organization in a variety of ways such as forgiving product/service mishaps because they are emotionally committed (Crosby, 2002). As a result, they are a major source of sustained growth (Anderson & Mittal, 2000). Supporting this argument Chaudhuri and Holbrook (2001), observe that a high customer loyalty implies a higher market share and an ability to demand relatively higher prices compared to those of competitors. A stable customer base is a core business asset that enables improved organizational profitability (Rowley, 2005). This study ascertains If indeed customer loyalty schemes leads to the supermarkets under study to have a stable pool of customers who are profitable to the supermarkets or not.

Customer loyalty schemes also leads to improved business since loyal customer provide a communication route to strengthen the organization image and makes it difficult for competitors to entice customers and allows setting higher prices. Another factor that loyal customers generate is a decrease in marketing costs, since loyal customers have the knowledge about the company, their stand point and know the quality of their products (Marzo-Navarro, Pedraja-Iglesias & Riviera Torres, 2004). The non-economic benefits of customer loyalty schemes consist of for example feedback about the product or service for the existing customers who works together with suppliers to add value to the products by improving its functional features (Ahmad & Buttle, 2001).

**2.2.1 Learning Organization Model**

Senge (1990), in popularizing the learning organization theory concluded that “a company’s ability to gather, analyze and use information is a necessary requirement for business success in the information age. The emergence of the digital firm has changed the focus and emphasis of business strategy from competing head to head against other firms in the market, to exploring, identifying and occupying new market niche before competitors, understanding the customers better and learning faster and more deeply than competitors”. The ability by supermarkets to effectively and efficiently access and use information through Data Linked Relationship Management (DLRM), an important aspect of customer loyalty has become an important source for supermarkets to achieve organizational competiveness in the retail industry.

DLRM is the use of accurate customer and prospect customer information, competitor information, market information and internal company information stored on a computer database to focus on marketing activities towards contracting, transacting and building customer loyalty (Pickton & Broderick, 2005). According to Jobber (2004 p. 542), “DLRM is an interactive approach to marketing that uses individual addressable marketing media and channels to provide information to target audience, stimulate demand and stay close to customers.” Walters and Knee (1989) are of the opinion that organizational competitiveness can be attained by those firms who make themselves more attractive to the customers than the competitors and establish a strategic position in the market place. Bendapudi and Berry (1997) also stated that there is sufficient evidence to show that strategies directed towards developing dedicated-based relationship contributes to enhanced profits for a firm. While organizational competitiveness was earlier based on attainment of low cost or differentiation position, today organizations are emphasizing on capabilities that will enable delivery of superior value of its customers. Porter (1980) affirms that customer-focus strategy would contribute to customer satisfaction, customer value and profitability.

**2.2.2 Customer Loyalty Effect Model**

Most present-day strategic plans focus on a profit target and work backward to arrive at required revenue growth and cost reduction. The decisive key in Reichheld model is not profit but, instead, the creation of value for the customers. He ascertains three forces - customers, employees, and investors - that play an important role in the organization to form the *forces of loyalty*. Since a linkage between loyalty, value, and profits exists, these forces can be measured in terms of cash flow. "Loyalty is inextricably linked to the creation of value both as a cause and an effect" (Reichhled, 1996)

As an effect, loyalty measures permanently whether or not the company has delivered superior value. Defects can doubtlessly be explained by a lack of value for the customer. As cause, loyalty creates a chain reaction. Reichheld describes it as follows: revenues and market share grow as the best customers are swept into the company's business, building repeat sales and referrals. Because the firm's value proposition is strong, it can afford to be more selective in new customer acquisition and to concentrate its investment on the most profitable and potentially loyal prospects, further simulating sustainable growth.

Sustainable growth enables the firm to attract and retain the best employees. Consistent delivery of superior value to customers increases employee's loyalty by giving them pride and satisfaction in their work. Furthermore, as long-term employees get to know their long-term customers, they learn how to deliver more value, which further reinforces both customer and employee loyalty. Long-term employees learn on the job how to reduce costs and improve quality, which further enriches the customer value proposition and generates superior productivity. The company can then use this productivity surplus to fund superior compensation and better tools and training, which further reinforce employee productivity, compensation growth, and loyalty. Spiraling productivity coupled with the increased efficiency of dealing with loyal customers generates the kind of cost advantage that is very difficult for competitors to match. Sustainable cost advantage coupled with steady growth in the number of loyal customers generates the kind of profits that are very appealing to investors, which makes it easier for the firm to attract and retain the right investors. They stabilize the system, lower the cost of capital, and ensure that appropriate cash is put back into the business to fund investments that will Increase the company's value-creation potential. To sum up, this model demonstrates that a company willing to follow a loyalty-based management should concentrate its resources in order to offer a superior value to its customers to attain organizational competiveness.

**2.3 Conceptual Framework**

Based on the analysis of literature a hypothetical model for this study was constructed as shown in Figure 1. Customer loyalty schemes affect the level of supermarket competitiveness. The relationship between customer loyalty schemes and supermarket competiveness is affected by situational influences. The outcome is efficiency or inefficiency in creating organizational competitiveness and success or failure of the business. Supermarkets are now acting in a vigorous and preemptive manner to accurately identify and satisfy their customers' needs and wants via providing products and services that satisfy consumers better than that of their competitors by better understanding of their customers through loyalty schemes. The independent variables are customer loyalty cards and coalition loyalty programs. The dependent variable can be explained by increase in market share, sales and overall organizational competitiveness.

**3. Research Methodology**

This study adopted a cross-sectional survey research approach. This is an approach where information on a population is gathered at a single point in time which was the case for this study. The target population comprised of both the customers and the managers which included all the 9 managers in the marketing departments and 3,460 smart, 1,340 magic pay and 1,200 reward cards holders who visit Nakumatt, Tuskys and Naivas supermarkets respectively in Nakuru town to make purchases. Yamane (1967) simplified formula was used to determine the actual sample size of 384 respondents comprising of 375 customers and all the 9 managers (three from each of the selected supermarkets comprising of a marketing manager, customer care manager and a supervisor) selected purposively for this study. The customer distribution of the sample across the supermarkets was done proportionately in which 219 were drawn from Nakumatt, 87 from Tuskys and 78 from Naivas.

In conjunction with the supermarkets management, a questionnaire was given to the customers (Smart, Magic pay and Reward cards holder's) who had just purchased goods and services and managers (a marketing manager, customer care manager and supervisor) in the marketing departments) from the selected three supermarkets; Nakumatt, Tuskys and Naivas respectively in Nakuru town. A five point likert scale with opinions ranging from 5-Strongly Agree, 4-Agree, 3-Not Sure, 2-Disagree, 1-Strongly Disagree was used. Data was analyzed using descriptive statistics and explained using the modal value. According to Mugenda and Mugenda (2003), the modal value provides a better indicator of the central tendency which was the case of this study. Multiple regressions were also carried out to evaluate the relationships between dependent and independent variables.

## 4. Results and Discussions

### 4.1 Customer Loyalty Cards

The respondents opinions on customer loyalty cards were captured on a likert scale ranging from 5-Strongly Agree, 4-Agree, 3- Not Sure, 2- Disagree and 1-Strongly Disagree was used. The findings are shown in Table 1, the respondents strongly agreed to the statements that: they will consider the supermarket their first choice for purchases as they are rewarded with points (mode=5); they will purchase more from the supermarket to earn more points (mode=5); will recommend and encourage their friends and relatives to be loyalty card holders (mode= 5). They agreed that: they consider themselves loyal to the supermarket (mode=4); have been invited to annual general meetings, received magazines and birthday cards from the supermarket (mode 4); is worthwhile being a loyalty card holder offered by the supermarket (mode=4). However they disagreed to the statement that: they have been awarded discounts and gifts at times for being loyal to the supermarket (mode=2) and strongly disagreed to the statement: their points are redeemable every time they make further purchase (mode= 1).

### 4.2 Coalition Loyalty Programs

The respondents' responses on coalition loyalty programs are summarized in Table 2. From the table, the respondents generally agreed to all the statements on coalition loyalty programs. As coalition loyalty program members: they consider the supermarket their first choice for purchases as they are rewarded with bonus redeemable points (mode=4); they do bulk purchases at the supermarkets to earn more points (mode=4); it is safer for them as they don't have to carry hard cash to make purchases (mode=4); they have a great shopping experience at the supermarkets as its convenient as they can make purchases anytime (mode=4); they will recommend and encourage their friends and relatives to be members of the loyalty programs offered by the supermarket (mode=4) and overall, being a coalition loyalty program member offered by the supermarket is worthwhile to them as customers (mode=4).

### 4.3 Effects of Customer Loyalty Schemes on Competitiveness of Supermarkets

The researchers sought for the opinions' of the supermarket managers to establish the effects of customer loyalty schemes (customer loyalty cards and coalition loyalty programs) on competiveness of supermarkets. The respondents' views are summarized in Table 3. On the effects of customer loyalty cards on competitiveness of supermarkets, the respondents strongly agreed on the statement that customer loyalty cards have led to the supermarket being able to track their customers buying patterns and better understanding their buying motives (mode=5). They agreed on customer loyalty cards having led to the supermarket being able to having an ability to focus on a particular market segment (mode=4); customize promotions, prices and services to individual customers leading to a reduction in marketing costs (mode=4) and to coordinate and quickly deliver multiple services to the same customers at a minimum cost (mode=4).

On the effects of coalition loyalty programs on competitiveness of the supermarkets the respondents strongly agreed on the statements coalition loyalty programs have led to the supermarkets being able to: acquire a bigger customer database which of value to the supermarkets (mode=5); a reduction in marketing costs as the IT and marketing costs are shared across coalition partners (mode=5); have facilitated the implementation of product recalls where necessary as the supermarket has in place the customers' database and their purchasing records (mode=5).

The respondents strongly agreed to the statements: the loyalty schemes have led to customers repeat purchases to the supermarkets due to the rewards associated with the loyalty schemes (mode=5); there have been an increase in the numbers of customers to the supermarkets since the introduction of customer loyalty schemes by the supermarkets (mode=5); loyal customers bring higher average sales to the supermarkets as they recommend and encourage their friends and relatives to do business with the supermarkets (mode=5) and its more profitable for the supermarkets to keep their loyal customers (mode=5).

### 4.4 Multiple Regression Analysis

A regression analysis was carried out with organizational competitiveness as the dependent variable and predictor variables being customer loyalty cards and coalition loyalty programs. The findings from table 4 shows that the adjusted R squared value is 0.249 implying that 24.9% variation in supermarkets competiveness is explained by customer loyalty cards and coalition loyalty programs. The results further affirms that Customer Loyalty Cards have a positive effect on competiveness of supermarkets ($\beta_{1=}$ 0.310). This is consistent with the findings of Ahmad and Buttle (2001) which identified six economic benefits of retaining customers using loyalty cards as savings on customer's acquisition or replacement costs; guarantees of base profits as existing customers are likely to have a minimum spending per period; growth in per-customer revenue as over a period of time, existing customers are likely to earn more, have more varied needs and spend more; a reduction on relative operating costs as the firm can spread the cost over many more customers and over a long period of time; and free of charge referrals of new customers from existing customers, which would otherwise be costly in terms of commissions or introductory fees and price premiums as existing customers do not usually wait for promotion or price reduction before deciding to purchase.

Coalition loyalty programs have a positive effect on competiveness of supermarkets since the co-efficient ($\beta_2$=0.171) is positive. This is in line with Buttle (2004), who argue that a properly designed and managed coalition loyalty program always generate better data for results analysis and opportunity targeting, enabling participating sponsors to identify high potential customer, accelerating the consumers' time to earn a reward and therefore drive much greater behavior change than a stand-alone loyalty program at a lower cost of operation than a single company program and therefore typically generating a meaningfully higher return on investments.

**4.5 Research Hypotheses Testing**

4.5.1 $H_{01}$: Customer loyalty cards have no significant effect on competitiveness of supermarkets in Nakuru Town. From Table 5, it is shown that the coefficient of customer loyalty cards is significant ($p=.000< 0.005$) in relation to competitiveness of supermarkets. Thus, we reject the null hypothesis ($H_{01}$) on the basis of the sample data

4.5.2 $H_{02}$: Coalition loyalty programs have no significant effect on competitiveness of supermarkets in Nakuru Town. From Table 5, it is shown that the coefficient of coalition loyalty program is significant ($p=.019< 0.005$) in relation to competiveness of supermarkets. Thus, we reject the null hypothesis ($H_{02}$) on the basis of sample data

**5. Conclusions**

Supermarkets are major players in the retail industry in Kenya, and more so in the economy of this nation. This study had two objectives to achieve. To determine the effect of customer loyalty cards and coalition loyalty programs on competitiveness of supermarkets of in Nakuru Town. On the effects of customer loyalty cards on organization competitiveness, generally most customers agreed that it's worthwhile being a loyalty card holder and see it as a way in which the supermarkets values them for being loyal. Customer loyalty cards tend to increase customer purchase intensity, frequency and positive word of mouth as loyalty holders recommend and encourage their friends, colleagues and relatives to their choice of supermarket. According to Uncles, Dowling and Hammond, (2004) two main aims of customer loyalty cards stand out: One is to increase sales revenue by raising purchase/usage levels, and/or increase the range of products bought from the organization. A second aim is more defensive – by building a closer bond between the organization and current customers it is hoped that the current customer base can be maintained.

Customers generally agreed that that they make bulk purchases, encourage their friends, colleagues and relatives to be members of the coalition loyalty schemes because of the benefits associated with the scheme as they earn bonus points and also the safety aspect because they don't need to carry hard cash with them while going for shopping. Coalition loyalty programs led to a reduction in marketing costs as the IT and marketing costs are shared across coalition partners. The managers strongly agreed that coalition loyalty programs have led to the supermarkets under study being able to acquire a bigger customer database which is of value to the supermarkets. According to Lacey and Sneath, (2006) "Coalition loyalty programs allow marketers to capture detailed transactional and preference customer databases which is used to determine customer value, define specific marketing strategies for finite customer segments, and model customer attrition and intervention strategies thus enabling organization competitiveness".

The study sought to find out the effects of customer loyalty schemes on competiveness of supermarkets. The managers generally indicated that the customer loyalty schemes have led to customers repeat purchases to the supermarkets due to the rewards attached to them, the supermarkets have registered an increase in customer numbers since they introduced the customer loyalty schemes leading to higher average sales by the supermarkets. From regression analysis, both customer loyalty cards and coalition loyalty programs were found to have a positive effect on competitiveness of supermarkets. The study concludes that customer loyalty schemes have a positive effect on competitiveness of supermarkets. Since most supermarkets are moving towards customer loyalty schemes, the differentiating feature may be in terms of the overall customer benefits. This implies that a supermarket whose schemes offer more benefits to customers is likely to be ahead of other competitors. The supermarkets should therefore undertake constant improvements on their customer loyalty schemes to remain competitive.

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## List of Figures and Tables

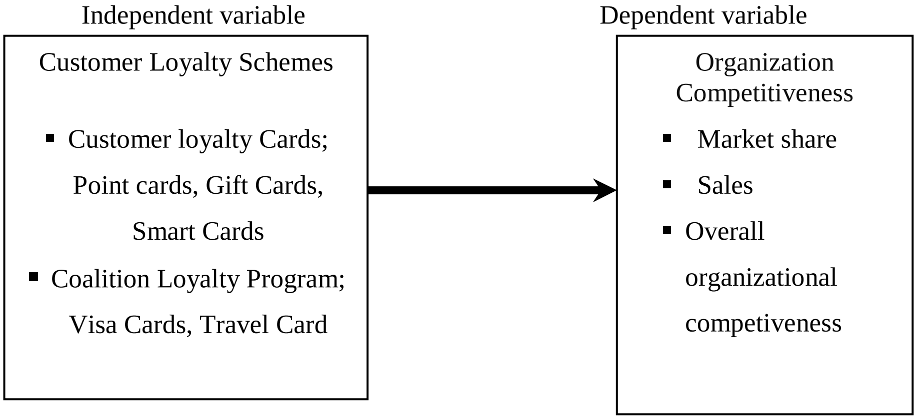


Figure 1: Conceptual Framework

**Table 1: Customer Loyalty Cards**

| Customers Opinions | n | Mean | Median | Mode | Std. Deviation |
|---|---|---|---|---|---|
| As a loyalty card holder I consider myself a loyal customer of the supermarket | 356 | 3.11 | 4 | 4 | 1.61 |
| As a loyalty card holder I will consider the supermarket my first choice for purchases as am rewarded with points | 356 | 3.11 | 4 | 5 | 1.69 |
| As a loyalty card holder my points are redeemable every time I make further purchases | 356 | 2.87 | 3 | 1 | 1.542 |
| As a loyalty card holder I will purchase more from the supermarket to earn more points | 356 | 2.98 | 2 | 5 | 1.756 |
| I have been awarded discounts and gifts at times for being a loyal customer to the Supermarket | 356 | 2.77 | 2.5 | 2 | 1.348 |
| I have been invited to annual general meetings, received magazines, birthday cards from the Supermarket for being a loyalty card holder | 356 | 3.27 | 4 | 4 | 1.19 |
| I will recommend and encourage my friends and relatives to be loyalty card holders | 356 | 3.03 | 3 | 5 | 1.629 |
| Overall, being a loyalty card holder offered by the supermarket is worthwhile to me as a customer | 356 | 3.11 | 4 | 4 | 1.572 |

**Table 2: Coalition Loyalty Program Description**

| Customer Opinions | N | Mean | Median | Mode | Std. Deviation |
|---|---|---|---|---|---|
| As a member of the coalition loyalty program I will consider the supermarket my choice for purchases as am rewarded with bonus redeemable points | 356 | 3.02 | 3.00 | 4 | 1.420 |
| As a member of the coalition loyalty program I do bulk purchases at the supermarket to earn more bonus points | 356 | 3.13 | 4.00 | 4 | 1.467 |
| As a member of the coalition loyalty program its safer for me since as customer as I don't have to carry hard cash to make purchases | 356 | 3.10 | 4.00 | 4 | 1.570 |
| As a member of the coalition loyalty program I have had a great shopping experience at the supermarket as its convenient to me as I can make purchases anytime | 356 | 3.07 | 3.00 | 4 | 1.448 |
| I will recommend and encourage my friends and relatives to be members of the coalition loyalty program offered by the supermarket | 356 | 2.92 | 3.00 | 4 | 1.557 |
| Overall, being a coalition loyalty program member offered by the supermarket is worthwhile to me as a customer | 356 | 2.98 | 3.00 | 4 | 1.546 |

**Table 3: Customer loyalty schemes effect on Competitiveness of Supermarkets**

| Managers Opinions | n | Mean | Median | Mode | Std. Deviation |
|---|---|---|---|---|---|
| Customer loyalty cards have led to the supermarket being able to track customer buying patterns and better understand their buying motives | 9 | 4.67 | 5 | 5 | 0.5 |
| Customer loyalty cards have led to the supermarket having an ability to focus on a particular market segment | 9 | 4.11 | 4 | 4 | 0.782 |
| Customer loyalty cards have led to the supermarket being able to customize promotions, prices and services to individual customers leading to a reduction in marketing cost | 9 | 3.89 | 4 | 4a | 1.054 |
| Customer loyalty cards have led to the supermarket being able to co-ordinate and quickly deliver multiple services to the same customers at a minimum cost | 9 | 3.89 | 4 | 4 | 0.928 |
| Coalition loyalty programs have led to the supermarket being able to acquire a bigger customer database which is of value to the supermarket | 9 | 4.78 | 5 | 5 | 0.441 |
| Coalition loyalty programs have facilitated the implementation of product recalls where necessary as the supermarket has in place the customers' database and their purchasing records. | 9 | 4.44 | 5 | 5 | 0.726 |
| Coalition loyalty programs have led to reduction in marketing costs as the IT and marketing costs are shared across coalition participants | 9 | 4.11 | 4 | 5 | 0.928 |
| The loyalty schemes have led to customers repeat purchases to the supermarket due to the rewards offered to them by the supermarket | 9 | 5 | 5 | 5 | 0 |
| There has been an increase in the numbers of customers to the supermarket since the introduction of customer loyalty schemes by the supermarket. | 9 | 5 | 5 | 5 | 0 |
| Loyal customers bring higher average sales to the supermarket as they recommend and encourage their friends and relatives to do business with the supermarket | 9 | 4.67 | 5 | 5 | 0.5 |
| Its more profitable for the supermarket to keep its loyal customers | 9 | 5 | 5 | 5 | 0 |

**Table 4: Multiple Regression Model**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .505a | .255 | .249 | .86681710 |

a. Predictors: (Constant), Coalition loyalty programs, Customer loyalty cards

**Coefficients(a)**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | .019 | .046 | | .414 | .679 |
| | Customer loyalty cards | .309 | .073 | .310 | 4.220 | .000 |
| | Coalition loyalty programs | .169 | .072 | .171 | 2.352 | .019 |

a. Dependent Variable: Organization competitiveness