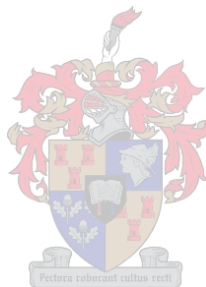# STORE LOYALTY AND THE TOTAL RETAIL EXPERIENCE

KARIN SANDERSON

Thesis presented in partial fulfilment of the requirements for the degree of Master in Economics at the University of Stellenbosch.

Study leader: Prof NS Terblanche   April 2004

Department of Business Management

University of Stellenbosch

DECLARATION

I declare that this thesis is my own work, that it has not been submitted for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

Full name: Karin Sanderson   Date: 25/11/2003

Signed:

SUMMARY

With heightening competitive pressures in the retailing environment, customer satisfaction and customer loyalty have become barometers of retailer performance. Determining the relationship of all the controllable elements that encourage or inhibit consumers during their contact with a retailer, defined as the Total Retail Experience (Berman and Evans, 1998:19), with customer satisfaction and customer loyalty, formed the basis of this study. The dimensions of TRE that were applied in this study were five controllable components, namely personal interaction, merchandise value, internal store environment, merchandise variety and complaint handling. The empirical study was applied specifically to a retailer dealing in health, home and beauty products.

Data for this study was gathered via questionnaire from 34 000 of the most loyal card holders which participated in the loyalty program offered by the health, home and beauty retailer. The results of the data study indicated that the TRE instrument was a valid instrument to measure the success of providing a positive TRE for their consumers. Further, the instruments used to measure customer satisfaction and loyalty were deemed highly reliable.

Of the five elements of TRE, enhancing the quality of personal interaction should be the primary focus in improving customer satisfaction, and it is significant that this retailer's management need only focus on improving these five dimensions of TRE to enhance customer satisfaction, given that almost three-quarters of customer satisfaction was accounted for by the five TRE dimensions. Results indicated that in contrast to customer satisfaction, customer loyalty was primarily driven by product related issues, with merchandise value being the strongest predictor of loyalty. Again, it was noted that more than half of the retailer's customer loyalty could be accounted for by the five TRE dimensions. Thus, efforts to improve any of the five TRE dimensions would enhance customer loyalty within this retailer's cardholder base. The varying importance of the specific TRE dimensions to both customer satisfaction and customer loyalty allow this retailer to identify the driving forces behind each of these concepts and allow for prioritizing strategies to optimize satisfaction and loyalty within their consumer base. By analyzing the responses of the individual items (questions) that measure each of the TRE dimensions as they appeared in the questionnaire, this study enables the retailer to focus on very specific aspects that influence each dimension of the TRE experience. Overall, it must be noted that respondents had positive experiences at the health, home and beauty retailer, which provides the retailer with a useful indicator of

current satisfaction and loyalty levels and a point of comparison in determining the impact of the strategies employed to heighten satisfaction and loyalty.

OPSOMMING

Toenemende druk van mededinging in die kleinhandelomgewing veroorsaak dat kliëntsatisfaksie en –lojaliteit barometers van kleinhandelprestasie word. Die basis van hierdie studie is daarin geleë om vas te stel wat is die verwantskap tussen al die beheerbare elemente wat verbruikers se gedrag tydens kontak met 'n kleinhandelaar aanmoedig of inhibeer, gedefinieer as die Totale Kleinhandelervaring (TKE) (Berman en Evans, 1998:19), en kliëntsatisfaksie en –lojaliteit is. Die dimensies van TKE wat in hierdie studie toegepas is, is vyf beheerbare komponente, naamlik persoonlike interaksie, handelsware waarde, interne winkelomgewing, handelsware verskeidenheid en klagte hantering. Die empiriese studie is spesifiek toegepas op 'n kleinhandelaar wat handel dryf in gesondheid-, huis- en skoonheidsprodukte.

Data vir die studie is ingesamel met behulp van 'n vraelys wat aan 34 000 van die mees lojale kaarthouers wat lid is van die lojaliteitsprogram van die gesondheid-, huis- en skoonheidsprodukte kleinhandelaar, gestuur is . Die resultate van die studie toon dat die TKE instrument 'n geldige instrument is om die sukses te meet indien 'n positiewe TKE vir kliënte aangebied word. Voorts is ook bevind dat die instrumente wat gebruik is om satisfaksie en lojaliteit te meet, hoogs betroubaar is.

Die verbetering van persoonlike interaksie tussen kliënte en personeel blyk die primêre fokus te wees indien kliëntsatisfaksie verbeter wil word. Die vyf dimensies van TKE is verantwoordelik vir byna driekwart van kliënte se satisfaksie. Die kleinhandelaar se bestuur behoort dus slegs te fokus op die verbetering van die vyf dimensies van TKE. In kontras met satisfaksie, blyk lojaliteit primêr veroorsaak te word deur produk verwante kwessies, met handelsware waarde as die sterkste voorspeller van lojaliteit. Meer as die helfte van die lojaliteit aan die kleinhandelaar word teweeggebring deur die vyf dimensies van TKE. Dus, pogings om enige van die vyf dimensies van TKE te verbeter, sal lei tot 'n verhoogde kliëntlojaliteit onder die kleinhandelaar se lojaliteit-kaarthouers.

Die variërende belangrikheid van die verskillende TKE dimensies vir beide kliëntsatisfaksie en –lojaliteit stel die kleinhandelaar in staat om die dryfkragte agter elkeen van hierdie konsepte te identifiseer en maak die prioritisering van strategieë om satisfaksie en lojaliteit te maksimeer, moontlik. Die ontleding van die response op die individuele items (vrae) wat elkeen van die TKE dimensies meet soos wat dit in die vraelys voorkom, maak dit vir die

kleinhandelaar moontlik om op spesifieke aspekte wat elke dimensie beïnvloed, te fokus. Globaal gesien is bevind dat respondente positiewe ervarings by die gesondheid-, huis- en skoonheidsprodukte kleinhandelaar gehad het en hierdie kan as 'n nuttige indikator gebruik word van bestaande satisfaksie- en lojaliteitsvlakke en ook as 'n punt van vergelyking vir die bepaling van die doeltreffendheid van strategieë wat aangewend word om satisfaksie en lojaliteit te verbeter.

ACKNOWLEDGEMENTS

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND TO THE PROBLEM

The proliferation of loyalty schemes has been one of the most marked features of retail marketing in the 1990s (Wright and Sparks, 1999:429). The ongoing interest in loyalty schemes is a result of the recognition that generating more business from existing clients may well be cheaper and more effective than trying to create new customers or to win them from the competition. Research has shown that the longer customers remain loyal to a firm, the more they spend on average per transaction. High retention rates enhance a firm's reputation within the industry and among potential customers; and productivity gains are the final result of improved employee morale stemming from more loyal customers. Furthermore, satisfied customers are the most effective way to generate word-of-mouth marketing.

The realisation of these inherent benefits has translated into a focus on relationship marketing and customer loyalty programmes. In the global retailing environment in particular where competitive pressures are increasing and retailers are seeking to differentiate their core offer, the practice of customer lock-in via loyalty schemes has become increasingly common (Sopanen, 1996:47). Others maintain that some terms, such as like fidelity and obligation, are almost quaint reminders of the past era and that the unwritten contract implying a two-way allegiance between the seller and the customer are perceived as null and void - and that customer loyalty schemes are, therefore, a necessity in today's retailing environment (Shriver, 1997:20).

It is also not surprising that companies spend substantial resources to measure and manage the levels of customer satisfaction (Sivadas and Baker-Blewitt, 2000: 73). The theory that the identification and satisfaction of customer needs leads to improved customer retention has been the premise of many a retailer's strategy. Academic research has also focused on the relationship between customer loyalty and customer satisfaction, and numerous factors have been identified as impacting on satisfaction and loyalty. A considerable number of authors have argued that service quality is an important determinant of service loyalty, but its exact relationship in this equation has maintained unclear (Gremler and Brown, 1996:172).

1

Competitive forces and consumer demands force retailers to differentiate themselves clearly in the minds of consumers. In the past retailers followed various approaches to facilitate this differentiation from competitors.. Historically the most prominent approaches were loyalty schemes and the delivering of exceptional service quality. A further approach that retailers could follow to differentiate themselves is to provide a positive Total Retail Experience (TRE) for their clients. In this study, the interaction between store loyalty and TRE is analysed.

1.2 OBJECTIVES OF THE STUDY

The specific objectives of this study are to:

- assess whether the (TRE) measuring instrument, as developed for supermarkets and clothing retailers, would also be useful to a retailer which deals in home, health and beauty products;

- assess the relationship between TRE and customer satisfaction;

- assess the relationship between TRE and customer loyalty;

- identify the dimensions of TRE that drive customer satisfaction and customer loyalty of the retailer's customers; and

- quantify the impact of each of the TRE dimensions in influencing the customer satisfaction of the retailer's customers.

The results of this study could be applied by the retailer to assess shopper perceptions about and resultant behaviour in their retail stores. A further application is to compare shopper behaviour between different stores and by different regions. The study is also a base from which to track customer behaviour and could, therefore, form the basis of an annual barometer.

1.3 METHOD OF INVESTIGATION

The sequential method of investigation followed in this study comprised of a literature study and an empirical study.

1.3.1 The literature study

Drawing from literature sources including books, magazines, research papers, conference presentations and the Internet, the topic of store loyalty, customer satisfaction and the TRE was researched. Since little material of South African origin is available on the phenomenon of store loyalty, most of the material used was of international origin.

The literature study was centred on four key concepts. These were store and customer loyalty, customer satisfaction, the TRE, and loyalty schemes and programmes.

Some of the most important aspects addressed in the literature study include:

- The various types of store and customer loyalty and how they are measured

- Store image and how consumer attitude towards a store is related to repeat purchase relationships

- Types of customer satisfaction and the attitude and behavioural manifestations toward retailers of satisfied consumers

- The elements that encourage or inhibit consumers during their contact with a retailer and their influence of the dimensions of the TRE on satisfaction levels

- Definitions and principles of loyalty schemes, different structures and types of loyalty schemes, the benefits of each of these, as well as the future of loyalty schemes.

1.3.2 The empirical study

The empirical study was conducted in four stages, namely the questionnaire design and distribution, data collection, collection, analysis, and findings and recommendations.

A self-administered questionnaire was developed to collect data from a sample of respondents. The questionnaire comprised of 31 items, which were designed to measure satisfaction, attitudinal and behavioural loyalty, and the five dimensions of TRE. The latter five dimensions are personal interaction, merchandise value, complaint handling, internal store environment and merchandise variety and assortment.

A large South African retailer dealing in health, home and beauty and which operates a loyalty programme was approached to participate in this study. The questionnaire was sent by mail to 34 000 members of the retailer's loyalty scheme. These members were drawn only from the members showing high loyalty, as defined by the retailer. To incentivise responses,

loyalty awards in the form of 10 points were awarded to the respondents upon submitting a completed questionnaire. These points were then added to the respondent's existing points and incorporated into the cash back vouchers, which are sent to cardholders four times a year.

After the submission date, the questionnaires, which had to be returned to any branch of the retailer, were mailed to the head office by the various branch managers. The data was then entered and verified and the results statistically analysed and interpreted.

1.4   THE STRUCTURE OF THE THESIS

The order of this thesis is as follows:

Chapter One is the introductory chapter and provides the background, objectives and methodology of the study. Chapters Two to Five comprise of a literature review.

Loyalty in marketing forms the basis of Chapter Two. The concept of loyalty, including customer loyalty, is introduced and the factors that may lead to the dissipation of loyalty are discussed. Three distinctive approaches to loyalty measurement are reviewed, namely, behavioural, attitudinal and composite measures.

Chapter Three addresses store and retailer loyalty. These concepts are defined and the measures, categorisations and dimensions of store loyalty are expanded. The concept of store image forms an integral part of this chapter. Store image is defined, its determinants explained, its measurement outlined, and the factors, which affect store image, are discussed.

Chapter Four deals with customer loyalty programmes and schemes. Building on definitions and the principles underlying loyalty schemes, different types of loyalty schemes are described. The costs of loyalty schemes, as well as the future of these schemes, are addressed in detail.

The literature review is concluded with Chapter Five, which discusses TRE. The five dimensions that form the controllable components of TRE are discussed. In the latter section, the literature study, the development of the measuring instrument and the breakdown of the sections of the measuring instrument are analysed.

Chapter Six deals with the design and methodology of the empirical study. The chapter commences with a description of the sample used for the study, which is followed by the measuring instrument used for this study.

4

The major findings and the implications of the empirical study for retailers are discussed in Chapter Seven. The response to the study is also included in the chapter, followed by the statistical analysis of the data collected by means of the returned questionnaires.

CHAPTER 2

LOYALTY IN MARKETING

2.1 INTRODUCTION TO LOYALTY

The word "loyalty" has taken on many meanings over time and have been defined along various dimensions. Royce (1908:14) stated that the word "loyalty" comes to us as a good old popular word, without any exact definition. Even today, loyalty is claimed to be the most misunderstood and misused word in the retail business area (Sopanen, 1996:4). Despite its very abstract nature and the complexity of the construct, certain features essential to a unanimous conception of loyalty have emerged. Dictionaries define loyalty as:

- constant and faithful in any relation implying trust or confidence; bearing true allegiance to constituted authority (1)

- faithful to any person to whom loyalty is owed (2)

- having or showing continuous allegiance; faithful to one's country, government etc. (3)

- true or faithful to duty, love or obligation, steadfast in allegiance (4)

The terms in these definitions are decidedly abstract in themselves since faith and allegiance are not tangible or measurable. The early Twentieth Century philosopher, Josiah Royce, embraced the concept of loyalty from a qualitative perspective instead when he wrote: a man is loyal when, first, he has some cause to which he is loyal; secondly, when he willingly and thoroughly devotes himself to this cause; and when, thirdly, he expresses his devotion in some sustained and practical way, by acting steadily in the service of his cause (1908:17).

Citing examples of loyalty pertaining to everyday life illustrates the concept more clearly. Instances of loyalty include the devotion of patriots to their country, when their devotion leads them to live and perhaps die for their country; the devotion of martyrs to their religion; the devotion of a ship's captain when, after a disaster, he struggles for his ship and the saving of his ship's company, even if he is the last man to leave the ship (Royce, 1908:17). Even in these examples, however, loyalty could take different forms. For example, the loyalty that citizens feel towards their Sovereign (Monarch or Government) could be a voluntary loyalty,

when the citizens respect their Sovereign for a variety of reasons, or it could be an enforced loyalty, when citizens are forced to obey the laws and rules of the sovereign for fear of punishment (Sopanen, 1996:4). This view was not shared by Royce, who maintained that the loyal man's cause is by virtue of the asset of his own will - that he chooses it, or, in any event, approves it (Royce, 1908:17). He maintains, therefore, that it is the origin of the loyalty that distinguishes one form from another.

The nature of loyalty exhibits similar paradoxes in literature. Royce (1908:18) writes that the loyal man's devotion is a practical one in that he does something that will serve his cause. Loyalty is never pure emotion, and the devotion of the loyal man involves a kind of restraint or submission of his natural desires to his cause. In analysing loyalty in the retail sector by means of customer loyalty programmes, for example, it could be concluded that the emotions of pleasure and arousal in a retail situation lead to customer satisfaction which, in turn, lead to customer loyalty for certain kinds of goods (Desrumaux and Van Kenhove, 1995:1657). In this instance, loyalty is indeed motivated by mere emotion. Furthermore, the customer reward programmes that abound in today's retailing sector are built around fostering loyalty by encouraging such natural desires. For example, obtaining cash after accumulating a certain amount of points is desirous for many consumers; the ensuing loyalty which the reward programme hopes to motivate (the consumer's cause) was built on capitalising, not restraining, it.

Another contentious issue is Royce's philosophy that when a loyal man serves his cause, he is not seeking his own private advantage, meaning that the cause to which one is loyal is viewed as some extraneous factor, which is also much larger than one's private self. If, for instance, the cause of a consumer's loyalty lies in supporting the reward programme as outlined above, then the consumer is indeed seeking his/her own private advantage by attempting to ease his/her economic pressure. Royce's discussion of loyalty forms a beginning to understand the concept of loyalty. On the other hand there have been recent developments regarding loyalty concepts.

2.2   SOME MORE RECENT VIEWS ON LOYALTY

There has been a significant quantity of inquiry into what status the concept of loyalty holds in late twentieth century society. Terms, such as "fidelity" and "obligation" are said to be almost quaint remainders of a past era and that the unwritten contract implying a two-way

allegiance between employer and employee, sales and customer, government and citizen, is more likely perceived as null and void (Schriver, 1997:20). It is proposed that the 21st century view of the term "loyalty" cannot be seen in the same light as at the turn of the previous century.

Schriver (1997:20-21) suggests several reasons why customers are less loyal today than they may have been in the past. The first cause leading to the diminution of loyalty is choice. Consumers in the 1990s had a much larger field of choice than ever before, resulting in lost distinctions among those choices, blurred values and increasing distraction, factors that inhibited the cultivation of loyalty. The second contributor was the availability and easy application of information. Increased product information led to raised buyer expectations and empowerment of the buyer, thus encouraging comparison-shopping. A third factor could be termed entitlement: modern consumers are highly individualistic, assuming that rights and choice are owed to them automatically. The long-term nature of loyalty is at odds with the stony soil of individualism. The fourth cause is commoditisation. This concept embraces the idea that in today's world increasing numbers of messages and products are alike, leaving noteworthy to which one could remain steadfastly loyal. Insecurity is a fifth cause impacting on customer loyalty – and more specifically, economic insecurity with regard to personal and national finance. Doubt is not conducive to enhancing loyal behaviour. A sixth reason for diminishing loyalty is a lack of time Today's consumer has to juggle with multiple tasks and because there is too much to do in too brief a time, there is none left to demonstrate true loyalty. A counter-argument could be raised on this point - if time is a limiting issue, then it is much easier to patronise a certain retailer or purchase a particular brand. Such repeat behaviour minimises the time and effort spent on the purchase decision (Schriver, 1997:22).

Other authors argue that consumers were never loyal in the first place – right from antiquity to the present (Stanton and Linneman, 1996:21). Loyalty is indeed being eroded, but it is the loyalty of retailers - operationalised as their lack of attention to customer needs and changes - which is diminishing. Thus when consumer loyalty diminishes, it is because of the retailer not changing to meet new needs, and not because of changes in the consumer. Loyalty is seen to be non-existent and misinterpreted in today's environment (Stanton et al, 1996:21).

Declining loyalty, for whatever reasons, has far-reaching effects for organisations and consumers alike. One reason is defection, whereby consumers abandon one organisation in favour of another. Another closely related effect is the weakening of affiliation, as reflected

by consumers' declining allegiance towards many forms and institutions. Customer complaints increase as loyalty diminishes and customers' faith in institutions has plummeted. From a financial viewpoint, customers have become increasingly price sensitive (Schriver, 1997: 21-22).

The decline in loyalty over the past decades has sown, somewhat ironically, the seeds of its possible rebound. The very loss of loyalty is causing people to become more sensitive and alert to its importance, even leading to a re-evaluation of society's social fabric (Schriver, 1997:23). Those elements which were present before the dissipation of loyalty (strengthened family and community ties for example) are growing increasingly stronger again, and could well herald the return of loyalty in general.

2.3   CUSTOMER LOYALTY

Customer loyalty has been defined in several ways. Dwyer, Schurr and Oh (1987:15) define customer loyalty as the virtual exclusion of other exchange partners that are able to provide the same benefits. According to this definition, loyalty is measured in terms of the extent to which customers remain loyal to a particular supplier. Other measures of customer loyalty that have been used include the number of repeat purchases and that part of a category budget that a customer spends with a particular company. However, it has been argued that these definitions ignore the factors that explain customer loyalty (Morgan and Hunt, 1994:23). A more comprehensive definition comes from the work of De Wulf and Van Kennove (1995:187), namely: customer loyalty is customer behaviour characterised by a positive buying pattern during an extended period (measured by means of repeat purchases, frequency of purchases, share of wallet or other indicators) and driven by a positive attitude towards the company and its products or services. Loyal customer behaviour is indicated by purchases tending to be concentrated within one or a limited number of stores (Jarvis and Wilcox, 1977:10).

Consumer loyalty in the retailing industry may be classified into various categories (Sparks, 1996:10; Sopanen, 1996:6). Sopanen's first classification is monopoly loyalty, which exists when there is no alternative choice available to the consumer. It is thus a kind of enforced loyalty. The second classification is that of inertia loyalty, also called the from-force-of-habit loyalty, which is a classification also used by Sparks. It involves customers not actively seeking out any alternatives. There may be many reasons for this "why bother" loyalty – a

lack of information, deliberate or not, or perhaps there is no significant reason which would prompt seeking out alternatives. A third category relates to convenience loyalty. This incorporates elements such as the convenient location of a favoured store, or the availability of a children's playground at the retailer. Price loyalty is Sopanen's fourth category, where customers place most emphasis on securing low prices. Incentivised loyalty, in turn, is based on rewarding customer schemes (points mean prizes). Loyalty is fostered by customers forfeiting possible rewards when they switch retailers. Emotional loyalty is the final category, and it is based on an irrational judgement of a retailer or store and is manifested in phrases such as " I hate Sainsbury's". Sopanen believes that this is the only category where real loyalty exists as far as the word's original definition is concerned (1996:5).

Reece (1997:1). proposed five different strategic levels of loyalty. The lowest level is that of the switcher or price buyer. This consumer perceives most alternatives at hand to be acceptable and the relationship history plays a low role in the purchase or patronage decision. At this level, customers feel that the supplier has not done anything in particular to earn their loyalty. The second level includes those customers who are satisfied to the point that there is no immediate driving force for change, especially since such a change involves some effort. Such consumers are characterised by being hard to reach and they tend to remain with their current providers. The third group is referred to as those who are switching-cost loyal. They attach significant risks to changes, such as investing time in selecting a new supplier. The fourth group consists of customers who value the relationship with the supplier and who have an emotional link to the supplier. The fifth or top group are those committed customers who would readily recommend the supplier to others. Reece (1997:1) mentions that these levels seldom exist in pure form and that customers usually exhibit a combination of these characteristics. For example, customers may continue to purchase a specific product from a particular supplier even though they may be dissatisfied.

2.4   MEASURES OF LOYALTY

The measurement of consumer loyalty has long been a topic of interest. This interest dates to a 1923 study by Copeland, who investigated a phenomenon, called brand insistence. Nonetheless, little is still known of the ways in which people develop and maintain loyalty of any kind.

10

Early research examined loyalty in the context of brands, specifically, the purchase of low priced, high volume retail goods (Pritchard, Howard and Havitz, 1992: 155). More recently, however, the concept of brand loyalty has been extended to incorporate product loyalty, activity loyalty, participant loyalty, chain loyalty and also store loyalty.

The review by Jacoby and Chesnut (1978:25) of loyalty research revealed three distinctive approaches to the measurement of loyalty. These three measures were the behavioural, attitudinal and composite, the latter being a blend of the first two measures.

2.4.1   Behavioural measures of loyalty

Most of the initial loyalty studies were operationalised on the behavioural level as a form of repeat purchasing of a particular product or service over time. These studies were based on either the actual purchasing behaviour of consumers, or on their reports of that behaviour. Certain definitions were derived, which Jacoby and Chesnut (1978:26) subdivided into four behavioural groups.

The first of these groups focused on the sequence in which brands were purchased. The definitions of group two were based on the proportion of purchases devoted to a given brand. The proportion of total purchases represented by the brand used most often within the product category; the proportion of purchases (a percentage) indicates the strength of consumers' loyalty to a particular brand. A third group of definitions was based on the probability of purchase. Such probability measures include those of average staying time and repeat purchase probability. This group of definitions reflects what is called the stochastic model of consumer behaviour.

A fourth group of definitions was constructed from an analysis of variables by combining several behavioural criteria. Burford, Enis and Paul (1971:29) developed a loyalty index based on these behavioural components, such as the number of switches from the loyalty object, the number of brands available and those that were patronised (Pritchard, Howard and Havitz, 1992:157).

Before the mid 1960s, behaviour was seen to be the sole indicator of loyalty. Day (1969:29) was one of the first researchers to question the validity of this assumption, criticising past behavioural theories on the grounds that they could not distinguish between true or intentionally loyal and spuriously loyal buyers who lacked loyalty or attachment to brands,

11

looking instead at better deals in their purchasing choice. Day (1969:29) suggested that psychological attachment should be included as a distinguishing factor, a suggestion endorsed by Jacoby (1971:26) who stated that to exhibit brand loyalty implied repeat purchase based on cognitive, affective, evaluative and predispositional factors, which were the classical primary components of an attitude.

2.4.2   Attitudinal measures of loyalty

Early definitions described loyalty in terms of acceptance and rejection regions, with brands scaled along a continuum of preference (Bennett and Kassarijian, 1972: 132). Purchasing tendencies were reflected by zones of acceptance, neutrality or rejection. The larger the distance between the reference zones, the greater the degree of attitudinal brand loyalty. This research was followed by the work of Jarvis and Wilcox (1977: 9) who used a ratio of accepted and rejected brands in conjunction with a weighted index of brand awareness to define cognitive loyalty. A 6-point Lickert scale to measure customers' intentional loyalty toward, as well as general propensity to switch service agencies was designed by Jain, Pinson and Malhotra (1987: 49).

Although attitudinal measurement has advanced over the past 20 years, there is still a lack of psychometrically sound instrumentation because many of the instruments used to date have not yet been tested for reliability and validity (Pritchard, Howard and Havitz, 1992:157).

Day's study of 1969 found that the predictive power of a model using attitude as well as behaviour was almost twice as good as a model using behaviour alone, hence advancing that the concept of loyalty was in fact multidimensional. This multidimensional nature was advanced again in the studies by Olsen and Jacoby. They found that four factors underlay the loyalty construct: behavioural brand loyalty, attitudinal brand loyalty, multibrand loyalty and general brand loyalty.

Dick and Basu (1994:99) viewed customer loyalty as the strength of the relationship between an individual's relative attitude and repeat patronage; a relationship seen as mediated by social norms and situational factors. The nature of the attitude towards a brand was influenced by three categories of antecedents: cognitive, affective and conative determinants. Relating these antecedents to store loyalty, Dick and Basu (1994: 108) argued that the factors which influence store image (merchandise related aspects, service related aspects and the pleasantness of shopping at a store), underlined that both cognitive and affective antecedents

were critical in influencing the degree of repeat patronage. Conative aspects were also considered as an antecedent to store loyalty because of the high switching costs (both monetary and psychological) involved in learning the layout of a new store, merchandise locations etc. The consequences of repeat patronage, in turn, are threefold. As repeat purchases and satisfaction increase, the search for information decreases. Furthermore, Dick and Basu (1994:107) showed that individuals holding strong commitments to certain objects demonstrated enhanced resistance to persuasion attempts. Thirdly, word of mouth communication was believed to follow from consumption satisfaction/dissatisfaction, although consumers appeared more likely to engage in word of mouth communication when they experienced notable emotional experiences. Therefore, whilst the strength of the relative attitude- repeat patronage relationship would appear to motivate post purchase word of mouth communication, certain antecedents (such as emotion or moods) may act as facilitators.

This composite approach has been widely used across industries (Jarvis and Mayo, 1986: 75; Selin, Howard, Udd and Cable, 1988: 217) in attempting to understand and assess loyalty. Nonetheless, there are certain inadequacies in the formulation of valid and reliable behavioural and attitudinal measures.

2.4.3   Limitations of current loyalty measures

Pritchard, Howard and Havitz (1992:155) stated that behavioural measures used in more recent loyalty definitions have not moved markedly beyond these early investigations. As yet, no research has been able to provide a rationale for the use of the behavioural and attitudinal measures in a specific situation or context. It has been shown that it is not always desirable to have attitudinal and behavioural compatibility. An important, as yet undressed, issue today is whether, and in what situations, behavioural measures should converge or diverge from their attitudinal counterparts.

The derivation of categorical classifications of loyalty has raised other questions. Muncy (1983) argued that sensitivity is lost when a measurement of loyalty moves from a continuum-like description to a more categorical form. Jacoby and Chesnut (1978: 26) noted that most loyalty classifications used arbitrary cut-off criteria derived from simple statistical division. A further limitation lies in collapsing behavioural and attitudinal measures to provide an overall index since it defeats the theoretical premise of multidimensionality (Pritchard, Howard and

Havitz, 1992:159). The behavioural measures, their composition and their relationship to the attitudinal construct, need closer attention in future research.

There are also limitations regarding the attitudinal component of loyalty. Muncy (1983) argued that too much work in attitudinal research is derived from operational definitions rather than from theoretical conceptualisations of loyalty, resulting in a multitude of measures that confound research. Day (1969: 30) suggested that, in order to measure the attitudinal component of loyalty, research should first regard the construct theoretically as a psychological process.

The return of the importance of loyalty in marketing and retailing, has led to the reconsideration of the role of relationships in marketing. Since the beginning of the 1990s the topic of relationship marketing has led to intense debates with regard to its function and place in marketing strategies.

2.5   THE EMERGENCE OF RELATIONSHIP MARKETING AND ITS RELEVANCE FOR RETAILING

The focus in the study of marketing has shifted during the past few decades (Christopher, 1993:8). In the 1950s, the focus of marketing interest was primarily on consumer goods. An increase in attention being given to industrial markets emerged in the 1960s. The 1970s saw considerable academic effort being focused on the area of non-profit or societal marketing. Marketing in the services sector received its share of attention in the 1980s, an area of marketing that had received little attention when considering its importance in the overall economy. The ability of 4Ps (product, price, promotion and place) to fulfil the marketing concept has been the focus of examination since the 1980s. It was especially the absence of an explicit interactive element that limited the extension and application of marketing principles to areas such as services. With the application of marketing principles to the domain of services, the nature and importance of relationships in marketing became more apparent. It is expected that the area of relationship marketing, which has already received increasing attention in the 1990s, will also be the main focus in marketing for some time in the 21st century.

The focus of relationship marketing involves two major considerations. Firstly, at a macro level, is the recognition that marketing impacts on a wide range of areas and secondly, at the micro level, is the recognition that the nature of interrelationships is changing. Marketing has

14

become increasingly more concerned with the development and maintenance of mutually satisfying long-term relationships with customers. This shift in emphasis is the result of the following conditions (Buttle, 1996:1) :

- increasing local and global competition

- fragmentation of markets into smaller and smaller segments

- increased levels of product quality which force firms to exploit other alternatives to gain a competitive advantage

- more demanding customers

- rapidly changing customer buying patterns because of choices that customers have

- fewer standardised marketing offerings because of consumer demand and the ability of technology to satisfy such demand

- maturing markets.

The emphasis has now shifted from a transaction focus to a relationship focus. A successful and enduring relationship cannot easily be imitated by competitors and such a relationship offers a unique and sustained competitive advantage.

2.6 DEFINITIONS AND PRINCIPLES OF RELATIONSHIP MARKETING

Relationship marketing represents a major directional change in both marketing theory and practice, and the retailing industry is arguably an ideal candidate for the potential benefits of further developments in the relational approach to marketing (Egan, 1999:2).

Marketing academics and practitioners have advanced several definitions of relationship marketing. However, because relationship marketing is a rather complex concept, there is no single commonly accepted definition (Evans, 1994:440). Morgan and Hunt (1994:22) propose that, with a view to adequately conceptualise relationship marketing, all forms of relational exchanges between a firm and its suppliers, buyers and internal partnerships need to be considered. However, it is argued, definitions cover only certain kinds of relational exchanges but not others, with their focus depending on the specific area of marketing from which they are derived (Morgan et al, 1994: 21). The fields of business marketing, bank marketing, advertising and industrial marketing share their perceptions of relationship marketing, focusing on earning the position of preferred supplier, building trust over time, and building

strong, lasting relationships with individual accounts. In the services marketing area, relationship marketing is defined as attracting, maintaining and enhancing (customers) and as attracting, developing and retaining relationships (Berry and Parasuraman, 1991:133). All these definitions incorporate the specific recognition of a customer as one of the exchange participants. While the inclusion of the customer is a vital component in many fields, including retailing, Morgan et al (1994:21) suggest that strategic alliances are formed between partners, and not between customers, buyers or sellers. The latter authors thus broadly define relationship marketing as all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges (Morgan et al, 1994:22).

Grönroos (1994:9) defines relationship marketing along its objectives and the ways these could be achieved: marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises (Grönroos, 1994:9). A definition which actively recognises that the customer, along with other partners, as an integral part of relationship marketing lends itself more readily to the retailing environment, since exchanges between retailer and customer form the basis of potential customer loyalty. Focusing on the customer, Evans (1994:440) considers relationship marketing as a customer centred approach whereby a firm seeks long-term business relations with prospective and existing customers.

2.7 MARKETING THEORY PRECEDING RELATIONSHIP MARKETING AND THE DEVELOPMENT OF RELATIONSHIP MARKETING

In the past three decades marketing theory, research and practice have been dominated by the marketing mix paradigm which was originally introduced in the 1960s. The concept of the marketing mix and the 4Ps became the unchallenged basic model of marketing (Grönroos, 1994:4). The concept, introduced by Borden in the 1950s, developed from the notion of the marketer as a mixer of ingredients by planning various means of competition and then blending them so that a profit function is satisfied. The marketing mix model, though universally accepted, has been contended along two dimensions. Firstly, its justification as an indisputable paradigm is challenged in the way that it has been adapted from Borden's original concept, and secondly, along the dimension of the soundness of its theory.

The marketing mix, as originally introduced by Borden, was a list of categories of 12 marketing variables and elements and comprised of a mix of different means of competition. It is argued that this way of describing a phenomenon is not valid, because a list never includes all relevant elements, it does not fit every situation and it becomes obsolete (Grönroos, 1994:5). In the 1970s, this original list was shortened for pedagogical reasons, only to evolve as the 4Ps. Since then, marketing academics have offered additional Ps to the list- examples include public relations and politics and people - as well as suggesting that service should be added to the list of Ps. These suggestions promote the notion that the 4Ps are not suited to all infrastructures and situations, and point to a significant oversimplification of Borden's original concept (Grönroos, 1994:5).

Other academics argue that the 4Ps of the marketing mix are not able to fulfil the requirements of the marketing concept. According to Kotler (1991:19), the marketing mix holds that the key to achieving organisational goals consists of the entrepreneur being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets. In this light, Dixon (1983) argues that far from being concerned with customers' interests, that is, somebody for whom something is done, the views implicit in the 4P approach are that the customer is someone to whom. something is done. Many observers, therefore, consider the 4P approach to be a production-orientated definition of marketing, and not a customer-orientated one.

Van Waterschoot (1992:85) points out three flaws in the 4P model. These criticisms hold that the characteristics or properties that are the basis for classification have not been identified and that the categories are not mutually exclusive. Furthermore, many marketing related phenomena are not included.

Apart from its theoretical shortcomings and its dubious applicability, the 4P model of marketing has also yielded several undesirable consequences. Managing the marketing mix makes marketing seem uncomplicated in that marketing can be separated from other activities of the firm, especially by the creation of marketing departments. This organisational approach inherent to the marketing mix management paradigm is not constructive, in that the psychological effect of a separate marketing department on an organisation does not foster the development of a customer-orientated outlook. Marketing loses its integrative function, is alienated from other functions of the firm and impedes the organisation from being truly market orientated (Grönroos, 1994:7).

The marketing mix paradigm, while dominant in marketing theory and application, are contested by alternate theories of marketing. Many of these theories are based on studies of the market relationships of organisations in specific types of industries. The Interaction and Network Approach to Industrial Marketing and the Marketing of Services theories are recent additions to the older schools of commodity, functional, geography-related regional and institutional approaches (Grönroos, 1994:6). As mentioned, however, these theories are limited to the specific situations from which they were developed.

2.8   THE MARKETING STRATEGY CONTINUUM

Grönroos (1994:10) suggests that it is useful to consider possible marketing approaches or strategies along a marketing strategy continuum. At one end of the continuum is transaction marketing, where the focus is on one transaction at a time, thus exhibiting a short-term focus. At the other end of the continuum is relationship marketing, with its focus on building relationships with customers and other parties. However, only customers will be discussed in this section. Grönroos argues in favour of a continuum because relationship marketing is not seen as another addendum to isolated transactional exchanges, but as an entirely different approach. On the other hand, Kotler (1991:12) asserts that transaction marketing is part of a larger idea called relationship marketing and does not isolate transactions from relationship marketing.

2.8.1   The strategy continuum

The continuum, as presented by Grönroos (1994:10), distinguishes transaction from relationship marketing along a variety of strategic dimensions. Transaction marketing has a short-term focus as opposed to the long-term nature of relationship marketing. Morgan and Hunt (1994:21) support this view, describing transaction marketing as having a distinct beginning, short duration and a sharp ending by performance, whereas the relational exchange in relationship marketing could better be described as trac(ing) to previous agreements, is longer in duration, reflecting an ongoing process (Morgan et al, 1994:21). Kotler (1991:12) also implicitly distinguishes these two approaches by stating that transactions between parties move from being negotiated each time to being a matter of routine. The reason for this difference is that profits are expected from current exchanges in transaction marketing, whereas the focus in relationship marketing lies in creating results in the long term by building enduring and profitable relationships with customers.

The dominating marketing function is also differentiated in the model. Transaction marketing centres around the marketing mix and its Four Ps, while relationship marketing is interactive marketing supported by marketing mix activities. The interactive marketing mix refers to marketing activities outside the marketing mix; that is, people have responsibilities in non-marketing tasks, such as working in another department, but they still perform a part time marketing task because of their vital customer contacts (Grönroos, 1994:11).

The fact that relationship marketing provides added value (in the form of tighter technological, knowledge related or social ties) to customers would result in the price of a product to play a less important role in the customer-seller interaction. This rationale is adopted by Grönroos (1994:12-13) to deduce that customers are less sensitive to price when relationship marketing is applied than in the case of transaction marketing, where only the core product attracts the customer.

Yet another category to distinguish transaction from relationship marketing is that of the measurement of customer satisfaction. An indirect measurement approach is indicative of transaction marketing. Firms that apply a relationship-style strategy are able to monitor customer satisfaction directly by managing their customer base since the large number of customer contacts enables the collection and processing of various types of data. The creation of such a database in transaction marketing is very difficult and expensive in such a situation, where data on customers is collected instead by marketing share statistics, such as market share. This type of satisfaction measurement could be misleading, however, because while a stable or rising market share indicates success, it does not account for new customers replacing the old after aggressive marketing techniques, a trend which indicates customer dissatisfaction.

The level of interdependency between functions and departments in an organisation depends on whether the firm has chosen a transaction-type strategy or a relationship-type strategy. The internal interface between marketing, operational, personnel and other functions is of strategic importance to achieving success in relationship marketing. First, the customer interface is much larger, with customers interacting with many more functions in an organisation. This aspect requires that all parts of the firm should be able to take care of customers by collaborating and supporting each other. In transaction marketing, however, only marketing or sales specialists are responsible for the total marketing function; other functional departments

are not involved, thereby limiting the need for internal interface between functions (Grönroos, 1994:12-13).

Finally, the importance of internal marketing varies between these types of marketing approaches. Internal marketing refers to a customer orientated and service minded approach being generated, by preparation and information amongst all employees, so that the traditional non-marketing people in the firm may perform as successful part time marketers. Because all functions are directly related to marketing a product in a relationship strategy, an ongoing and thorough internal marketing process is required. This is not an important requirement for transaction marketers, because only the marketing or sales department is concerned with marketing. Table 2.1 contains a summary of the differences between transaction marketing and relationship marketing.

TABLE 2.1: DIFFERENCES BETWEEN TRANSACTION AND RELATIONSHIP MARKETING

Transaction Marketing	Relationship Marketing
• short term focus: single sale	• long term focus: retention
• marketing mix	• interactive marketing, supported by marketing mix
• orientation on product features	• orientation on product benefits
• quality is the major concern of production	• quality is the concern of all
• stand alone product	•
• little emphasis on customer service	• add value to a product
• moderate customer contact	• high customer service emphasis
• customer information obtained through ad hoc customer satisfaction surveys	• high customer contact
• limited customer commitment	• customer information obtained by real-time customer feedback system
• measure customer satisfaction by indirect approach: monitoring market share	• high customer commitment
• internal marketing of little/ no importance to success	• measure customer satisfaction by direct approach: managing the customer base
• customers tend to be more price sensitive	•
• yield from individual transactions	• internal marketing of substantial strategic importance
	• customers tend to be less price sensitive
	•
	• general profitability

Source: Grönroos, 1994:11; Payne, 1993:32; Silver and Laine, 1996:228.

2.8.2 The product continuum

All of the above-mentioned facets constitute the strategy continuum of marketing strategies. They serve to highlight the differences between relationship and transaction marketing. The product continuum is another facet of the marketing continuum, which places various types of

goods and services along the continuum, although the exact place of these and the corresponding marketing approach cannot be located.

Marketers of consumer packaged goods would probably benefit most from a transaction-type strategy. These types of goods usually have mass markets, but have no immediate contacts with their ultimate customers. Service firms, on the other hand, would probably be better off by applying a relationship-type category. These organisations often have contact with their customers, whether it may be on a regular or on a more discrete basis.

In the case of consumer durables, the customer interface is much broader than for consumer-packaged goods and a purely transaction-type strategy is not the only naturally available option. Industrial goods would probably fit somewhere between consumer durables and services.

2.9   CUSTOMER AND PRODUCT INFLUENCES ON RELATIONSHIP POTENTIAL

The research by Christy, Oliver and Penn (1996:175) deals with the circumstances in which the emerging techniques of relationship marketing are most likely to be effective in consumer marketing. The likeliness that some situations are more conducive to attempts at building relationships is called the relative relationship friendliness of the product-market. This factor is influenced by certain customer or market segment features and also by product or service attributes, which, when present, would encourage the growth of relationships.

The first attribute is that of a high involvement by the customer in the product field or brand. It would   provide a strong basis for extending and broadening the customer-supplier relationship, whilst the satisfaction and gratitude on behalf of the customer would assist in nurturing a long-term relationship. Furthermore, a customer's uncertainty about a product field may make such a customer more likely to value a marketing relationship based on trust and the strong reputation of the supplier. Thirdly, if there should be a higher than normal degree of customisation of the product or service, it would necessitate a higher level of contact between buyers and sellers, thereby facilitating the construction of a long term relationship. Some psychological variables also play an important part in building relationships. For example, some customers are psychologically predisposed to enter into relationships, while other types of customers may have a general belief that relationships would normally offer better value, instead of looking for a series of individual deals. If

customers perceive a need for training - for example, how to use a product - the growth of a marketing relationship is also more readily encouraged. Satisfying certain qualifying conditions and, subsequently the ability to pay for more than just the commodity, are also considered as encouraging features (Christy et al, 1996:180).

The need for regular maintenance or repair of the product is considered a product and service attribute which may encourage the growth of marketing relationships. This aspect may vary in the lifecycle of the product. It may be important the early stages of the lifecycle, but could diminish in the maturity stage, or *vice versa*. Products with a high purchase frequency are conducive to building relationships, simply because of the greater contact opportunity provided. The ability to differentiate the offering in some way that is relevant to the customer may prove a vital characteristic to achieve relationship friendliness, as are high switching or termination costs for one product field to another. The rationale here is that a consumer has to feel that the cost and inconvenience of changing the supplier would outweigh the benefits from making the change (Christy et al, 1996:181).

However, merely because the preconditions for marketing relationships are present may not guarantee that any firm would be successful in creating and sustaining them. Important dimensions in building relationships are those of concern and satisfaction, and also trust and commitment, as identified by Morgan and Hunt (1994:22).

2.10 COMPONENTS OF RELATIONSHIP MARKETING

The components of relationship marketing, which would ensure that any promises made are mutually fulfilled, are identified as concern, commitment, trust and satisfaction (Morgan and Hunt, 1994:22; Gruen, 1995:447-469). Relationship marketing's very essence is concern for the welfare of customers. Relationship marketers strive to meet customer expectations so that customers could experience satisfaction or even delight.

Trust and commitment appear to be important constituents where relationship marketing strategies are concerned (Egan, 1999:8). These two concepts are frequently paired in relationship marketing literature (Morgan and Hunt, 1994:20). Morgan et al (1994:21) propose a commitment-trust theory, based on a view of relationship marketing as having ten forms. These could be grouped into the relational exchanges involving suppliers, lateral organisations, customers, or one's own employees or business units. The research concludes

that commitment and trust lead directly to co-operative behaviours that are conducive to relationship marketing success.

The first of these concepts - relationship commitment - is conceptualised as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum effort to maintain it. Storbacka, Sandvik and Grönroos (1994:25) regard commitment as a situation where one of the parties' intention is to act and both parties' subsequent attitude towards interacting with each other. Commitment amongst exchange partners is seen to be a key aspect to achieve valuable outcomes for the partner, and the implication of commitment in brand loyalty is explicitly outlined by Assael (1995:665): Brand loyalty is a commitment to a certain brand. Trust, the second variable in Morgan et al's (1994) model, is seen to exist where one party has confidence in an exchange partner's reliability and integrity. This aspect is particularly significant in retailing, where Berry (1993:1) stresses that trust is the basis for loyalty.

Morgan and Hunt (1994:24) then relate these variables by establishing that trust is a major determinant of relationship commitment, although Egan (1999:8) doubts which concept assumes precedence over the other. Other precursors of relationship commitment are relationship termination costs - all losses from a termination in a relationship, including switching costs - and relationship benefits - such as product performance and customer satisfaction. The presence of both of these characteristics leads to an ongoing relationship being viewed as important. Both commitment and trust are influenced by shared values amongst the partners. Shared values are seen to be the extent to which partners have beliefs in common about what behaviours, goals and policies are considered to be important or unimportant or right or wrong. Finally, the presence of communication - especially timely communication - fosters trust and eventually commitment, while the presence of opportunistic behaviour reverses such an effect. Morgan and Hunt (1994:25-26 posit that the outcomes of relationship commitment and trust are a decreased propensity to exit a relationship, enhanced co-operation , greater functional conflict (the amicable solution of problems which prevents stagnation in the relationship) and lessened decision making uncertainty.

In view of the importance of establishing and maintaining trust and, therefore, commitment in relationship marketing, those organisations working at establishing these ties will increase their relationship potential. Since trust and commitment are invariably associated with a pre-requisite that the relationship is of significantly high importance to one or both parties,

23

relationship marketing becomes an important step in achieving this end (Egan, 1999:8). If, however, the requirement for the successful application of relationship marketing is both trust and commitment, and not just one or the other, then certain kinds of retailing - such as FMCG - do not seem to meet this requirement. Egan (1999:9) argues that in this sector of retailing, trust may still be important in a purchase, but that commitment rarely exists in this sector. There is no reason for the customers to commit themselves, because they could always access the competitor's supply. Thus Egan (1999) argues that the concepts of trust and commitment are not inseparable and that certain sectors of the retailing industry are in fact better aligned to transactional rather than to relationship marketing.

2.11 LEVELS OF RELATIONSHIP MARKETING

In practice, relationship marketing could be applied at one of three levels. The level(s) on which a particular firm would practice relationship marketing, would largely depend on the type and number of bonds that a firm employs to nurture customer loyalty. In general, it could be stated that the higher the level at which relationship marketing is practised, the higher the potential payoff would be. Table 2.2 summarises the three levels that may be applicable to a service organisation:

TABLE 2.2: LEVELS OF RELATIONSHIP MARKETING

LEVEL	TYPE OF LINK(S)	MARKETING FOCUS	DEGREE OF SERVICE	PRIMARY MARKETING	POTENTIAL FOR ENDURING
			CUSTOMISATION/ADJUSTMENT	MIX ELEMENT	COMPETITIVE DIFFERENTIATION
ONE	Financial	Customer	Low	Price	Low
TWO	Financial and Social	Client	Medium	Personal Communication	Medium
THREE	Financial, Social and Structural	Client	Medium to High	Service Delivery	High

Source: An adaptation of Berry and Parasuraman, 1991:137.

2.11.1 Level one relationship marketing

Relationship marketing practised on level one is also labelled as either frequency or retention marketing. At this level, marketers essentially use pricing incentives to encourage customers to do more business with the firm. For example, financial institutions offer higher interest rates for bigger account balances or deposits with a longer duration; and supermarkets may

give cash discounts or extra coupons to regular customers. Level one relationship marketers do not have much room for differentiation and, therefore, find it difficult to distinguish themselves from competition over time. The most easily copied element of the marketing mix is price and it does not offer long term competitive advantage. Taking the frequent flyer programmes offered by airlines, for example, which reward better customers, it is clear that, while they have contributed to brand loyalty and have presented additional benefits, competitors could easily imitate them. When marketers consider building strong and long-term customer relationships, they need to design bonds that are important for customers, and difficult for competitors to copy.

2.11.2 Level two relationship marketing

Level two relationship marketing goes beyond pricing incentives to build relationships. Price competition is still part of the strategy, but pursues the building of social links, together with any financial bond that may exist. Personalised service delivery and the transformation of customers to clients are points of emphasis at this level. The major differences between customers and clients are seen to be three-fold. First, a customer may be unknown to the firm, whereas a client cannot be nameless. Further, customers are approached as part of larger market segments, whereas clients are attended to and served on an individual basis. Lastly, customers are cold statistics whose needs are reflected in computer printouts containing aggregate statistics. Clients are entities in and of themselves; specifics such as name, address, purchases, services used and special requirements are captured in a database that is continually updated.

Level two marketers emphasise keeping in touch with clients, continuously trying to learn more about their wants and needs, accommodate what is learned in the relationships and continually reselling the benefits and value of the relationship. Level two marketing is a product of both soul and science; it links person-to-person marketing with firm-to-person marketing.

While social bonding is not sufficient to overcome significant price or service deficiencies, it may encourage clients to remain in a relationship when there are no convincing reasons to move to a new product or service. It should be able to provide a firm with an opportunity to respond to competitors' offerings before a customer defects. The firm stays in touch with customers, learns about their needs and then designs services to meet those needs. With this

emphasis, level two marketing has a higher potential for keeping the firm ahead of the competition than does level one relationship marketing.

2.11.3 Level three relationship marketing

In addition to social and financial bonds, level three marketers consolidate relationships with structural bonds. Providing services that are valuable to clients and not readily available from other sources create structural bonds. Often these services are technology based and intended to enable the client to be more competent or productive. These services are designed into, and part of, the delivery system rather than being dependent upon the relation-building behaviours of individual staff members. It is for this reason that the term "structural" is used.

Such a structural bond raises a client's costs for switching to competitors. The opposite is also true; because competitors' customers gain more benefits and value elsewhere, and structural solutions make the benefits of switching more attractive. The major differentiating facet is that a structural bond adds a non-price element that augments any existing social bonding, thereby enabling the marketer to disenchant the competitors' offering based on price. At the heart of level three marketing is the rendering of services that add value, those which are difficult or expensive for clients to provide for themselves and those that are not readily available elsewhere. Because of these aspects, marketing programmes which are at the third level of relationship marketing have the strongest potential for sustaining long term relationships with customers.

2.12 THE BENEFITS AND ECONOMICS OF RELATIONSHIP MARKETING

The growth of relationship marketing could be ascribed to the potential long-term financial benefits it offers. In terms of economics, relationship marketing is based on two arguments. The first argument states that it is more expensive to win a new customer than it is to retain an existing customer. The second argument states that the longer the relationship between a firm and a customer lasts, the more profitable the relationship becomes for the firm. Traditionally, marketing focused on attracting increasing numbers of customers, with less emphasis on the retention of existing customers. Relationship marketing, however, focuses on the retention of existing customers. The rationale behind this view is that the cost of recruiting new customers is not only expensive, but also more expensive than retaining existing ones, because of recruiting costs such as commission, samples, travelling costs, cost of credit clearing and database costs.

26

The second argument mentioned above – increased profits for long-term relationships – has led to the development of the term "lifetime value" of a customer. The sales value and the profit earned from a single sale form the focus in a transaction-orientated view of the customer. In contrast, a relationship-orientated view of the consumer takes into account both the income and profit to be earned over a long-term relationship with a customer. Studies undertaken to determine the effect of retaining customers over a long period indicate that firms should endeavour to improve their customer-retention performance.

To improve a firm's retention rate of customers, the firm has to reduce the number of customers who defect. It is important to bear in mind that when a customer defects, the customer not only takes the potential profit from a current transaction with him/her, but also all the potential profit from all future transactions. Many more potential customers may also be lost by any negative word of mouth which may be spread by dissatisfied consumers, especially when this is seen in the light that one defecting customer may speak to as many as nine or ten other current or potential customers. A dissatisfied customer is, therefore, able to increase the level of dissatisfaction ninefold (Vavra, 1992:13).

Numerous reasons as to why customers defect have been documented, which have in turn enabled the classification of several types of defection. Firm defection refers to defection which results from internal or external political considerations. When customers leave the market, but not to a competitor, it may be classified as market defection, while price defection results from lower or cheaper prices offered by competitors. Other types of defection result from improved or superior products offered by competitors. Service defection entails a customer defecting because of poor service. Finally, customers may defect to a more advanced product from outside the industry.

The following benefits of relationship marketing programmes have been identified in past research (Spencer, Wilkinson and Young, 1996:200; Christy et al, 1996:184):

- Relationship participants are more willing and able to invest in relationship specific assets which have limited value and significance elsewhere if they could rely on the ongoing and meaningful business of the relationship participants.

- The more such relationship asset investments are made, the more difficult it is for competitors to compete for the business of the relationship participants.

- Economies of bulk transactions are achieved when an increasing amount of business is focused in fewer relationships. The benefits and value originate from the reduction and efficiencies in delivery, stockholding and communication activities.

- Various types of transaction costs could be reduced as firms get to know and trust each other and as co-ordination between them becomes more routine.

- The risks of opportunistic behaviour by the other party are reduced as a result of the mutual investment and dependence on the relationship by each firm, which could result in greater sharing of information and ideas.

- The costs of searching for new customers of suppliers is reduced by focusing on selling or buying more products or services to fewer other firms, and new contracts may be established at a lower cost via recommendations from relationship partners and on the basis of the reputation a firm establishes in particular relations.

- Opportunities to cross-sell other group products.

- Opportunities to reduce mass-media promotional costs.

In terms of the customer-retailer relationship, the following benefits are particularly relevant:

- Relationship marketing focuses on a longer term orientation in which customers and retailers are able to collaborate to better adapt and improve their products, operations and services to satisfy each other's needs even better.

- The establishment of a customer database facilitates further marketing initiatives, including new product development and launch, together enabling with the potential to monitor satisfaction more closely.

- An increase in brand usage – this becomes possible when retailers are able to devote more time to the explanation, illustration or demonstration of their products to customers.

- An increase in customer loyalty because of greater sensitivity to the customers' needs and wants.

2.13 THE APPLICATION OF RELATIONSHIP MARKETING TO RETAILING

In consumer marketing, one area of retailing that has attracted a great deal of interest is the development of relational strategies. The application of relational strategies across the retail spectrum has evoked varying views, ranging from strong endorsement for relationship

28

marketing as advanced by supporters to a more cautious evaluation of its merits. The product continuum proposed by Grönroos'(1994:10) and discussed in Section 2.8.2, places various types of goods and services along a continuum between transactional and relational marketing, indicating that relationship marketing is not an optimal marketing solution for certain types of goods. Egan (1999:7), in turn, builds his argument against the universal applicability of relationship marketing on several factors – economic, customer and market specific – which are, and are not, conducive to relationship marketing in retailing. He identifies certain retail conditions which strongly support the introduction of relational strategies and examines whether particular retail types lend themselves to other strategic approaches (Egan, 1999:2).

The first area Egan (1999:3) considers is that of relationship economics. Buttle (1996) proposes that relationship marketing is based on two profit driven arguments; the first is that existing customers are less expensive to retain than to recruit and secondly, that securing customers' loyalty over time produces superior benefits. Customer retention is best achieved through the development of supplier/customer relationships which promotes customer satisfaction (Reichheld:1996) and that the supplier would save by increasing retention and reducing transaction costs. Egan (1999:3), however, maintains that there are several inconsistencies regarding the retention economics perspective when applied generally across the retail sector.

Dimensions of relationship economics that deserve attention are those of acquisition costs, retention costs, communication costs and sunken costs. Acquisition costs – in the form of personal selling and detailed information gathering – are also called front-end costs involved in attracting the customer. Retention costs are incurred in driving sales for existing clients. Egan (1999:4) argues that, in the FMCG industry, those factors that influence the customer retention process are the same as those used in the acquisition process, and that the cost of customer acquisition do not exceed the costs of retention, which has been the overriding argument in favour of relational strategies. As opposed to the industries which form part of Reichheld's (1996) studies (banks, credit cards and insurance), where acquisition costs are high and costs are written off over a period of time, thereby encouraging long relationships because the costs relative to time are lower, FMCG retailing does not have high acquisition costs, thus eliminating the need for relationships. Instead, Egan (1999:4) argues that the

FMCG market requires only a limited number of drivers to prompt a sale: the same factors, which promote retention.

Another factor to consider are sunken costs, which – according to Egan – should incorporate store location and customer profile costs. Instead, these are frequently included as acquisition costs. Communication costs – advertising and other marketing communications – are also frequently included in the acquisition cost equation. On the other hand Egan (1999:4) argues that high communication costs attributed to customer acquisition, do not acknowledge the part played by the same messages in the retention process. Based on these arguments, Egan (1999) advocates that if repeat buying behaviour is encouraged, especially by customer loyalty schemes, the costs of retention may potentially exceed the costs of acquisition in the FMCG sector (Egan:1999).

Furthermore, where acquisition costs are low and where the difference between acquisition and retention costs are marginal, relational techniques such as loyalty schemes should be approached with caution. Retention schemes entail costs which lead to higher prices which may disadvantage retailers favouring relational strategies as opposed to those who do not.

Retention economics promote the view that long-term relationships entail long-term advantages (Murphy, 1997: 1). There are, however, three aspects which Egan (1999:5) believes deserve criticism regarding retention economics. The first is the assumption, in Reichheld's (1996) model, of revenue growth over time. However, in certain retail sectors, where there is a high turnover of customers and low exit barriers, it is likely that increased revenue from one customer would most probably be negated by those customers whose purchases decline over the same period (Egan, 1999:5). The second aspect relates to cost savings. As mentioned, the reasoning that costs are amortised over a period of time has been held as promoting the argument for relational strategies. It is proposed that customers are today more cynical and more professional, and perhaps by recognising other opportunities available in the market, they could learn to manipulate the supplier to their own ends, ultimately leading to increased, not decreased, costs (Egan, 1999:5). The third aspect that Egan considers is that Reichheld's model assumes that the market is growing at a substantial rate and that competitors are inactive: a view which does not characterise the present day FMCG sector.

Lastly, Egan (1999:5) addresses the question as to whether the competitive advantage which is gained by relational strategies could last so long as to recover any investment in it. It is argued that where differential advantage between the offerings of competing retailers are low, and where loyalty programmes could be easily replicated, the creation of long-lasting competitive advantage is unlikely. Furthermore, the need to develop and refine relationship marketing strategies would intensify as competitors offer loyalty programmes similar to existing ones, which would engender increased costs. Egan (1999:6) proposes that this would ultimately divide the retailing industry into relationship marketing companies and those with a more specific focus on the transactional exchange.

The second factor which Egan (1999:7) includes in his discussion about the applicability of certain retail categories to relationship marketing is grouped into risk, salience and emotion. Companies benefiting from relational strategies are those which offer products that are high risk purchases, either by virtue of their large single monetary outlay, or which have payments over an extended period. Thus in situations characterised by high risk and high salience – the latter indicated by representing major and current status symbols – the customer may experience intense emotions when making a purchase, and may be seeking some specific reassurance and a reduction of cognitive dissonance. The opposite is true of other products: low risk products and products and services which are repetitive in nature do not create the same emotional intensity, the marketing aspect of which could well exclude a relational exchange.

Trust and commitment form the third cornerstone of Egan's (1999:8) discussion. Since the applicability of the commitment-trust notion was discussed comprehensively before, it will not be need to be addressed again. In summary, it is proposed that the requirement for both trust and commitment promotes a relational exchange, whereas if only trust exists, transactional exchanges would more likely be favoured.

The fourth aspect that Egan (1999:10) addresses in his discussion is that of customer satisfaction. The role of customer satisfaction in creating customer loyalty is discussed in Section 3.6 in Chapter 3. At this point, it is sufficient to mention that in FMCG retailing, for example, strategies which are designed to encourage simple repeat behaviour or to minimise disruption of consumer inertia may be considerably more beneficial than relational strategies, while industries with lower or more complex comparability, reassurance and frequent comparison may be required to ensure customer satisfaction. Egan's (1999:11) view that

relational strategies are more useful in certain sectors of the retailing industry than in others, is summarised in Table 2.3.

TABLE 2.3: FACTORS FOR AND AGAINST RELATIONAL STRATEGIES

Factors Promoting Relational Strategies	Factors Acting Against Use of Relational Strategies
• High acquisition costs relative to retention costs	• Marginal difference between acquisition and retention costs
• High exit barriers	• Low exit barriers
• High consumer naiveté	• Smart, cynical consumers
• Competitive advantage sustainable	• Competitive advantage sustainable
• Buoyant/expanding market	• Saturated market
• High Risk and high salience	• Low risk and low salience
• High emotion	• Low emotion
• Requirement for trust and commitment	• Requirement for trust only

Source : Egan, 1999:11.

Based on his explanations, Egan (1999:12) concludes that the conditions promoting relational strategies do not generally exist in the FMCG retail sector and that relational marketing may prove an unacceptable cost burden for retailers in future.

2.14 SUMMARY AND IMPLICATIONS FOR STORE LOYALTY

Relationship marketing that many authors herald as the major emphasis in marketing today, has become an increasingly important field of marketing theory and application. Various factors and trends have precipitated this change in focus, especially the emergence of the theoretical shortcomings and undesirable consequences of the traditional 4Ps approach. While there is no commonly accepted definition of relationship marketing, there is consensus though that this form of marketing is characterised by a long-term focus, is an interactive marketing approach where quality is the concern of all departments and where internal marketing plays an important role. The relational exchange further manifests a focus on customer service, a large degree of customer contact and frequent communication with customers. With general profitability being one of the objectives of relationship marketing, the consumer is characterised as being relatively less sensitive to price.

Relationship marketing is frequently compared to and contrasted with transaction marketing, which embodies the 4P marketing mix approach. Transaction and relationship marketing are presented as a continuum, with these divergent approaches at opposite ends of the spectrum. There is, however, some disagreement as to whether transaction marketing is part of relationship marketing or whether the latter is an addendum to transactional exchanges.

The applicability of relationship marketing is not universal. It has been argued that certain customer and product influences,— which determine the relationship friendliness of a product or service as well as the type of industry — establish its success. The presence of commitment and/or trust have been identified as being conducive to relationship marketing success, which has particular reference to retailing, since trust is perceived to be the basis for loyalty. However, in the fast moving consumer goods industries, it is probable that customers may not have a commitment to a retailer or product while still maintaining trust in that product or retailer.

There are three levels of relationship marketing, with the first offering pricing incentives to promote repeat purchase, the second adding social links to the relationships, and the third consolidating the relationship with structural bonds. Within the retailing sector, relational exchanges are mainly on the first level and such strategies are easily imitated by competitors. Nonetheless, there are several benefits of relationship marketing which pertain specifically to retailing. Most significant is the encouragement of customer loyalty based on the heightened sensitivity to each other's needs and wants. Nonetheless, arguments based on retention economics hold that if repeat buying is encouraged in the FMCG sector — especially by customer loyalty schemes — the costs of retention may exceed the costs of acquisition. Product prices may increase for those retailers who have loyalty schemes, limiting their effect. Ultimately, it should be considered whether the advantages from relational strategies last so long as to recover the investment in them. This study will, inter alia, investigate the influence of loyalty schemes on customer loyalty. The issues of the impact of loyalty schemes as well as loyalty schemes as such, are described in Chapter 4.

2.15 CONCLUSION

Loyalty, though difficult to define, is a concept that centres around being faithful to something or someone, evokes different behaviours and comes in various forms. Academics and philosophers argue that loyalty as a two-way allegiance has diminished in today's society, because of changes in both individual and societal characteristics, which have led to some level of societal cynicism. However, this very move away from loyal behaviour has stimulated a re-evaluation of society's social fabric and may well precipitate the return of loyalty in societal make-up.

Customer loyalty, a much studied aspect of loyalty, is best defined by including factors which explain how customer loyalty is created and manifested. Customer loyalty comes in different forms and levels, but it has been proposed that emotional loyalty is the only true form of loyalty and is, therefore, the most desirable to be elicited. Customer loyalty could further be measured in different ways, namely from an attitudinal, behavioural or composite perspective. Of these, the composite method exhibits the greatest predictive power, thereby indicating that loyalty is a multidimensional construct.

There are numerous customer loyalty metrics, of which the loyalty index is the best documented. Research has also established that trust and commitment are important elements of customer loyalty. The relationship between customer satisfaction and loyalty is less certain; some academics propose that the relationship is linear, while some argue that the relationship depends on situational factors. It has been concluded, however, that different degrees of satisfaction impact loyalty in different ways and is considered to be an important aspect in the study of loyalty in marketing literature. While brand loyalty does not form part of the focus on customer loyalty in this thesis, there are striking similarities between the brand and store loyal consumer, which have been briefly highlighted. Customer loyalty from a retailer or store point of view is described in the next chapter.

CHAPTER 3

STORE AND RETAILER LOYALTY

3.1 DEFINITIONS AND INTRODUCTORY CONCEPTS OF STORE LOYALTY

In line with loyalty and customer loyalty, store or retailer loyalty is defined in a number of ways. Enis and Paul (1970:43) were amongst the first authors in the field of consumer research to propose a definition, referring to store loyalty as the consumer's inclination to patronise a given store during a specified period of time. A popular definition in consumer research is that of Jacoby and Chestnut (1978), who define store loyalty as the biased (i.e. non-random) behavioural response (i.e. revisit), expressed over time, by some decision-making unit with respect to one store out of a set of stores, which is a function of psychological processes resulting in brand commitment. This definition not only includes the behavioural measure of store loyalty, but also pays attention to the antecedents that may account for the occurrence of certain behaviour (Bloemer, 1997:499). Because store loyalty has been operationalised and measured in many different ways over the years, the conceptual framework relating to store loyalty has widened considerably.

East (1997:235) explains store loyalty as a sequence of purchases at the same store; the proportion of purchase or expenditure that a given store takes in the retail category; the repeat patronage frequency; the duration of patronage or store allegiance. It is stressed, however, that although these facets of store loyalty appear to have a common basis, these measures may in fact show weak associations. For example, a consumer may regularly buy at store A, but may spend more at store B. Therefore, while the customer is loyal to store A on the duration of patronage criterion, he or she would exhibit low loyalty when measured by proportion of purchase criterion. It is proposed that, while the above measures may well be driven by the same motivations, other factors could make them diverge. As with brand loyalty, researchers are as yet uncertain whether, and to what extent, these measures move together (East, 1997:235).

Store loyalty could be investigated in various ways. On the one hand, researchers seek economic, demographic and psychological correlates that may explain or predict individual consumer loyalty to stores. Alternatively, certain loyalty measures are treated as factors to be

35

modelled in relation to other factors, so that loyalty could be reported as a store characteristic (East, 1997:236). Morgan and Hunt (1994:23) suggest that behaviour should be based on an enduring predisposition or attitude, as was discussed in Chapter 3. A more integrated perspective of store loyalty is provided by Dick and Basu (1994) who propose a conceptual framework based on the strength of a customer's relative attitude and repeat purchase behaviour. These aspects are covered in Section 3.3.

In conclusion, East maintains that there are no overarching explanations of store loyalty. It is suggested that it is the result of a large number of weak influences that have little in common (East, 1997:236). Nonetheless, three competing theories of loyalty have emerged in literature which distills the influences of store loyalty.

3.2 MEASURES AND CATEGORISATIONS OF STORE LOYALTY

There have been numerous references to measures of store loyalty applied by researchers and marketers alike. Attitudinal, behavioural or composite measures are all discussed in Chapter 3.. At this point it is useful to identify methods that are used in the measurement of store loyalty and which reflect these measures.

The proportion of expenditure in clients' favourite store is the first of these methods, used by Cunningham in 1956. Enis and Paul (1970) employ a more composite measure, namely a percentage index composed of the geometric means of three measures: by percentage of budget allocated to the given store during the survey period, by number of stores patronised, and by the number of switches or changes in the store to which loyalty is exhibited.

The phenomenon of store loyalty is also explained by building theories of loyalty that provide reasons as to why store loyalty exists.

3.3 GENERAL THEORIES OF STORE LOYALTY

The first theory of store loyalty was specified by Charlton in 1973, based on an earlier work by Enis and Paul (East, 1997:237). It outlines store loyalty as being negative and the outcome of limited resources. Those persons who lack time, money and transport and those whose environment lacks choice are forced to use one store much of the time and are thus obliged to be loyal. This theory is called the theory of resource constraints.

Carman (1970 advances a theory based on another negative view of store loyalty, namely that this emphasises a lifestyle that features commitments outside the home, full time work, little home entertaining and a lack of interest in deals, advertising and shopping. These consumers are described as having little interest in shopping and are consequently loyal by default to both brands and stores. Hence the theory is referred to as the non-shopping lifestyle theory.

Dunn and Wrigley (1984) suggest that negative concepts of store loyalty need to be reviewed. They suggest that some store loyalty arises by choice from one-stop shopping, which was observed subsequent to the rise of supermarkets in the early 1980s. This theory differs from the theory of resource constraints in that it implies that resources are used by shoppers to raise rather than reduce store loyalty. For example, a car is used to help doing most of the shopping in one outlet and not to diversify shopping across many outlets. Discretionary loyalty differs from the non-shopping lifestyle theory by implying a more positive approach to brands and shopping. This type of loyalty is an adaptation to circumstances, and is most likely to be exhibited by those consumers who are relatively well-off, own a car and need to be efficient when shopping amidst other commitments.

The three competing theories of store loyalty all have a place in marketing literature. It would thus be observed that different segments of the population could be loyal for different reasons so that all three theories of loyalty could be supported when different population groups are examined along geographic, demographic and personal background variables.

3.4 DEMOGRAPHIC AND ECONOMIC VARIABLES OF STORE LOYALTY

It is argued that, because demographic factors are only loosely connected to the attitudes, beliefs, and opportunities that more directly control behaviour, there are weak associations between store loyalty and demographic measures (East, 1997:237). However, their use in the study of store loyalty is not too limited, since they are seen as being primary variables which underlie the secondary variables, namely the attitude and behavioural factors, which in turn influence store loyalty. The variables which have featured in consumer research are represented as follows:

TABLE 3.1: THE ASSOCIATION BETWEEN DEMOGRAPHIC VARIABLES AND LOYALTY

Primary	Secondary	Outcome
Household income Household size Children Age Employment Store accessibility Personality, past history Culture, local environment	Car use Brand loyalty Trip expenditure Home storage capacity Time pressure Attitude to store Beliefs about stores/shopping Shopping requency/regularity	Store loyalty
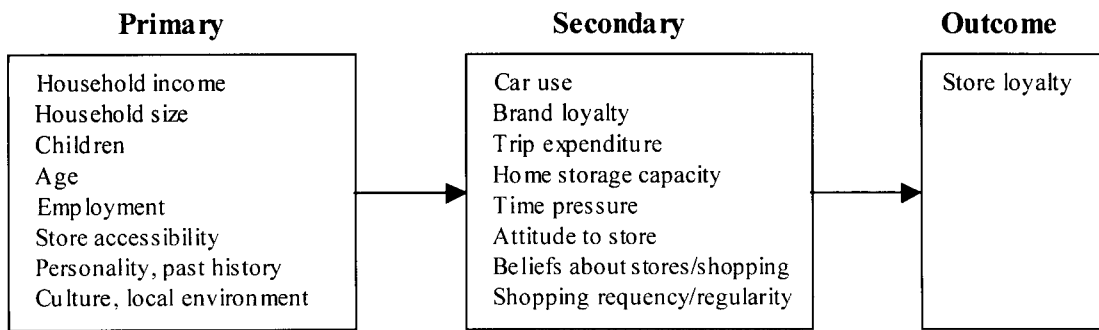
Source: East, 1997: 239.

Early work by Farley (1968) found no demographic associations with store loyalty. However, income appears as a correlate in studies in both the United States and in Britain (Carman, 1970; Dunn and Wrigley, 1984). Carman's (1970) study also indicates that school age children are positively associated in Carman's study, while Mason's work (1991) establishes that household size and children are positively related to store loyalty. Mason (1991) further finds that under 45-year old shoppers are more loyal than those in other age groups.

As mentioned, these results support varying theories of store loyalty. Support for the discretionary theory of store loyalty is provided by the association between store loyalty and the use of a car and also conflicts with the idea that store loyalty is based on a lack of resources. Carman's negative lifestyle view of loyalty is not supported by evidence that a store loyal shopper enjoys shopping no less than others. Similar results appear in a study undertaken by East (1995), where shoppers with different loyalty levels give similar ratings for the pleasantness of supermarket shopping, which does not support the non-shopper lifestyle theory. The fact that under 45s and larger households exhibit higher store loyalty supports the notion that store loyalty is an adaptation most common amongst the busy, hard-pressed groups. This result is again entrenched by East's 1995 study, which found that there is no difference between high and low loyalty groups in the accessibility of their preferred store, which thus provides little support for the resource constraint theory.

Of the three theories, most support is evident for the discretionary loyalty theory. Nevertheless further research is needed to help identify any dominant explanation.

38

3.5 STORE IMAGE AND STORE LOYALTY

Most of the widely cited definitions of retail store image are based on consumer perceptions of many store characteristics. This originates from the work of Martineau as early as 1958, who described a store's personality as the way in which the store is defined in the shopper's mind, partly by its functional qualities and partly by an aura of psychological attributes (Martineau, 1958:48). A new perspective on store image was introduced in the early 1970s by Oxenfelt (1974:10), who advances the concept that image is an overall impression which is greater than the sum of its parts. It represents interaction amongst characteristics and includes extraneous elements and it has some emotional content, namely a combination of factual and emotional material. The notion that store image is greater than the sum of its parts is reinforced by Dichter (1985:77), who advocates that image refers to a global or overall impression, describing it as the configuration of the whole field of the object. Bloemer (1997:501) presents the view that the dominant attitudinal perspective in literature treats store image as the result of a multi-attribute model, by which image is expressed as a function of the attributes of a particular store that are evaluated and weighted against each other. Bloemer (1997) presents a definition along similar lines, defining store image as the complex of a consumer's perceptions of a store on different (salient) attributes (Bloemer, 1997:501). Together, the definitions that have been formulated over the past decades indicate that image is comprised of distinct dimensions and is also greater than the sum of its parts.

However, identifying a store's particular image could be problematic (Zimmer and Golden, 1988:265). This difficulty arises in two areas: its conceptualisation, that is, what the image is or what the components of image are, and its measurement.

3.5.1 The measurement of store image

Although much research on store retail image has been conducted, the prevailing approaches to image management generally do not attempt to capture the *gestalt* of store image (Zimmer and Golden, 1988:265). Three approaches have been predominantly used in retail image research: semantic differential scales, multidimensional scaling and unstructured measurement techniques, of which content analysis forms a significant part.

Semantic differential scales contribute to retail image research along four dimensions. They are used to describe images, to determine the importance of image attributes and to investigate various approaches to measurement. Very importantly, they are used to relate

image to other variables such as store loyalty. For these purposes the traditional semantic differential is usually modified by using adjectives, nouns and phrases which are appropriate to the problem at hand. This measurement technique offers several advantages, but is limiting in image research, because its structured format where important dimensions may be excluded – coupled with its inability to measure global or overall impressions – provide results that represent part of an image rather than a total image (Zimmer and Golden, 1988:267).

Multidimensional scaling is the second option in the measurement of store image. It is used to evaluate grocery stores and to develop an image measure for supermarket chains. Multidimensional scaling has the advantage of allowing respondents to base their criteria on whatever criteria they choose, which in turn makes it possible to visually display respondent perceptions. However, its drawbacks are numerous. The dimensions that are identified would depend on the objects included in the set, the naming of dimensions may or may not be straightforward, and stores could be judged as similar – or dissimilar – on some basis other than image (Zimmer and Golden, 1988:259).

Unstructured measurement techniques have also emerged in image measurement. These would typically include psycholinguistic techniques, projective techniques and open-ended questions. Such techniques may well have the advantage that they do not impose image dimensions or language on the consumer, but they are difficult to code and the coding process may reflect the researchers' biases. Despite these shortcomings, the unstructured approach is preferable in store image research, especially since psychological response is based less on specific facts than on total impressions (Dichter, 1985:76).

In all of the above techniques, respondents are prompted to describe images and they are directed at effective dimensions or specific attributes of store image. Content analysis could also be used to determine the nature of consumers' perceptions of store image, forming part of the unstructured measurement technique. Research using conjoint analysis centres both around respondents' specific descriptions of image, as well as listing factors important in selecting a store type, indicating what is liked most or least about a store, listing attributes or characteristics that come to mind when a particular store type is mentioned, and reporting the first word or thing that comes to mind when the name of a particular store is mentioned. Consequently, different authors have over the years distinguished different store attributes or characteristics that are part of the overall image towards the store (Bloemer, 1997:502). Zimmer and Golden's work employs a different approach, allowing respondents to write as

much or as little as they choose when describing their images, and are able to use any type of descriptor, whether it be attribute-specific or not (Zimmer and Golden, 1988: 270). This approach is favoured because the other measures are seen to prevent the respondents from providing an overall expression of image and guiding them towards specific attributes (Zimmer and Golden, 1988:270). Category development in content analysis is based either on the dimensions of those words that occur most frequently, on groupings of similar terms, and preceding literature reviews and on independent sorters derived from the data (Zimmer and Golden, 1988:277). Content analysis is thus applied in many different ways in the research of store image.

3.5.2 Store image research

The fact that so many conceptualisations of store image have been advanced in the past (Bloemer, 1997:501) is clearly an indication that a unanimous vision of store image has not been attained. However, the most important aspect of store image is the part that makes the store attractive to shoppers (East, 1997:229). As has been discussed, much of the research on store image has been attribute-specific. The results in Table 3.1 were obtained by allowing respondents in the United Kingdom only one reply to provide the main reason they would provide for the use of a particular supermarket.

TABLE 3.2: CONSUMERS' MAIN REASONS FOR CHOOSING A SUPERMARKET

	Sainsbury %	Tesco %	Safeway %	Asda %	KwikSave %	Somerfield %	Coop %
Near where I live	23	27	37	29	19	36	54
Good Value	15	15	7	17	73	34	23
Wide Choice	10	19	18	23	0	6	4
Good Quality	30	13	8	8	4	12	4
Easy Parking	4	9	9	9	0	2	2
Other	18	17	21	14	4	10	13

Source: Consumer Research Unit, Kingston Business School, 1994.

These results indicate that there are differences in the attractions of the different supermarkets in the United Kingdom. For example, Sainsbury's is rated high on quality compared to other stores, whereas Kwiksave is chosen almost entirely for good value.

A comparative survey undertaken in the United States and the United Kingdom, comparing differences in shopping preferences between 1992 and 1994, identifies shoppers' main reasons for going to a specific supermarket. The respondents were given a set of possible responses to choose from. These results are set out in Table 3.3.

**TABLE 3.3: COMPARATIVE SHOPPING PREFERENCES BETWEEN THE
UNITED KINGDOM AND THE UNITED STATES: 1992 - 1994**

	UNITED KINGDOM 1992 1994		UNITED STATES 1992 1994	
	%	%	%	%
Near where I live	32	29	25	33
Good Value/lowest price	14	24	34	29
Wide Choice	18	13	13	12
Good Quality	15	14	15	11
Other	21	20	13	15

Source: Consumer Research Unit, Kingston Business School, 1994.

In this survey the main reason for using a particular store is proximity to home, indicating that location appears to be an important determinant of store use in both countries. By relating economic factors to the consumer trends in these countries, it becomes evident that choice criteria could change substantially in response to economic conditions. For example, low prices were more important than location in 1992, which reflected the scale of the recession which began in the United States earlier. The table also indicates that British and American consumers have different reasons for patronising stores, but that these reasons could well change. The results presented in Table 3.3 indicate that store image is affected by economic circumstances, could change over time and that location is an important dimension of store image. Another study focused on in-store elements, providing respondents with a list of possible features from which they could choose a feature that they considered to be important in drawing them to a store. The results are represented in Table 3.4.

**TABLE 3.4: PERCENTAGE OF RESPONDENTS STATING WHAT SUPER-
MARKET FEATURE WAS IMPORTANT**

Clean floors and shelves	86%
Well stocked shelves	79%
Wide selection of products	73%
A lot of staffed checkouts	70%
Helpful, knowledgeable staff	69%
Access for disabled people	68%
Wide shopping aisles	59%
Ample car parking	57%
Cash/basket only/express tills	54%
Free shopping bags	52%
'Environmentally friendly goods'	50%

Source: February, 1991)

It is interesting to compare the results of Table 3.4 and 3.5 with one another. The question posed to respondents (for the results in Table 3.5) was: "Thinking about the last time you went to the supermarket/local food shop, what were your two main reasons for shopping there?" Again, respondents were given a choice of factors to consider. The impact of using different methodologies in the study of consumer preferences is well documented in comparing the results. For example, in Table 3.4 cleanliness tops the list of important features to be considered in rating a shop, whereas cleanliness is a minor criterion in creating a positive store image according to Table 3.5. In the first study, features had to be classed as important as opposed to the latter study where only two of the most important reasons had to be identified. This discrepancy in methodology provides differing results, which has significant implications for the retailer (East, 1997:230).

TABLE 3.5: THE TWO MOST IMPORTANT REASONS FOR VISITING A SUPERMARKET

	Supermarket % of all responses	Local Food Shop % of all responses
Quality, wide choice	27	8
Convenient location	25	42
Good value, offers	14	14
Easy Parking	14	5
Convenient Opening Times	9	24
Cleanliness	5	4
Friendly Staff	4	10
Able to obtain petrol	3	0

Source: East, 1997:230.

The results represented above all reflect attitude-specific perceptions of image. The elements or characteristics prompted by the researchers reflect different store attributes that have been distinguished as being part of the overall image towards stores over the years. Lindquist's (1974:29) study cites nine elements: merchandise, clientele, physical facilities, comfort, promotion, store atmosphere, institutional and post-transaction satisfaction (Bloemer, 1997:502). Doyle and Fenwick (1974) distinguish only five elements: product, price, assortment, styling and location. More recent studies hold that store image is composed of different elements of the retail marketing mix as introduced by Ghosh (1990). These elements are location, merchandise, store atmosphere, customer service, price, advertising, personal selling and sales incentive programmes. With the exception of the latter, all of the other elements are extensively used as attributes in identifying determinants of store image.

Results which employ content analysis, point to store image transcend(ing) attribute-specific perceptions (Zimmer and Golden, 1988:283). The research identified seven image descriptors developed from the respondents' results. Of the 47 image categories identified, 32 are attribute specific. The remainder consist of descriptions of image in terms of global impressions, store type labels, prototypes and exemplars, products and their (customers') own behaviour. The results are indicated in Table 3.6.

TABLE 3.6: FINAL LIST OF CATEGORIES DEVELOPED BY THE RESEARCHERS FROM THE SORTERS' RESULTS

Attribute-specific	Global
Good layout or appearance	General or overall positive comments
Bad physical conditions of the store	General or overall negative comments
Good quality merchandise	Upgraded
Medium quality merchandise	Tacky or low class
Variable quality	Store in trouble
Low-quality merchandise	
Positive comments about advertising	Label
Negative comments about advertising	
Positive comments about a sale Comments about the type of store	
Negative techniques used during or in relation to a sale	Prototypes and Exemplars
Good selection	
Average selection	Similar to Other Stores
Adequate service	
Poor service	Products
Positive comments about credit	
Negative comments about credit	Good for specific products
Positive comments about catalogue	Negative comments about specific products
Bad catalogue service	Satisfactory clothing
Good guarantees or returns	Bad clothing
Negative comments about guarantees or returns	Good for repairs
Good impressions of salespeople	Behaviour
Good location	
Bad location	Shopping patters or shopping frequency
Positive comments about prices	
Negative comments about prices	Miscellaneous
Low prices	
Moderate prices	No opinion or unfamiliar
High prices	Other- comments that fit in no other category
Good reputation	

Source: Zimmer and Golden, 1988: 281.

The global image perceptions include both positive and negative overall perceptions, which represent the customer's *gestalt* or overall impression of a store. Store type labels represent

44

comments about the type of store; for example, whether they associate a discount store with a particular retail outlet. Prototypes and exemplars, which are comparative-based impressions, use other stores as originals in the description of a retail store's image. Furthermore, the consumers describe retail stores in terms of their evaluations of the products carried. It appears that merchandise in a store projects an image on both itself and on the store. This phenomenon will receive more detailed attention in Paragraph 4.4. Finally, by relating image to their own shopping behaviour, consumers imply that their behaviour reflects what their opinion is of the store. The image descriptors in Zimmer and Golden's (1988:284) research overlap those in other research, namely layout, physical facilities, quality, advertising, sales, selection, service, credit, guarantees, returns, sales clerks, location, pricing and reputation. However, there are certain image descriptors that have been discussed in previous image research that may not represent the opinion of consumers regarding a store. Such attributes include:

- Displays newest styles before/after other stores

- Interesting/uninteresting merchandise

- Merchandise is/is not clearly marked

- Lay-bye available/unavailable

- Pleasant/unpleasant customers

- Friends do/do not shop there

- Near/Not near other stores I want to shop

- Assertive/passive

- Objective/impulsive

- Comfortable/uncomfortable

- Intimate/social

- Formal/casual

- Honest/dishonest

- Been in community short or long time

The presence of self-service, certain physical facilities (air conditioning, lifts, washrooms, aisle placement and width, carpeting and architecture), and convenience (parking) were not found to be image descriptors in Zimmer and Golden's (1988:284) research. Significant were the findings that trading stamps, and symbols and colours – both promotion items – do not form part of consumers' image attributes according to Zimmer and Golden's study (1988: 285).

3.6   DIMENSIONS OF STORE LOYALTY

McIntosh and Lockshin (1997:487) propose and test a model of store loyalty, the core of which is the consumer's attitude towards the store to repeat purchase relationships. The research examines the linkages between relationships in retailing by considering the relationships between store trust, interpersonal trust and commitment and store loyalty.

The model is based on the principle that key constructs relevant to relationships in retailing have to be identified and then tied to a loyalty framework (McIntosch and Lockshin, 1997:488). Two affective antecedents at store level are included, namely store trust and store satisfaction with the store, as well as two interpersonal relationship constructs: trust in and commitment to the salesperson. The model is illustrated in Figure 3.7.

FIGURE 3.1: HYPOTHESISED RELATIONSHIPS BETWEEN RELATIONSHIPS IN RETAILING AND LOYALTY
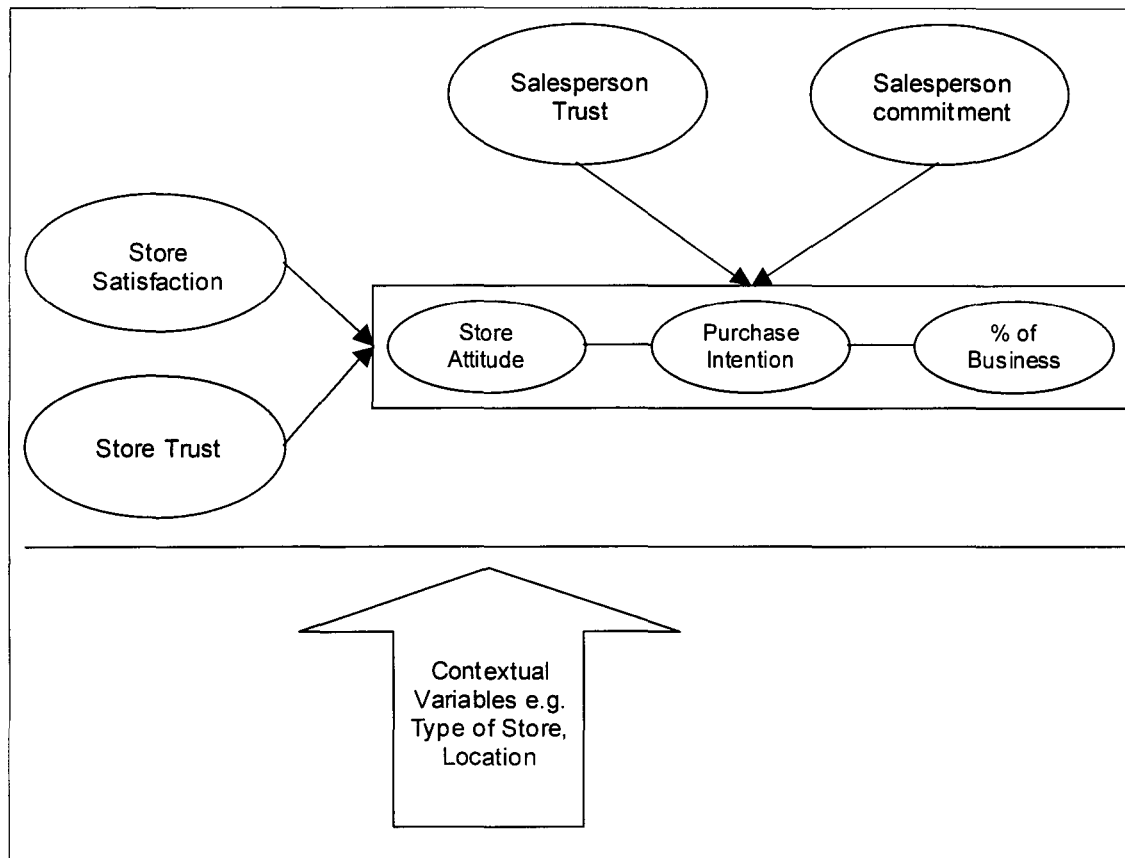
Store loyalty is based on both the strength of attitude and on repeat purchase behaviour. Three measures are consequently included in the model: loyalty as an attitude purchase intention and the proportion of total category purchase at the focal store. Store satisfaction is defined as the customer's overall evaluation of the store experience, while trust is hypothesised to be positively related to store attitude. Commitment by customers to the store's salespeople is predicted to be positively related to both store attitude and to purchase intention. The research concludes that − for retailers and consumers who have an interpersonal relationship − trust and commitment are directly linked with purchase intention and also indirectly through store attitude. On the other hand, for customers without a salesperson relationship, trust in the store leads to loyalty indirectly through store attitude, but this does not have a direct impact on purchase intention. The model suggests that commitment is related to store loyalty both in terms of more positive attitudes toward the store and directly to repurchase intention. Thus attitude completely mediates the relationships between store trust and purchase intention, as well as store satisfaction and purchase intention.

3.7 CUSTOMER SATISFACTION AND STORE LOYALTY

Many authors agree that there is a direct link between customer satisfaction and loyalty. Bhote (1996:30) notes that customer satisfaction is but a milestone on the long, hard road to customer loyalty and lifelong retention. The nature and extent of the influence on and relationship between satisfaction and loyalty has, however, been a contentious issue in scientific literature.

Bhote (1996:30) conducted research within the appliance industry, and reports that the relationship between customer satisfaction and loyalty is very weak. Yet others (Fornell, 1992) report a positive relationship between customer satisfaction and customer loyalty. It is maintained that loyalty could be explained as a function of customer satisfaction. Bearden and Etzel (1982) posit that the customer satisfaction route to loyalty would be more important in some situations than in others. The effect on loyalty is strong for necessities and privately consumed goods (such as refrigerators) and weak for publicly consumed goods (e.g. holidays) (Bearden et al, 1982:186). Loyalty can also be measured with two indicators: the first is the likelihood that the customer would continue the relationship with the supplier and the second is the degree to which respondents would recommend the supplier to others. The effect of customer satisfaction on loyalty is determined to be positive and significant in all samples from three industries' consumers - life insurance, a telephone company and a business college. When compared to the factor of a firm's reputation, however, the influence of satisfaction is considerably weaker. Nonetheless, a positive correlation is indicated between satisfaction and loyalty.

Fornell (1992) was one of the first researchers to devise a model between customer satisfaction and other variables. Customer satisfaction is explained as an explanatory variable for, amongst others, customer loyalty. In the model, the Customer Satisfaction Barometer (CSB), customer loyalty is perceived as a function of customer satisfaction, customer complaints and company image. Sivadas and Baker-Pewitt (2000:74) purport that service quality, relative attitude and satisfaction all influence the likelihood of recommending a department store to friends. Whilst satisfaction with a department store does not result in repeat patronage of the department store, it relates to store loyalty since customer satisfaction influences the likelihood of recommending a store, which, in turn, influences loyalty.

The degree to which customers are satisfied is also a crucial aspect in analysing the satisfaction-loyalty relationship. Jones and Sasser (1995) report that only when consumers are

completely satisfied does loyalty become meaningful. Their study indicates that customers who are completely satisfied are six times more likely to repurchase than those who indicate they are merely satisfied. Bhote (1996:38) emphasises an even greater discrepancy between completely to just satisfied consumers. In competitive environments, such as the retail industry, he states that there is a 400% to 600% drop in loyalty from the completely satisfied to the just satisfied consumer (Bhote, 1996:38).

Another perspective on the satisfaction-loyalty relationship is that whilst customers may be equally satisfied, there are different types of satisfaction, each of which implies different levels of loyalty towards a company (Strauss and Neuhaus, 1997:246). Demanding satisfaction is where the relationship with the provider is determined by positive emotions, especially optimism and confidence. Stable customer satisfaction is characterised by a passive aspiration level and it expresses the wish for the relationship to remain as it currently is. In the case of the resigned satisfied consumer, the behaviour is passive – satisfaction is not induced by the fulfilment of expectations – but is based on the impression that it is unrealistic to expect more. Whilst 57% of the stable satisfied customers would recommend the provider, only 32% of the demanding satisfied and 16% of the resigned satisfied would do so. With this in mind, Strauss and Neuhaus (1997:247-248) conclude that it is important to adjust marketing instruments to take into account the profiles of satisfied consumers.

3.8   IMPLICATIONS

Store loyalty has been researched along similar dimensions as was customer loyalty. Store loyalty has also been expressed in terms of measures and categorisations and several prominent theories of store loyalty have been proposed, of which the discretionary theory (which advances that consumers use their resources to increase loyalty) appears to be best supported. This support is partially derived from the associations between store loyalty and economic and demographic variables. Associations between brand, store and sending correlates have also been well documented. It has been accepted that there is a strong correlation between brand and store loyalty, just as it has been deduced that consumers would spend more money in their favourite store.

Store image has also formed the basis of much research. While the definition of store image and the identification as to what attributes and what other factors constitute store loyalty was characterised by various theories, the links between store image and brand image were

49

supported fairly unanimously. While store image would improve by being associated with consumers' favourite brands, it would deteriorate when associated with weaker brands.

.

CHAPTER 4

CUSTOMER LOYALTY PROGRAMMES

4.1 DEFINITIONS AND PRINCIPLES OF CUSTOMER LOYALTY PROGRAMMES

Sharp and Sharp (1997: 474) define customer loyalty programmes as structured marketing efforts that reward and, therefore, encourage loyal behaviour. Johnson (1998:36) outlines customer loyalty programmes as any marketing programme designed to increase the lifetime value of current customers through a long term, interactive relationship. The nature of such a relationship is expounded by Dell (1997:15), who advances that customer loyalty programmes are designed to create a bond between the retailer and the consumer and have the goal of making the supermarket a destination.

Loyalty programme adoption is a part of a new emphasis on defensive marketing, meaning that they are activities which focus on maintaining current customers and eliciting more custom from them, as opposed to focusing on winning new customers (Sharp and Sharp, 1997:474). They are designed to lift and increase the average purchase frequency and other aspects of repeat purchase loyalty.

A loyalty programme is characterised by five elements (Johnson, 1998:36). At the core of the programme lies a database, which is used to segment customers, track purchase histories and communications, allocate benefits and measure programme effectiveness. The second element is an enrolment process: the identification of high value or potential high value customers to determine their interest levels. A third element of such programmes is the reward for ongoing purchases, which has led to the classification of programmes with a reward in the shape of frequent buyer programmes. The value added or soft benefits constitute the fourth element. These include special communications, newsletters and member events. The last element is customer recognition. Johnson (1998:36) writes that personalisation – acknowledging and understanding individual needs – is the most crucial aspect of customer recognition.

Sopanen (1996:32) discusses several principles underlying loyalty schemes. Certain of these principles are ranked as being more difficult to achieve than others, and consequently each principle is discussed ranging from those that are most difficult to achieve to those that are relatively easier to reach. The creation of an emotional bond or connection is most difficult to obtain, but it is the heart of any loyalty scheme. Emotional loyalty is considered to be the only true form of loyalty. Customers need to believe that there is a feeling of affinity or belonging between them and the retailer, and that the retailer cares enough to listen to them. Most desirable in a loyalty scheme is that customers realise that what is important to them is also important to the retailer. The creation of such a bond is hampered, however, by suspicion on the part of the customer as to how much personal information becomes available to retailers upon participating, and also whether the retailer's intentions are one-sidely beneficial (Sopanen, 1996:33). The second principle mentioned by Sopanen is that of cost effectiveness. A loyalty programme should, like any other investment, be measurable in terms of increases or decreases in sales or improved response rates to marketing, for example.

The aspect of a loyalty scheme being a persuasive philosophy – one which should be valued by all people in the company – is another underlying principle. Staff training and commitment on all levels are crucial, but demanding, tasks in managing a customer loyalty scheme (Sopanen, 1996:35). Stone (1991:1) cautions that loyalty schemes need to make sense to staff and that staff have to recognise the advantages in helping to "produce" satisfied consumers. This philosophy should consequently be supplemented by careful planning, well-briefed customer service centres, hotlines and clear information at the point of sale.

Immediate feedback – the rapid response of retailers to consumers – is another principle pertaining to loyalty schemes. This element is particularly crucial at the early stages of a customer-retailer relationship and are operationalised in the form of showing, on a receipt for example, how many points a customer earned during one particular shopping trip and what points have been accumulated to date (Sopanen, 1996:35).

Furthermore, the information that emanates from a customer loyalty scheme has to be reliable. Basic customer information with respect to participants of loyalty schemes should be correct and customers have to feel safe when providing information at their enrolment. (Sopanen, 1996:36).

Sopanen (1996:37) is of the opinion that a customer loyalty programme has to be defensible against competitors since competition in the retail business is ruthless. Although successful new innovations are copied immediately by rivals, it is nevertheless supposed that it is advantageous to pioneer loyalty programmes.

Finally, Sopanen stresses that a customer loyalty programme should essentially be a long term, strategic marketing tactic because the investment in a loyalty scheme is too costly to be implemented in the short term. More importantly, a loyalty scheme should offer a stream of benefits to the customer and a stream of information to the retailer, so that a successful exchange would occur to nurture the relationship between the customer and the retailer.

From the retailer's perspective, the strategy of maintaining and developing loyalty through loyalty schemes appears like a source of a sustainable competitive advantage (Wright and Sparks, 1999:430). Sopanen (1996:41) consolidates retailers' benefits derived from loyalty schemes into two: one, the gathering of customer information and two, the provision of an attraction that would encourage repeat patronage at the store. The successful achievement of these goals results in various benefits for both the retailer and for the consumer. The Coca Cola Research Group of Europe suggests that retailers could claim margins of 1% to 2% in increased retention rates, reduced advertising costs, 10% to 20% more visits and market share thanks to marketing loyalty programmes (Sopanen, 1996:42).

From a consumer perspective, O'Brien and Jones (1995:79-80) posit that loyalty schemes provide benefits to consumers which represent value to them, and that these benefits in turn encourage loyalty. The five elements which determine the value of a loyalty scheme are cash value, choice of redemption options, aspirational value and convenience (ease of participation in the scheme). Uncles (1994:341) states very simply that the benefit of loyalty schemes to the customers lies in the feeling that the retailer is prepared to listen to them, is willing to innovate on behalf of customers, and is caring, kind and considerate.

Whilst all customer loyalty programmes should exhibit certain characteristics, have similar underlying principles and add value measures that represent benefits to consumers, they need not be identical. Indeed, the proliferation of such schemes has been characterised by their diversity, as described in the following paragraph.

4.2   DIFFERENT TYPES AND STRUCTURES OF LOYALTY SCHEMES

Johnson (1998:37) states that, whilst there is no standard list of programmes from which to choose loyalty programmes generally fit into one of five structures. These structures are distinguished from one another by different objectives each of these programmes aims to achieve, their choice of rewards and their use of these rewards.

The first of these is the reward programme (Johnson, 1998:37). It centres on the concept of borrowed interest, an advertising term which is derived from borrowing or leveraging an idea or concept which has no bearing on the brand or item being advertised. In a loyalty programme, this translates into rewarding a customer's purchase behaviour with merchandise unrelated to the brand. For example, Diners' Club offer rewards programmes with redemption choices including merchandise, travel and gift certificates. First, customers become emotionally involved in the programmes and, as a result, change their buying patterns. Furthermore, a reward programme could serve double duty in an acquisition programme (Johnson, 1998:37). Therefore, a bank may borrow interest in travel to encourage a prospect to become a consumer and to maintain an ongoing relationship with the consumer.

Structured similarly to the rewards programme, the appreciation programme bases a reward on the brand or item rather than on unrelated offerings. To use a bank as an example again, it could offer additional banking services rather than travel benefits to its consumers or potential customers. These are thus perks or in-line rewards that are offered to best customers (Johnson, 1998:38). An appreciation programme could be most effectively used when the goal of the programme is to increase lifetime value of the current consumers because it rewards the right behaviours, thus reinforcing purchases of the desired brand or item.

The rebate programme is another type of classification (Johnson, 1998:37). Primarily used by retailers and restaurants, they represent the simplest form of value exchange. This type of programme may be expressed as the slogan 'the more you purchase from me, the better price I extend back to you' (Johnson, 1998:37). Hallmark Cards, for example, has a Hallmark Crown Card programme by which 10 points are awarded for each dollar purchased. The gift certificates are mailed to participants every three months and for 200 points accumulated – the equivalent of $20 in purchases – a $1 gift certificate is awarded. The success of this programme could be attributed to two factors. They support the brand and buying habits of the highest value customers by giving them more of what they like. In addition, the reward programme increases traffic and sales without reducing the perceived brand image (Johnson,

1997: 37). It has been calculated that a retailer who sends out $5 gift certificates to target customers would obtain a response rate of 80%. This results in subsequent incremental purchases and considerably raised profits.

The partnership programme is one which intends to acquire new customers and then rewards them for additional purchases. New customers are sought strategically on the basis of having a specific interest in the partner's product and then rewards those customers with more of the product. For example, if Sprint (a United States based telecommunications company) and American Airlines are in a partnership, they could offer American Airlines customers some Advantage points in exchange for accumulated Sprint long distance points. In this type of reward programme, the partner's database is a crucial element. One partner matches the database of its partner against its own in order to identify new customers. The partner would then agree for example to sell the list of prospects in return for the partner's offering. This type of reward programme has also been cited as an example of guerrilla marketing because only the partner's customers are aware of the offer. The programme is implemented without the knowledge of the market place.

The fifth classification is the affinity programme. This is aimed at increasing the lifetime value of customers by building strong relationships with them without the use of rewards. This value is achieved by recognition, value added benefits and through information-intensive communication (Johnson, 1998:45). A significant component for the success of affinity programmes lies in its members being acutely interested in the product and that they are willing to invest time and effort to learn more about it. This is because such products or brands represent strong consumer interests or lifestyles. Examples would include Harley Davidson motorcycles or Versace clothing. Although an affinity programme could encourage support for a brand, Johnson states that their impact or success may be more difficult to measure than the other programmes, because there is no direct, measurable response on which to base costs allocated to the programme and the returns resulting from incremental purchase activity (Johnson, 1998:45).

Johnson's classification of the five structures of loyalty programmes and the situations and aims which are most suited to each of these structures are illustrated in Table 4.1.

TABLE 4.1: FIVE TYPES OF LOYALTY PROGRAMMES AND THEIR APPLICATION

Use this type of loyalty programme ...	When....
Rewards programme. Awards points for purchases. Points can be exchanged for rewards unrelated to the brand.	• Your product line offers limited options for rewarding customers with additional purchases or services • You want your programme to serve double duty as a new customer acquisition device • You need to differentiate your brand from your competitors brands
Rebate programme. Awards a gift certificate, redeemable against new purchases, when a customer reaches a spending threshold	• Your product line represents a wide retail selection • The reward (gift certificate) can be used to motivate new incremental purchases • The reward can be used to increase in-store traffic.
Appreciation programmes. Offers a reward selection of your company's products and services in exchange for accumulated points.	• Your goal is solely to increase customer lifetime value, not to acquire new customers • The reward can be used as a device to allow your customers to sample your other products and services
Partnership programme Rewards a customer's accumulated purchases with a partner company's products or services	• Your primary goal is to acquire new customers. • You have the opportunity to prospect a partner company's database. • The partner company's customers are likely prospects for your products and services
Affinity programmes. Offers special communications, value added benefits and recognition to valued customers.	• Your brand strongly represents a specific customer lifestyle. • Your customers are interested in learning more about your products or services • Rewards are not needed to cultivate long – lasting interactive relationships.

Source: Johnson, 1998: 45)

Loyalty schemes can be divided into two groups with two separate messages. The first group includes schemes with the message that if consumers should purchase certain articles at a specific retailer, that retailer would give them a reward. These schemes are directed at customers' price conscious side and are characterised by free purchases, points accumulations and discounts. Group two holds that consumers would wish to shop with a certain retailer because the latter knows exactly what the customers wish to purchase Retailers find this scheme the most difficult to achieve because, in order for this scheme to be successful, they need to know their customers and their needs very well indeed. The best type of customer scheme includes both of these messages.

Sopanen (1996:47) classifies several forms of customer schemes used in the European sector. Different forms of such customer loyalty schemes could be used alone, or as a mix in

56

supporting each other in maintaining loyalty. The following paragraphs deal with these different customer schemes.

4.2.1   Loyalty card schemes

Even though the term of loyalty card may perhaps not be the correct term to call many of the cards in use, it is easy to understand why, despite the above constraint, it is widely used. As more retailers realise the potential to strengthen loyalty schemes by expanding into payment options, and others choose to add loyalty benefits to existing payment cards, the distinction between traditional loyalty cards and store cards is becoming increasingly blurred (Wright and Sparks, 1999:431). Nonetheless, a customer card scheme has become synonymous with customer loyalty schemes The fact that it enables the retailer to identify frequent or loyal customers, and because it could easily collect customer information, these have been the main contributing factors for this association. Since there are currently not many other economical options – lifestyle questionnaires are expensive – these ensure that the card would remain the most important element in customer loyalty schemes (Sopanen, 1996:37).

The development of cards has been rapid. Paper membership cards have been replaced by the plastic magnetic strip cards and their use has filtered from their initial users, bank and building societies, to grocery retailers, car manufacturers, petrol retailers and media companies. There are currently many different types of cards available, with ownership depending on the needs of the card issuer and the card holder. The application of most cards involves the applicants filling in a standard form issued by the retailer, supplying their income, the income of a partner and which store they frequent; they also list their age, occupation, gender, marital status and whether they have children (Siler, 1995:19). The existing cards could be divided into the following five groups:

4.2.1.1 Cash cards

Cash cards, or benefit only cards, are the most common amongst small retailers although this type of scheme is not uncommon amongst bigger retailers. It is a membership card, usually handed to the customer free of charge, by which rewards are made available if shown at the checkout point. These rewards are most frequently expressed as a points collection scheme or in the form of discounts. The latter are awarded when the card is swiped and could apply to certain products or discounts only. In a points collection scheme, the card is swiped every time the customer purchases, motivating the customer to spend more to obtain more rewards.

Some retailers set a minimum spend limit which permits the customer to get rewards. For example the British retailing chain, Tesco, has a minimum spending limit of £5. .Although such a minimum limit may encourage some customers to spend more merely to reach the limit, the drawback of this scheme from an information-gathering point of view is that information is wasted because it is not collected when purchases are under the limit. Other schemes provide a set discount per amount spent. Safeway's ABC scheme provides customers with a 1% discount for every Pound that is spent. This guarantees that all the purchasing information of the cardholders would be registered. Other schemes are structured so that the benefit grows progressively with the total amount spent during the collection period.

4.2.1.2 Debit cards

Debit cards incorporate the deposit of money into a special account, a practice that is not as common as the cash card in retailing. In 1996 Tesco launched its direct debit facility for its Clubcard. The interest of that account is usually higher than in bank accounts, because its primary function is to offer a service and not to make a profit from the scheme. The cardholders also have access to the retailer's customer loyalty scheme.

4.2.1.3 Credit cards

Credit cards, also called store cards or charge cards, usually pays the balance that the customer purchased at the end of the month, usually without any interest or fees. Alternatively the cardholder could use the credit and pay only a specific amount of the total balance each month, in which case interest is charged. Where the store has a direct debit system, the card holders may choose in advance the manner they would like to pay

4.2.1.4 Multi-function cards

Multi-function cards have all the functions described in the above paragraphs – each time the customers make a purchase, they may decide which function they would like to use (Sopanen, 1996:65).

4.2.1.5 Smart cards

A smart card is a multi-function card, offering cash, debit or credit options. It is a plastic card with a chip that is able to store and manipulate data in it (Sopanen, 1996:35). Thusfar, smart card pilot schemes have fallen into three broad categories. The electronic purse scheme is aimed at replacing coinage and paper with electronic credits. The second type aims to replace

the older magnetic authorisation method, which is considered to be susceptible to forgery and duplication. The third use of smart cards is in loyalty schemes, where they are a means of value transfer (Gandy, 1998:82).

Recently, a new generation of smart cards and operating systems has been introduced which make the application of smart cards more compelling in the retail industry. The Smart Village brand has offered the first EMV (Europay, Mastercard, Visa) compatible smart cards in the industry. These cards are able to track marketing parameters, such as RFM (recency, frequency and monetary value) which offer information at the till point. The card's memory is also easily partitioned, allowing third party companies to use it for electronic couponing. The applications of credit, debit or repurse payment are enabled by facilities such as proof of transaction, guarantee of encashment, control over recharging, PIN verification, control of file access, transaction logging and floor limit management These make smart cards as secure as bank cards. Smart cards thus offer more safety for the consumers and retailers alike and have the ability to load, store and manipulate data. Two other major technologies are the Java card (supported by Visa) and the MultOS Card, supported by Mastercard.

These kinds of cards are still rare amongst retailers, mostly because of their high costs. The proliferation of loyalty smart cards is hampered by the costs of providing terminals to read the chip cards (Sopanen, 1996:36). Gandy (1998:82) states that smart cards have been slow to make an impact, because they offer services that do not greatly appeal to consumers. However, standardisation of the cards, coupled with moves by banks to adopt smart card payment technology in Europe, are rapidly eliminating this barrier. In the United States, however, the market is reticent about smart cards because it is maintained that the telecommunication costs are negligible and that this factor, together with the investment in on-line systems, means that electronic switching to smart cards is not available (Gandy, 1998:84). This has resulted in considerably hampering the development of a single unified global method of payment acceptance.

4.2.2 Benefits of card schemes

According to Sopanen (1996: 34) that there are numerous benefits arising from the use of loyalty cards, both to the retailer and to the consumer. One obvious advantage is their function as a payment device. Apart from offering favourable conditions in terms of interest and time period of payment, they could be used as the consumer wishes, offering the

cardholder security and flexibility when paying. Special offers in the form of special products and services, which are only available to card holders when the card is swiped or shown at the checkout point, could be used to the advantage of the retailer to attract more customers to the scheme.

The cardholder may receive discounts from the checkout every time the card is swiped, with discounts ranging from 1%, up to 15% at some retailers. Furthermore a card scheme allows for retailers to build up third party support with other parties to offer customers a wide range of products and services. In some cases, customers obtain cash-back rewards from third parties. Many retailers also have an agreement with third parties to co-operate in the same scheme, especially by means of points scheme, which allows the consumer greater flexibility and a wider range of products (Sopanen, 1996:40). In a classic points scheme, customers are able to save points that are converted from value spent in-store. Points are usually converted into money vouchers, or a customer may purchase special products or services from a special selection by means of the collected points. The benefit here is clearly financial. Bonus money is another financial incentive A set percentage is attributed to a share of purchases- the S Group (a retailing chain in Finland) has a bonus varying from 1% to 3% which the customer gets credited to his or her share of purchases. In the European retail market, air miles are also increasingly offered as incentives in the retail industry. An example is Sainsbury's in Britain, that has included air miles in its reward scheme.

4.2.3   Drawbacks of card schemes

Research by Wright and Sparks (1999:438) reported a degree of card saturation in the British retail market. Whilst only a small proportion of card holders possessed loyalty cards in the past 6 month period, no fewer than 86% of respondents declined loyalty cards in the past 6 months, with 26% claiming that they already had a sufficient number of cards. Cards were turned down in significant proportions because of the fear of identification of data use, as well as the premise that the rewards are not worthwhile or because of inefficient technology. In the South African context, where card schemes in the retail sector are not as diverse in terms of choice, these drawbacks may only be of significance once more card schemes are introduced into this sector.

4.3   AN OVERALL APPROACH TO LOYALTY

The tangible benefits of a card scheme are one of the elements which is incorporated into an overall approach to loyalty. These benefits are especially applicable when a retailer observes the retail business through the eyes of the consumer and aims to offer a high standard of services and products, instead of focusing solely on offering rewards (Sopanen, 1996:41). The most important element in such an approach is that the whole company needs to back the principles it represents. Staff should, therefore, have a thorough knowledge of the company's programme and must be able to communicate it to consumers. This process is aided by special staff training programmes, which need to be continually upgraded and renewed.

4.4.1   Special services as parts of loyalty schemes

Customer loyalty schemes are also expressed in the form of special services. In the retail industry, this is typically operationalised by free gift-wrapping, free parking or home delivery services (Sopanen, 1996: 42). Special offers are often reserved for a company's best customers only, rather than being a mechanism to attract new customers. The British retailer, Debenhams, operates a Gold Card scheme where only the best customers are allotted free parking and gift wrappings.

4.4.2   Customer magazines

A customer magazine is a way of communicating with customers, reinforcing what is good about that particular retailer and reiterating benefits. They serve to offer and introduce different services to all customers. The aim of customer magazines varies according to the company's needs. For some companies, it is a means to encourage communication with customers. Others use it to generate sales, whilst yet others provide special offers through this medium (Sopanen, 1996:43).

The customer loyalty magazine is a useful loyalty programme when the time between the customer's purchase cycles is long. It is important to maintain a relationship in the period of time between purchases, which is a potentially dangerous time to lose customers to competitors (Sopanen, 1996:43).

Newsletters, usually at least four pages long and offering editorially relevant articles, often include incentives or bounce-back offers, such as mailing in a postcard to obtain something like a recipe book. A retailer may also tie into another's mailing programme. In the United

States, Shop Rite issued a letter to customers and also included 16 Kraft coupons, each of which were household coded so that Kraft could track how well its coupons were redeemed through that mailing (Radice, 1997:70).

4.4.3   Customer events

Customer events provide an arena for retailers to communicate with their best customers. Most of these events are targeted at specific segments of frequent customers, for example, a wine tasting evening for connoisseur wine users. Apart from an exchange of communication and information between retailer and the consumer, customer events provide an opportunity to increase sales. Because customers have a positive attitude upon arriving at the store, they are more likely to take up special offers when these are available. Customer events are widely employed by Britain's leading retailers, including Marks & Spencer, Tesco and Debenhams.

4.4.4   Customer panels

Customer panels provide a forum to speak about customer needs and their criticisms. Designed primarily to obtain feedback from consumers, they create the feeling of belonging and partnership amongst consumers. It is important to follow up on customers' ideas in order to avoid customer disappointment (Sopanen, 1996: 44). Tesco's One in Front Initiative is an outcome of its customer panels, and approximately 150 meetings are arranged every year.

Whatever form of loyalty scheme is implemented, it is imperative to keep the message to the consumer consistent and to include a feedback channel to allow customers who spend the most money to communicate with the retailer.

4.5   CUSTOMER LOYALTY SCHEMES : PRESENT AND FUTURE

In the global retail environment, customers lock in via plastic cards. Other measures too are becoming increasingly prevalent as competitive pressures heighten and marketers seek ways to differentiate their core offer. There are different visions in the marketplace regarding the future of customer loyalty schemes. Some retailers are and may be sceptical about them, while others again would consider them vital in competing in the retail environment (Sopanen, 1996: 46). It is anticipated that the disadvantages of loyalty schemes would become more publicly discussed. If loyalty schemes are seen to discriminate against certain sectors of the community and promote inequality, their development would be retarded. In the worst-case scenario, the schemes could be forbidden through strict data protection laws.

Sopanen proposes three visions that could unfold in the future (Sopanen, 1996:67). One vision entails the acceptance by retailers that there is no other way to succeed in retail but to operate with certain known customers. Only shoppers with a loyalty card would shop at a particular retailer and they would need to identify themselves, possibly by finger prints or voice recognition. In this vision, all the consumer information is gathered into a data warehouse, where data is analysed and a customer base is built. There would only be targeted personal marketing, and new ways of communication with customers would be invented so that more information would be available other than the consumer's purchasing history, such as interactive television. It is envisaged that, once the relationship between the retailer and the consumer has been established, there would be no necessity to reward customers – for example, with free merchandise - because the customer would obtain enough from the retailer in terms of products and services. Lower product prices would be a reflection of better marketing.

The second vision reflects a more sceptical view about the success of loyalty schemes in future. Loyalty schemes would be abandoned, because loyalty cannot be built between customer and retailer and would in any event be too expensive. This breakdown would be because of customers' unwillingness to provide purchasing information about themselves to retailers. They may feel that their personal information is abused, possibly to the point that government may be pressurised to enact laws limiting the gathering and use of customer information. Instead of loyalty schemes, retailers would offer to all possible customers such products and services that they think these customers may appreciate. Mass marketing would head marketing initiatives, aided by new equipment (Sopanen, 1996:47).

4.6   THE COST OF CUSTOMER LOYALTY SCHEMES

The high costs of loyalty schemes, both in setup and administration, have been identified as a barrier in their implementation (Sopanen, 1996:44-45; Silver, 1995:19). It is estimated that the typical cost of existing loyalty programmes is 0.5% to 1% of sales, while break-even lies between 5% and 7% of sales. A customer loyalty scheme is, after all, senseless if it does not result in a profitable business. Cost effectiveness, while being difficult to measure, is expressed in terms of changes in sales, changes to mark downs to response rates to marketing, which would be facilitated by a better analysis system through new technology.

The typical costs of loyalty schemes are fourfold. Firstly planning costs need to be considered. Planning a loyalty scheme involves extensive information technology knowledge. If there are no experts within the company, the operation should be outsourced to consultant companies, who will be able to offer both advice and also provide the IT system. AT&T has quoted this initial step as costing between £15 000 and £30 000 in the British retail industry (Sopanen, 1996:34).

Infrastructure investment forms the second tier in a cost analysis. This incorporates establishing a database and creating an electronic interface. It includes a tool to identify customers, usually a customer card, which ranges in cost from 4 pence to £5 in the United Kingdom. In future, these could be replaced by voice recognition or fingerprints. Another requirement is terminals through which cards could be swiped to gather customer information, together with a hardware system for database mining and database warehousing. Appropriate software to analyse the customer database, in the form of programmes designed for a company's specific needs, is also needed (Sopanen, 1996:34). The cost of the personal computer system and software would vary, depending on the type of information that needs to be collected. Costs are calculated as being from £500 000 upwards; the data warehouse itself costing from £200 000 and more.

After these initial investments, maintenance costs need to be considered. These ongoing costs arising from operating the scheme, involve four types of costs. The cost of maintaining the software, including transfers and updates, is tied to the use of professionals who maintain the system. Marketing costs, in the form of press advertisements, direct mail, point of sale promotions and television commercials, are significant factors. Lastly, the day-to-day costs of upholding a customer/retailer relationship need to be considered. These include newsletters, customer magazines and monthly billing statements (Sopanen, 1996:34).

Ultimately, the costs from different rewards feature in calculating the relevant costs. Such rewards could include the value for discounts, for example 1 percent off the value of the purchases and also bonus money, varying from 0.5 percent to 3 percent of the value of customers' purchases, for example. Costs of consumer evenings should also be considered, should they form part of the loyalty programme, such as overtime costs and costs of refreshments. Another cost is that of improved service levels which are operationalised by special services such as telephone ordering, which requires staff and special training (Sopanen, 1996:34).

More indirect costs include the costs of free merchandise, which is a cost effective way of rewarding customers, because the perceived value to customers is higher than the actual cost to the retailer. The Corporate IT company has calculated what the IT-spend was on customer loyalty programmes by top retailers in the United Kingdom by 1995. See Table 4.2 in this respect.

TABLE 4.2: IT-SPEND ON CUSTOMER LOYALTY PROGRAMMES BY TOP UK RETAILERS

Company	IT spend (in millions of pounds)	% of Turnover
John Lewis partnership	186	6
Burton Group	70	3.7
The Boots Company	70	3.2
Marks & Spencer	111	1.9

Source: Sopanen, 1996:56.

Tesco's Clubcard scheme is calculated to cost around 0.5% of sales (excluding running expenses) and the S-Group in Finland costed 1.5% of turnover in 1995, excluding running costs. Marks and Spencer's information technology investments amounted to approximately £500 million. While many benefits could accrue, the costs involved in a loyalty scheme clearly deserve close attention.

4.7 THE EFFECTIVENESS OF LOYALTY PROGRAMMES

Effectiveness of loyalty programmes can only be achieved where its underlying principles are understood and applied in a way that is suitable to the market for which they are designed.

The effectiveness of loyalty programmes has been measured along several dimensions. Sharp and Sharp (1997) analysed loyalty programmes in terms of repeat purchase loyalty effectiveness. It was proposed that a loyalty programme, especially a long-term promotion, could have one of two effects. First, it could increase market share through a gain in penetration (an increase in the number of customers) and also an increase in the average purchase frequency. A more likely effect was seen to be an increase in repeat purchase loyalty without an expected increase in penetration. This prediction was based on loyalty programmes being aimed at attempting to maintain loyal customers rather than attracting new ones. Sharp et al also predicted that excess loyalty could be achieved, in that a higher average purchase frequency than expected from its level of penetration is exhibited, and that loyalty programmes should reduce divided loyalty by increasing the number of solely loyal buyers.

Their hypotheses were tested on Australia's largest customer loyalty programme, Fly Buys, which offers points (one point for every Australian dollar spent) to shoppers that could be redeemed for free air travel or accommodation. It was observed that those brands included in the Fly Buys programme did not show higher levels of average purchase frequency, given their individual levels of penetration. Brands included in the programme indicated a higher degree of excess loyalty. The research concluded that the market remains a close to normal repeat purchase market after the introduction of the loyalty programme and that it is very difficult to change fundamental repeat purchase patterns of markets (Sharp and Sharp, 1997:485).

The effectiveness of loyalty marketing has also frequently been estimated along sales percentages, customer spending and volume sold. There is some empirical evidence to conclude that those retailers who have pursued a loyalty card strategy have made positive gains in customer footfall and spend. In markets where the objective behind commercial activity is sustainable profitability, and where economic arguments are the starting point for the introduction of any marketing tool, Sharp cautions that current revenue and market share levels alone cannot be used to evaluate a loyalty programme. According to his views, a loyalty programme does not need to lift sales revenue in order to be a success in financial terms. In view of its long-term nature, loyalty provides a guarantee of future earnings. This means that even if current earnings are high, a low level of loyalty could mean that future earnings could be at risk. If a loyalty programme increases the likelihood of future income flows through decreasing the risk of losing customers, then there would a substantial impact on shareholder value without affecting current revenue or market share levels (Sharp et al, 1999: 475). In addition substantial sales gains could be an indication that the programme is passing on too much value to the customer, which is accordingly to the firm's detriment. Additionally, it may be possible that a good loyalty programme may be incorrectly judged a failure if sales did not improve, even though other benefits to the firm may have arisen. Consequently Sharp et al (1997:476) caution against the use of financial indicators only, to measure the effectiveness of a loyalty scheme.

One way in which retailers measure the impact of loyalty schemes is by comparing loyalty levels amongst card holding customers versus overall loyalty. Since the relationship between improved business performance and loyalty card introduction is consistent, it is maintained that loyalty alone cannot be the driving force behind this trend. Rather, the occurrence of

multi-card ownership points to the erosion of loyalty amongst consumers. An analysis of the usage of loyalty cards in major retailers in the United Kingdom using the AC Nielsen Homepanel service, illustrates that multiple card usage is proliferating. Of the 84% of households that use loyalty cards, around 60% use cards from two retailers, and 25% use three or more, a trend which is expected to increase. Sole cardholders were 13% more loyal to their primary store than users of three or more cards, even though their store repertoire size was smaller. Other results further indicate that as more consumers possess more loyalty cards, their commitment to individual stores is decreasing.

An analysis of the top five grocery retailers in Britain focused on studying the shopping patterns of card and non-card holders with respect to buying items that were on promotion. It was found that non-card holders purchased around 40% less of the average of promoted items, while users of cards bought 22% more. Many promotions in stores provide a direct access to cardholders, while being inaccessible to non-card users. However, this trend alone cannot lead to the conclusion that card holders would necessarily support a store more than non-card holders, since multi-card holders − because of their demographic, attitudinal and behavioural differences − are more likely to buy into all promotion and offer types than non-users. Rather, the occurrence of multi-card ownership points to the erosion of loyalty amongst consumers. While there are distinct increases in purchases amongst cardholders as opposed to non-cardholders, this difference may not be explained by the impact of loyalty programmes.

4.8   IMPLICATIONS FOR LOYALTY SCHEMES

The future of loyalty schemes in their many forms,. remains in question in European markets. Whilst there is some evidence that saturation has been reached in retail markets, one prediction made in certainty is that the loyalty market will continue to expand rapidly (Wright and Sparks, 1999:439).

In South Africa, where there has been a limited introduction of loyalty schemes in the retailing sector, the need to differentiate or individualise the scheme offering in response to loyalty scheme saturation, is not yet as pressing. However, the need to evaluate the effectiveness of schemes based on their consumers' perception is a necessity. There is an opportunity for the retailers which have implemented loyalty schemes to understand their

customers' experience across a range of dimensions and assess how these attitudes and behaviours influence retailer loyalty.

CHAPTER 5

THE TOTAL RETAIL EXPERIENCE

5.1 INTRODUCTION

In attempts to differentiate themselves and to attract and retain customers, retailers implement loyalty schemes. These schemes have experienced varying degrees of success and there appears to be a schism between the intention and the reality of loyalty schemes, especially in certain retail sectors such as the FMCG retail sector (Egan, 1999:11). Low acquisition and switching costs in the FMCG retail sector make it difficult to implement profitable loyalty schemes. Over time it also became clear that many loyalty schemes, because it is possible for competition to emulate them, offered little differential advantage. Although it has been suggested that customer loyalty schemes should only be seen as one tool of a profitable retail business, many retailers regarded these schemes as the solution to all of their customer management problems (Sopanen, 1996:2).

A second alternative available to retailers to differentiate themselves, is to deliver exceptional service quality as part of their retailing strategy. (Berry, 1986; Hummel and Savitt, 1988; Reichheld and Sasser, 1990). The marketing literature of the past decade contains many pages devoted to service quality, especially to SERVQUAL, the instrument developed to measure service quality (Parasuraman, Zeithaml and Berry, 1988). Most of the studies using or assessing the SERVQUAL instrument were executed in fairly "pure" services settings such as banking, credit card services and securities brokerage. Because a retail store experience involves activities such as browsing, price comparisons, search for merchandise, evaluating product variety and quality and interaction with store personnel, the SERVQUAL instrument in its original form is not suitable to capture the unique blend of merchandise and service that entails a retailing experience. Dabholkar, Thorpe and Rentz (1996) propose an instrument based on SERVQUAL, which they suggest, would measure service quality in a retailing environment. This instrument also captures, apart from the common dimensions that are likely to be shared by pure service environments and retail environments, additional dimensions of retail service quality unique to the retail environment. The development of the instrument was

justified on the grounds that current measures of service quality do not adequately capture customers' perceptions of service quality for retail stores (i.e. stores that offer a mix of goods and services). Support for this view emerge amongst others from the findings of Finn and Lamb (1991) who tested SERVQUAL in four different types of retail stores and were unable to find a good fit to the five-factor structure. They concluded that without modification, SERVQUAL could not be used as a valid measure of service quality in a retail setting. Although the Dabholkar, Thorpe and Rentz study contributed to a greater understanding of service quality in certain retail stores, it was criticised, amongst other things, because it neglected to investigate the relationship between customer perceptions of the quality of the products a retailer carries, and customer perceptions of the service quality provided by the retailer (Finn and Kayandé, 1997:2).

Kerin, Jain and Howard reported earlier on the importance of perceived store shopping experience to explain how customers perceive merchandise quality and prices and ultimately value perceptions of a store (1992:394). Store shopping experience was defined as the outcome of a customer's interaction with a store's physical surroundings, personal interaction and customer-related policies and practices (Kerin, Jain and Howard, 1992:377). This point of view presents a third alternative to retailers by means of which they can differentiate themselves, namely by providing a positive total retail (shopping) experience for their clients. This again raises some unanswered questions. Should customers' satisfaction with the quality of the service that they receive and other retailing activities be measured and managed as separate entities? Would it not be preferable, from a measurement and management perspective, to develop an instrument that captures all the dimensions of a shopping experience that could be controlled by a retailer? The contention is that in a retail environment where a mix of goods and services is offered, the approach should preferably be more comprehensive and the focus should rather be on the management of the controllable elements of the total retail experience, as opposed to a perspective restricted to the management of say, service quality only. When considered in this way service quality is, for instance, only a component of the consumer's total retailing experience, as are various other components. If only one component of the total retailing experience is considered at a time, it may be detrimental to our understanding of customers' experiences and this in turn could lead to strategies that either over-emphasise or under-appreciate the importance of one or more of such components.

5.2   THE COMPONENTS OF THE TOTAL RETAIL EXPERIENCE

Berman and Evans (1998: 19) define total retail experience (TRE) as all the elements that encourage or inhibit consumers during their contact with a retailer. The TRE is influenced by two groups of components. The first group consists of the non-controllable components. These include aspects such as adequacy of street parking, timing of deliveries from suppliers and taxes, all of which are not controllable directly by the retailer or in respect of which a retailer has limited control. The controllable components, in turn, consist of a variety of elements that the retailer is able to control, such as the number of salespersons on the floor, variety of brands carried and stock on hand. In this study the emphasis is on the controllable elements of the TRE. In the retailing literature, store loyalty is most frequently related to store image (Dick and Basu, 1994). The notion is that a favourable store image leads to store loyalty (Hirschman, 1981). Store image, in turn, has been described as consisting of the following three general factors: merchandise-related aspects, service-related aspects and pleasantness of shopping at a store (Mazursky and Jacoby, 1986). The TRE encapsulates all three of these factors and a positive TRE should, therefore, lead to store loyalty that should be difficult for competition to emulate. TRE furthermore not only attends to the transaction on the shop floor, it also attends to pre- and post-transaction activities; all of which should enhance store loyalty.

The retail literature suggests that the dimensions of the controllable components may be grouped under six dimensions. These six dimensions may be described as:

- Service quality

- Product quality

- Product variety and assortment

- Internal store environment

- Product prices

- Store policy

Figure 5.1 is a graphical illustration of the theoretical composition of TRE.

71

FIGURE 5.1: THE THEORETICAL COMPOSITION OF THE TOTAL RETAIL EXPERIENCE
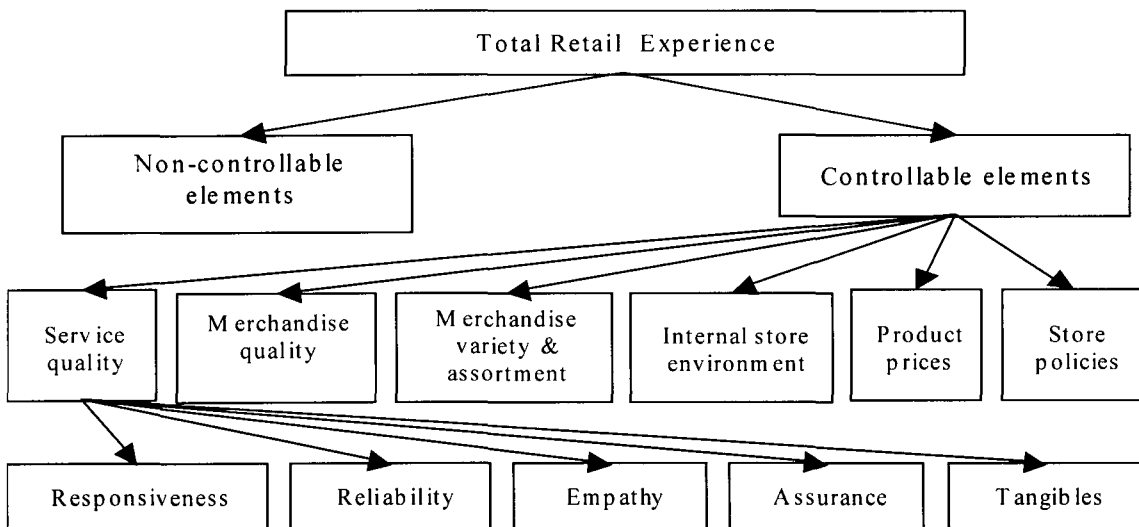
5.2.1 Service quality as a dimensison of the total retail experience

Despite the criticism levelled against SERVQUAL (Buttle, 1995), the scale designed to measure the five dimensions of service quality, the items used for the measurement of the various dimensions of service quality are also regarded as suitable to measure some of the controllable elements of the TRE. For instance physical facilities, equipment, materials, business hours as well as various aspects of staff behaviour are covered by the items of SERVQUAL. On the other hand, it is also known that SERVQUAL in its original form is not suitable to capture the unique blend of merchandise and service that makes a retailing experience. Various studies that analysed and used SERVQUAL have also reported on factor structures, which differed from the five factor structure by Parasuraman, Zeithaml and Berry (1988:199).

5.2.2 Product quality as a dimension of the total retail experience

Product quality has been identified as a causal determinant of a consumer's perceived value of a product (Dodds, Monroe and Grewal, 1991; Kerin, Jain and Howard, 1992: 382) and would, therefore, have an influence on the TRE of a consumer. Ghosh and McLafferty (1987) stated that the combined attributes of merchandise quality, service level and atmosphere may be viewed holistically as the quality of shopping experienced at an outlet. Various researchers have also reported on the importance of the quality of products (merchandise) in consumers' perception, evaluation and image of retail shops (Dabholkar, Thorpe and Rentz, 1994: 4). In a

72

more recent study Sirohi, Mclaughlin and Wittink (1998:240) operationalised fifteen indicators for product quality in a supermarket. These indicators included quality items related to the grocery, bakery, frozen food, meat, health and beauty and other departments of a supermarket. The importance of product quality for store loyalty was also established in this study because it was found that the perceptions of overall product quality have significant direct impacts on overall customer store loyalty. For some products the quality level of the product is of great importance to the consumer and some retailers position themselves mainly on such a basis. Retailers selling high quality, high priced, well-known luxury brands are examples in this respect. Although consumers assume that minimum levels of quality are built into product offers (Walters and Hanrahan, 2000:168), a growing demand for quality is expected to apply to all types of products (Lucas, Bush and Gresham, 1994:141). In similar fashion Berman and Evans (1998:443) identify ten factors that a retailer should take into consideration when planning the quality of products to offer. These factors range from the target market(s) and perceived benefits to image and other factors, most of which focus on the contribution of the specific factor to the satisfaction of customers' needs and the direct relationship with the perceptions that customers have of the retailer.

5.2.3   Product variety and assortment as a dimension of the total retail experience

Product variety and assortment are components of the conventional retail marketing mix (Hasty and Reardon, 1997:11). Products are probably the most complex expectation customers could have of retail shops, because customers expect to find a variety or a selection of different kinds of products that are consistent with personal shopping intentions and preferences (Davidson, Sweeney and Stampfl, 1988:141). The range of food and non-food product lines that supermarkets, for instance, offer, illustrates the complexity of the product variety decision. The opposite of this is the "super-specialisation" of speciality retailers. Assortment is closely related to variety, as it is the range of choice offered within a category of products. Consumers therefore not only expect to find a variety of products, but also an assortment of different colours, brands, styles, models and sizes for each product line. In a recent study it was found that variety and assortment have three components : assortment size, attribute dispersion and attribute association (Van Herpen and Pieters, 2000: 2). Product variety and the depth of assortment will to a large extent be influenced by the image the retailer wishes to project. For instance, a supermarket' s product variety and assortment, is associated with the customer services and facilities of that supermarket (Bishop 1984; Doyle, 1984). Kerin, Jain and Howard (1992:385) also reported that previous research and focus

groups found overall variety and assortment to be indicators of shopping experience. In a study of men's clothing, overall assortment featured as a strong determinant of shop patronage (King and Ring, 1980:50). The importance of assortment and variety in retailing is also confirmed by the fact that one of the items of the Index of Consumer Sentiment Toward Marketing deals with the adequacy of the selection of products offered by retail shops (Gaski and Etzel, 1986:79). Unlimited selection of products has also been identified as one of the 13 items that contribute to a reliable store image for discount and department stores (Wu and Petroshuis, 1987:47). Simonson (1999: 366) noted that retailers would undoubtedly continue to use the breadth and depth of their product assortment as a means for differentiation, despite the new marketing environment that makes it easier to duplicate successful offerings of a retailer. Recent research suggests that the pressure brought on by the latter will see to it that retailers would not only employ assortments to satisfy customers' wants, but assortments would also play an important role in shaping those wants.

5.2.4 Internal store environment as a dimension of the total retail experience

Store environment includes all those elements that contribute towards a pleasant shopping atmosphere. These elements are shop layout, aisles that make it easy to shop, store cleanliness, well-spaced product displays and attractive décor. The retail literature suggests that customers value the convenience that physical aspects, such as store layout, contribute to shopping (Gutman and Alden, 1985; Hummel and Savitt, 1988; Mazursky and Jacoby, 1985; Oliver, 1981). Dabholkar et al also found empirical support for the contribution of shop layout to shopping convenience (1996:7). Dabholkar et al (1996:6) treated store appearance and store convenience as two sub-dimensions of physical aspects in their study. Insights and evidence from the environmental psychology literature support the notion that physical surroundings could influence both the attitudes and also the behaviours of consumers in a retail shop (Donovan and Rossiter, 1982; Darden, Erdem and Darden, 1983; Ridgway, Dawson and Bloch, 1990). Tangible store attributes may also be seen as the "means" by which a consumer is able to achieve a desired "end," such as a satisfying total retail experience (Kerin, Jain and Howard, 1992:381). The marketing literature supports the notion that consumers use the physical environment to form attributions about service failures and base purchase decisions on inferences from various elements of the physical environment (Bitner, 1990; Ward, Barnes and Bitner, 1992; Bloom and Reve, 1990; Zeithaml, 1988). Sirohi, Mclaughlin and Wittink, (1998:237) also found that good facility design leads to enhanced perceptions of overall merchandise quality. Sirohi et al (1998:239) measured the store appearance perception

construct with 8 items. The items measure elements such as the overall appearance of the shop, clean shopping environment, wide open aisles, departments in appropriate places and well-marked aisle directions.

The physical environment and atmosphere can assume a variety of roles in the marketing and management of a retailer (Bitner, 1992:67). Firstly, it provides a visual metaphor for a retailer's total offering. In the second instance it could assume a facilitating role by assisting consumers to carry out their intended activities. For instance, the floor plan, layout of equipment and shelving may have a major impact on the ability of consumers to undertake their shopping. In the last instance, the physical environment can also serve as a differentiator to position a retailer and distinguish it from competitors. In other words, the physical environment and atmosphere consist of a wide range of elements. Some of the more common elements of the physical environment include the floor space allocated to various functions, traffic flow, width of aisles, fixtures, construction and finishing characteristics such as flooring, wall textures, density of merchandise, lighting and colour.

5.2.5 Product prices as a dimension of the total retail experience

Gaski and Etzel (1986) used price as a category in their Index of Consumer Sentiment Toward Marketing. This indicates the importance of prices in consumer decision-making. In the absence of other cues, consumers tend to use price as an indicator of product quality (Davidson, Sweeney and Stampfl, 1988: 143). Price is a generally controllable extrinsic cue of a product that has an influence on the way shoppers' perceive product quality (Sirohi et al, 1998:226). Price as an extrinsic cue is, for instance, very relevant in a supermarket as consumers do not regard the time and effort to be spent in evaluating intrinsic cues as worthwhile (Sirohi et al, 1998:227). Price is one of the extrinsic cues that have received a great deal of attention in research (Dodds, Monroe and Grewal, 1991; Mazursky and Jacoby, 1985; Rao and Monroe, 1989). Price levels of merchandise are likely to have an important role in shoppers' patronage decisions (Sirgy, Grewal and Mangleburg, 2000:130). Kerin, Jain and Howard (1991:383) suggest that because of the variety of extrinsic cues available in a supermarket (e.g. cleanliness, assortment and variety), price and quality perceptions could co-vary and that consumers "get what they pay for". Samli, Kelly and Hunt (1998:33-34) used price in a recent study of retail image and found congruence (i.e. no differences) between managers and customers. Managers and customers rated price high and this indicates that price is an important component of the image that a customer has of a shop. Price has an

important role in a customer's perception of satisfaction because customer satisfaction is the result of a customer's perception of the value received and price is an important attribute of value (Anderson, Fornell and Lehmann, 1994; Hallowell, 1996:26; Athanasspoulos, 2000:192; Cronin, Brady and Hult, 2000).

5.2.6   Store policy as a dimension of the total retail experience

Store policy as a dimension of the total retail experience captures those elements influenced by a shop's responsiveness to the customer's needs (Dabholkar et al, 1996:7). Typical policy elements would be applicable to areas of shop operations, such as the return or exchange of purchases, shopping hours, payment options available and a system or process to deal with customer enquiries and/or complaints (Westbrook, 1981; Mazursky and Jacoby, 1985; Dickson and Maclachlin, 1990: Dickson and Albaum, 1977). Westbrook (1981), as well as Mazursky and Jacoby (1985), emphasise the importance of the ease for retail customers of returning and exchanging of products. Service recovery is also regarded as an element of policy because it is a critical element of a shop's response to a customer's need. The way in which a retailer responds to a service failure is essential for the maintenance of customer loyalty (Berry and Parasuraman, 1991) as well as a positive TRE because a service failure and the subsequent recovery efforts create strong memories for customers (Zeithaml and Bitner, 1996:126). Retail employees play a major role in service recovery, because customers demand that service recovery should take place on the spot and quickly. Staff should thus be equipped with the necessary skills, authority and incentives to act in an effective way and they should also be empowered to employ their skills in service recovery situations (Zeithaml and Bitner, 1996:194). A further example of a store policy, which could exert an important influence on customer satisfaction, is guaranteed satisfaction offered by such a shop. Guaranteed satisfaction influences the image a customer has of a shop and it would, therefore, also influence TRE (Bloemer and de Ruyter, 1998:503).

5.3   MEASURING THE TOTAL RETAIL EXPERIENCE

Terblanche and Boshoff (2000; 2001(a); 2001(b); 2001(c);20019(d); 2003), undertook three phases of research to empirically establish the dimensions of the TRE. Figure 5.2 graphically illustrates the dimensions of the TRE instrument. A total of 56 items were subjected to analysis in three separate research phases and eventually the analysis identified 22 items with which the five dimensions of TRE could be measured. These analyses were conducted in respect of supermarket and clothing retailers.

FIGURE 5.2: IMENSIONS OF THE TOTAL RETAIL EXPERIENCE
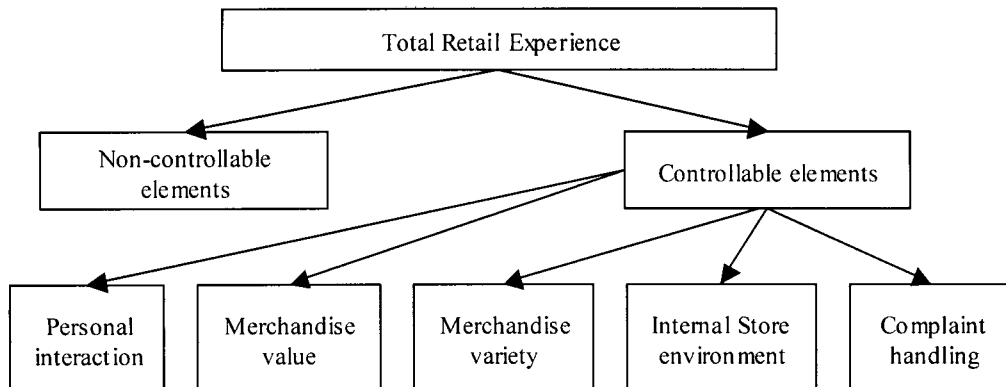
The TRE instrument has also been subjected to reliability and validity tests and passed all the necessary tests to be accepted as a reliable and valid instrument.

5.4   SUMMARY

The TRE consists of all the elements that encourage or inhibit consumers during their contact with a retailer. The TRE is influenced by two groups of components. The controllable components, in other words those elements that the retailer can control, were identified as personal interaction, merchandise value, internal store environment, merchandise variety and complaint handling. These elements (dimensions) are measured by 22 items. The next chapter, Chapter 6, attends to the empirically study undertaken to assess whether the TRE measuring instrument, as developed for supermarkets and clothing retailers, would also be useful to a retailer who deals in home, health and beauty products; and assess the relationship between TRE and customer loyalty.

CHAPTER SIX

DESIGN AND METHODOLOGY OF THE EMPIRICAL STUDY

6.1 INTRODUCTION

This chapter explains the design and methodology of the empirical study, starting with a description of the sample used for the study. The following section outlines the measuring instrument employed in this study, which is followed by the responses that were received. The final section of Chapter Six encompasses the procedure of the statistical data analysis before concluding with a summary.

6.2 THE SAMPLE

The population of this study consisted of card holders of a national retailer specialising in the health, home and beauty sector (hereinafter referred to as the hhb-retailer). In this study, the most loyal members of the scheme, namely the gold card holders, were taken as the population to be studied. The gold card members totalled approximately 340 000 at the time of the study. A random sample of 34 000 (10%) respondents was randomly selected to participate in the study. A total of 3 153 fully completed and usable questionnaires were received back for an effective response rate of 9.3%

6.3 THE MEASURING INSTRUMENT

A self administered questionnaire was selected to investigate the concepts outlined above. The questionnaire was based on the questionnaires that were used in prior TRE research conducted by Terblanche and Boshoff (2000 and 2001) The items, with the exception of the items measuring satisfaction and loyalty, were similar to those used by Terblanche and Boshoff.

The one page questionnaire consisted of 31 items. The logo of the retailer, as well as the incentive of 10 bonus points on completion of the questionnaire, formed part of the header. A paragraph explicitly outlining the procedure to be followed in answering the questionnaire, as well as the reason for the research, formed the header on the questionnaire. The cut-off date

for the questionnaire submission, as well as the request to hand the completed form in at the nearest outlet of the retailer, were also clearly stated. A copy of the questionnaire is attached in Annexure A.

The questionnaire consists of three main categories: TRE, customer satisfaction and loyalty. There are 22 items measuring the 5 dimensions which comprise TRE, three items which measure customer satisfaction and four items measuring store loyalty. Respondents were requested to indicate the extent to which they agreed with statements relating to these dimensions. For all items bar one, respondents were asked to evaluate each question on a seven-point Likert scale. The Likert scale ranged from Agree Strongly (block number 7) to Disagree Strongly (block number 1). One question offered respondents a scale of one to four only. This item aimed to ascertain the proportion (as a percentage of the total) of money spent on health, home and beauty products and services at the retailer. .Respondents were asked to mark their particular answer with a cross in the appropriate box.

The 5 items which measured personal interaction were :

- Hhb staff gives me personal attention

- Hhb staff are always willing to help me

- Hhb staff provides me with prompt service

- Hhb staff are courteous

- Hhb staff are never too busy to assist me

Complaint handling, in turn, was measured by:

- Hhb deals effectively with customer inquiries

- Hhb has a fair system in the handling of complaints

- Hhb staff deal efficiently with customer complaints

The following five items measured merchandise variety and assortment:

- Hhb offers a wide choice of different brand names

- Hhb offers a wide assortment of well known brands

- Hhb offers a variety of brand names in many different sizes

79

- Hhb offers a wide variety of products

Merchandise value was measured with the following questions:

- Hhb products are of good quality

- Hhb prices offer value for money

- Hhb offers products that represent good value

- Hhb offers products that are free from defects and flaws

- Products offered by Hhb function the way they are supposed to

The internal store environment was measured by the following items:

- The décor of Hhb is attractive

- Hhb has attractive product and promotional displays

- Materials associated with Hhb's service always look good

- Hhb product displays are well spaced in the shop

Satisfaction was measured by:

- When I consider my experience at Hhb, I am satisfied

- After shopping at Hhb, I am usually satisfied

- My overall satisfaction with Hhb is high

Lastly, loyalty was specifically measured by:

- I intend to shop at Hhb again in the future

- I intent to recommend Hhb to other people

- What proportion of your heath, home and beauty spending is made at Hhb?

6.4 ORIGIN OF THE ITEMS USED

Customer satisfaction with the in-store shopping experience was measured with the TRE instrument (Terblanche and Boshoff 2002). The items in the Terblanche and Boshoff study were derived from various other studies and, as indicated in Chapter 5, the TRE instrument passed the validity and reliability criteria necessary for an scale of this nature. Overall customer satisfaction was measured with a three-item instrument based on Anderson, Fornell

& Lehmann (1994) and Macintosh & Lockshin (1997). Loyalty was measured with a four-item instrument based on Zeithaml, Berry & Parasuraman (1996); Sirohi, McLaughlin & Wittink (1998) and East, Hammond, Harris & Lomax (2000).

6.5   DATA COLLECTION

The questionnaires were mailed, together with the loyalty programme's magazine, to the 34 000 members who were randomly selected for inclusion in the sample. An incentive was provided to increase the number of responses. The incentive was 10 bonus points for a returned and fully completed questionnaire. Once a member completed a questionnaire, she/he had to hand it in at his/her nearest branch of the hhb-retailer. The branch store in turn forwarded the questionnaires to head office where they were accumulated and forwarded for preparation for statistical analysis. Incomplete questionnaires were removed and were not subjected to statistical analysis. Data capturing was done by hand. The process of data capturing consisted of the following :

- Data was separately captured twice on Excel

- The two separate data sets were then superimposed with the aid of a computer programme to identify all possible differences between the two sets of data

- Where the two data sets did not correspond, the relevant questionnaire was consulted for the correct data

The process of computer data verification ensured the accuracy of the data used for analysis.

6.6   SUMMARY

Chapter Six elucidated the design and methodology of the empirical study. The sample used in this study and the processes of data collection and capturing were explained. The following chapter will deal with the statistical analysis and the findings of the study.

CHAPTER 7

STATISTICAL ANALYSES, FINDINGS AND IMPLICATIONS

7.1 INTRODUCTION

This chapter deals with the statistical analyses and the findings of the empirical study, as well as the implications of the findings. The specific objectives of this study were to:

- assess whether the (TRE) measuring instrument, as developed for supermarkets and clothing retailers, would also be useful to a retailer who deals in home, health and beauty products;

- assess the relationship between TRE and customer satisfaction;

- assess the relationship between TRE and customer loyalty;

- identify the dimensions of TRE that drive customer satisfaction and customer loyalty of the retailer's customers; and

- quantify the impact of each of the TRE dimensions in influencing the customer satisfaction of the retailer's customers.

7.2 THE DESCRIMINANT VALIDITY OF TRE

To determine how the measures (scale of questionnaire items) represent TRE accurately, it is necessary to assess the validity of TRE. To assess the discriminant validity of the TRE instrument a Maximum Likelihood Exploratory Factor Analysis was conducted specifying a Direct Quartimin oblique rotation of the original factor matrix. The factor structure that emerged (factor loading exceeding 0,4 and no cross-loadings of items), was a 5-factor solution (Table 7.1) and these results confirm the discriminant validity of TRE. All five factors in Table 7.1 had Eigen values above 1,00 and a sufficient number of items loading on them to a significant (0,40) extent. Only one of the initial items, COHAN 1 did not load on the Complaint handling dimension and was excluded from further statistical analysis.

TABLE 7.1: ROTATED FACTOR LOADINGS

QUESTION CODE	QUES TION NO	FACTOR 1 PERSONAL INTERAC- TION	FACTOR 2 INTERNAL STORE ENVIRON- MENT	FACTOR 3 MERCHAN- DISE VALUE	FACTOR 4 MERCHAN- DISE VARIETY	FACTOR 5 COMPLAINT HANDLING
PERIN1	1	0.824	0.050	-0.019	-0.019	-0.040
PERIN2	5	0.893	-0.035	0.055	-0.009	-0.021
PERIN3	10	0.831	0.074	-0.035	0.047	0.007
PERIN4	15	0.758	-0.051	0.032	0.063	0.107
PERIN5	21	0.764	0.021	0.037	-0.034	0.113
STENV1	6	0.029	0.826	-0.097	0.081	-0.044
STENV2	9	0.062	0.819	0.007	-0.022	-0.006
STENV3	14	0.020	0.695	0.095	0.024	0.055
STENV4	22	0.058	0.410	0.285	-0.049	0.130
STENV5	25	-0.030	0.512	0.188	0.111	0.091
MEVAL1	4	0.101	0.002	0.566	0.121	-0.008
MEVAL2	8	0.069	-0.020	0.625	0.112	-0.052
MEVAL3	12	0.004	0.075	0.556	0.051	0.116
MEVAL4	17	0.011	0.011	0.848	0.010	-0.025
MEVAL5	26	0.004	0.131	0.513	-0.010	0.138
VAROS1	7	0.005	0.045	-0.082	0.866	0.010
VAROS2	11	0.062	-0.040	0.055	0.831	-0.005
VAROS3	18	-0.043	0.102	0.164	0.534	0.065
VAROS4	24	0.001	0.048	0.175	0.628	0.053
COHAN2	13	-0.012	0.022	0.018	0.040	0.832
COHAN3	20	0.193	-0.025	-0.046	0.022	0.796

Table 1 empirically confirms the discriminant validity of TRE, because each item loads on a separate dimension as expected. What this means in practice, is that the hhb-retailer could use the TRE instrument as a valid instrument to measure how well it is doing in providing a positive TRE for its customers. The TRE instrument could also be used as a diagnostic measure to measure the TRE of different units, such as regions or individual stores.

7.3 RELIABILITY ASSESSMENT OF TRE AND ITS DIMENSIONS

A reliability analysis of the dimensions of TRE as well as the whole TRE scale was conducted. Reliability is an assessment of the degree of consistency between multiple measurements of a variable. The most common form of reliability is test-retest, by which consistency is measured between the responses for an individual in two points in time. A second and more commonly used measure of reliability is internal consistency, which applies to the consistency among the variables in a summated scale. The reliability coefficient is one of the measures that is commonly used to measure internal consistency. Cronbach's alpha, in turn, is the most widely used means to measure the reliability coefficient of a scale. The

generally agreed lower limit for Cronbach's alpha is 0,7. All five dimensions, as well as the overall instrument, returned Cronbach alpha coefficients above the 0,7 level. The reliability results are summarised in Table 7 2.

The objective of the multiple regression analysis is to predict the changes in the dependent variables (satisfaction; loyalty) in response to changes in the independent variables (the five TRE dimensions). The results of the multiple regression analyses are set out in Tables 7.4 and 7.5.

TABLE 7.2: RELIABILITY ANALYSIS RESULTS TRE

DIMENSIONS	$\propto$
Personal interaction	,933
Merchandise value	,851
Merchandise variety	,889
Internal store environment	,882
Complaint handling	,885
Overall	,949

A reliability analysis of the satisfaction and loyalty measures was also conducted. Both these measures returned Cronbach alpha values higher than 0,7. The reliability results in respect of satisfaction and loyalty are summarised in Table 7.3.

TABLE 7.3: RELIABILITY ANALYSIS RESULTS OF SATISFACTION AND LOYALTY

DIMENSIONS	$\propto$
Satisfaction	,850
Loyalty	,790

The empirical results summarised in Tables 7.2 and 7.3 thus confirm that the TRE instrument, as well as the instruments used to measure loyalty and satisfaction, are highly reliable.

7.4 THE MULTIPLE REGRESSION ANALYSES RESULTS

A multiple regression was conducted to:

- determine which of the TRE dimensions (personal interaction, merchandise value, internal store environment, merchandise variety and complaint handling) are significant predictors of customer satisfaction and loyalty;

- to quantify the influence of the individual TRE dimensions on satisfaction and loyalty; and

- determine how much of the variation in the satisfaction and loyalty is explained by the independent variables of personal interaction, merchandise value, internal store environment, merchandise variety and complaint handling.

The objective of the multiple regression analysis is to predict the changes in the dependent variables (satisfaction; loyalty) in response to changes in the independent variables (the five TRE dimensions). The results of the multiple regression analyses are set out in Tables 7.4 and 7.5.

TABLE 7.4: MULTIPLE REGRESSION RESULTS: SATISFACTION

Dependent variable:	SATISFACTION
R-square :	0,713

PARAMETER	Regression co-efficient	t-value	Exceedence probability
Intercept	3.066224736	15.15	0.0001
Personal interaction	0.168200493	25.23	0.0001
Merchandise value	0.198222635	18.46	0.0001
Merchandise variety	0.086492422	7.69	0.0001
Complaint handling	0.116024466	7.05	0.0001
Internal store environment	0.046840780	5.99	0.0001

Table 7.4 shows that all five independent variables (the five elements of TRE) impact positively on customer satisfaction as the t-values are all significant on the ,01% level of significance. Personal interaction is the strongest predictor of satisfaction (t=25.23), followed by merchandise value (t=18.46), merchandise variety, complaint handling and internal store environment.

These results suggest that if the hhb-retailer would wish to enhance customer satisfaction, its efforts should focus primarily on enhancing the quality of the personal (one-on-one) interaction between its employees and customers. The next most important focus area should be enhancing the merchandise value of the products on offer. It is important to reiterate, however, that efforts to improve any of the five dimensions would improve customer satisfaction.

The R^2 value of satisfaction is 0,713, which means that the five independent variables explain 71% of the variation in satisfaction. In other words, almost three quarters of The hhb-retailer's customer satisfaction could be accounted for by the five TRE dimensions – which is

exceptionally high. The high R^2 value means that the hhb-retailer's management does not need to look any further than the said dimensions on which to focus their efforts if they wish to boost customer satisfaction.

TABLE 7.5: MULTIPLE REGRESSION RESULTS: LOYALTY

Dependent variable:	LOYALTY
R-square:	0,506

PARAMETER	Regression co-efficient	t-value	Exceedeence probability
Intercept	6.585480819	23.47	0.0001
Personal interaction	0.039866778	4.31	0.0001
Merchandise value	0.251489579	16.89	0.0001
Merchandise variety	0.158094776	10.14	0.0001
Complaint handling	0.115999600	5.09	0.0001
Internal store environment	0.052321420	4.82	0.0001

Table 7.5 indicates that all five independent variables (the five elements of TRE) impact positively on customer loyalty, as the t-values are all significant on the ,01% level of significance. In contrast with customer satisfaction, however, customer loyalty is primarily driven by product-related issues.

Merchandise value is the strongest predictor of loyalty (t=16.89), followed by merchandise variety (t=10.14), complaint handling (t=5.09), internal store environment (4.82) and personal interaction (t=4.31).

These results suggest that if the hhb-retailer wants to enhance customer loyalty, it will need to manage its product ranges and product mixes very carefully

It again bears reiteration that efforts to improve any of the five dimensions would enhance customer loyalty.

The R^2 value of loyalty is 0,506, which means that the five independent variables explain 51% of the variation in loyalty. In other words, more than half of the hhb-retailer's customer loyalty could be accounted for by the five TRE dimensions.

7.5 ANALYSIS OF THE INDIVIDUAL ITEMS (QUESTIONS) THAT MEASURE THE DIFFERENT DIMENSIONS

Annexure B contains the individual responses per item. The outstanding feature of the responses is that almost every response is positively skew. This indicates that respondents feel very positive about their shopping experiences at the hhb-retailer. It is, however, important to bear in mind that the responses are from the "best" customers of the hhb-retailer, namely the Gold ClubCard members. The lowest average value, on a seven point scale, is above 5.

7.6 CONCLUSIONS AND IMPLICATIONS OF THE STUDY

The first objective of the study was to assess whether the TRE measuring instrument, as developed for supermarkets and clothing retailers, would also be useful to a retailer who deals in home, health and beauty products. Apart from one complaint handling item, the TRE measuring instrument were find to be reliable and valid to apply to a hhb-retailer. The study confirms the discriminant validity of TRE for a hhb-retailer as the five dimensions had Eigen values above 1 and a sufficient number of items loaded to a significant extent on the dimensions. The TRE measuring instrument was also found to be highly reliable as all five dimensions returned Cronbach Alpha values well above the customary cut-off of 0,7, whilst the Cronbach Alpha co-efficient for the whole instrument was 0,949. The implication of these findings is that the hhb-retailer could use the TRE instrument as a valid instrument to measure how well a positive TRE is provided for its customers. The TRE instrument can also serve as a diagnostic measure to measure the TRE of different units, such as regions, individual stores and departments. TRE values, as such, can become benchmarks for management.

In the assessment of the relationship between TRE and customer satisfaction it was established that all five dimensions of TRE impact positively on customer satisfaction. The same conclusion applies to the relationship between TRE and customer loyalty. In both instances more than fifty percent of the variation in both customer satisfaction and customer

loyalty are accounted for by the five dimensions of TRE. The findings imply that if the hhb-retailer would wish to enhance customer satisfaction, its focus should first and foremost be on enhancing the quality of the personal interaction between its staff and customers. On the other hand, however, it was found that customer loyalty is predominantly driven by product-related issues such as merchandise value and merchandise variety. However, it is important to note that efforts that improve any of the five dimensions would improve both customer satisfaction and customer loyalty.

The varying importance of the specific TRE dimensions to both customer satisfaction and customer loyalty allow the hhb-retailer to identify the driving forces behind each of these concepts and allow for prioritizing strategies to optimize satisfaction and loyalty within their consumer base. By analyzing the responses to the individual items that measure each of the TRE dimensions as they appeared in the questionnaire, this study enables the hhb-retailer to focus on very explicit aspects that influence each dimension of the TRE experience. Overall, it must be noted that respondents had positive experiences at the hhb-retailer, which provides the hhb-retailer with a useful indicator of current satisfaction and loyalty levels and a point of comparison in determining the impact of the strategies employed to heighten satisfaction and loyalty.

BIBLIOGRAPHY

Andersen, J.C. & Narus, J.A. (1990). A model of distributor firm and manufacturer firm working relationships. Journal of Marketing, 54(1), 42-58.

Anderson, E. W., Fornell, C. & Lehmann, D. R. (1994). Customer satisfaction, market share and profitability: Findings from Sweden. Journal of Marketing, 58(3), 53–66.

Anthanassopoulos, A. D. (2000). Customer satisfaction cues to support market segmentation and explain switching behaviour. Journal of Business Research, 47(3), 191-207.

Assael, H. (1995). Consumer behaviour and marketing action. 5th Edition, Cincinatti: South Western College.

Bearden, W.O. & Etzel, M.J. (1982). Reference group influence on product and brand decisions. Journal of Consumer Research, 9(2), 183-194.

Bennett, P.D. & Kassarijanan, H. H. (1972). Consumer behaviour. Englewood Cliffs: Prentice-Hall.

Berman, B. & Evans, J. R. (1998). Retail management (7th Edition.). Upper Saddle River: Prentice Hall.

Berry, L. L. & Parasuraman, A. (1991). Marketing services. New York: Free Press.

Berry, L. L. (1983). Relationship marketing: emerging perspectives on services marketing. Chicago: American Marketing Association, 25-28.

Berry, L. L. (1986). Retail businesses are service businesses. Journal of Retailing, 62(Spring), 3-6.

Berry, L.L. (1993). Playing fair in retailing. Arthur Andersen Retailing Issues, Newsletter, March (5) (2).

Bhote, K. (1996). Beyond customer satisfaction to customer loyalty. American Marketing Association Membership Publications. Chicago: American Marketing Association, 103-116.

Bishop, W. R. Jr. (1984). Competitive intelligence. Progressive Grocer, March, 19-20.

Bitner, M. J. (1990). Evaluating service encounters : The effects of physical surroundings and employee responses. Journal of Marketing, 54(April), 69-82.

Bloemer, J. & de Ruyter, K. (1998). On the relationship between store image, store satisfaction and store loyalty. European Journal of Marketing, 32(5/6), 499-513.

Bloom, P. N. & Reve, T. (1990). Transmitting signals to consumers for competitive advantage. Business Horizons, 33(July-August), 58-66.

Burford, R.L., Enis, B.M. & Paul, G.W. (1971). A two dimensional concept of brand loyalty. Journal of Advertising Research, 9(3), 29-35.

Buttle, F. A. (1995). What future for SERVQUAL? Proceedings of the 24th EMAC Conference. ESSEC, Paris : EMAC, 211-230.

Buttle, F.B. (1996). Relationship marketing theory and practice. London: Paul Chapman Publishing.

Carman, J.M. (1970). Correlates of brand loyalty. Journal of Marketing Research, 7, 67-76.

Chow, S. & Holden, R. (1997). Toward an understanding of loyalty: the moderating role of trust. Journal of Managerial Issues, 9(3), 275-298.

Christopher, M., Payne, A. & Ballantyne, D. (1991). Relationship Marketing. Oxford: Butterworth Heineman.

Christopher, M., Payne, A. & Ballantyne, D. (1993). Relationship marketing: Bringing quality, customer service and marketing together. Oxford: Butterworth-Heinemann.

Christy, R., Oliver, G. & Penn, J. (1996). Relationship marketing in consumer markets. Journal of Marketing Management, 12, 175-187.

Cronin, J. J. Jr., Brady, M. K. & Hult, G. Thomas. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. Journal of Retailing, 76(2), 193-218.

Dabholkar, P. A., Thorpe, D. I. & Rentz, J. O. (1996). A measure of service quality for retail stores: scale development and validation. Journal of the Academy of Marketing Science, 24(1), 3-16.

Darden, W. R., Erdem, O. & Darden, D. K. (1983). A comparison and test of three causal models of patronage intentions. In W. R. Darden & R. F. Lusch (Eds), Patronage Behavior and Retail Management. New York: North-Holland.

Davidson, W. R., Sweeney, D. J. & Stampfl, R. W. (1988). Retail management (6th ed.). New York: John Wiley and Sons.

Day, G. S. (1969). A two-dimensional concept of brand loyalty. Journal of Advertising Research, 9(3), 29-35.

De Wulf, K. & Van Kenhove, P. (1996). The battle for loyal customers: Building learning relationships or developing reward programmes? Esomar/Emac Symposium Proceedings on Research Methodologies for the 'New Marketing'. London: Latimer, 186-206.

Dell, W.F. (1997). Double-teaming for customer loyalty. Private Label- supplement to Supermarket Business, 14-17.

Denison, T. & Knox, S. (1993). Pocketing the change from loyal shoppers: the double indemnity effect. Proceedings from the Marketing Education Group Conference. Loughborough, 1993, 221-32.

Desrumaux, P.A. & Van Kennove, P. (1995). The relationship between in-store elements and buying decisions, customer satisfaction and customer loyalty in a retail environment. Proceedings of the 25th EMAC Conference. Budapest, 1651-1658.

Dichter, E. (1985). What's in an image? Journal of Consumer Marketing, 2, 75-81.

Dick, A. S. & Basu, K. (1994). Customer loyalty: Towards an integrated framework. Journal of the Academy of Marketing Science, 22(2), 99-113.

Dickson, J. P. & Albaum, G. (1977). A method for developing tailormade semantic differentials for specific marketing content areas. Journal of Marketing Research, 14(February), 87-91.

Dickson, J. P. & MacLachlan, D. L. (1990). Social distance and shopping behavior. Journal of the Academy of Marketing Science, 18(2), 153-161.

Dixon, D.F. & Bois, K.I. (1983). Some limitations of the 4P's as a paradigm in marketing. Marketing Education Group Annual Conference. Paper presented at the Annual Conference of the Cranfield Institute.

Dodds, W. B., Monroe, K. B. & Grewal, D. (1991). Effects of price, brand, and store information on buyers' product evaluations. Journal of Marketing Research, XXVIII(August), 307-319.

Donavon, R. J. & Rossiter, J. R. (1982). Store atmosphere: An environmental psychology approach. Journal of Retailing, 58(Spring), 39-52.

Doyle, M. (1984). New ways of measuring value. Progressive Grocer-Value, Executive Report, 15-19.

Doyle, P. & Fenwick, I. (1974). How store image affects shopping habits in grocery chains. Journal of Retailing, 50(4), 39-51.

Dunn, R. & Wrigley, N. (1984). Store loyalty for grocery products: an empirical study. Area, 16(4), 307-314.

Dwyer, E.R., Schurr, P.H. & Oh, S. (1987). Developing buyer-seller relationships. Journal of Marketing, 51(4), 11-27.

East, R. (1997). Consumer behaviour: Advances and applications in marketing. London: Prentice Hall.

East, R., Hammond, K., Harris, P. & Lomax, W. (2000). First-store loyalty and retention. Journal of Marketing Management, 16, 307-325.

East, R., Harris, P., Willson, G. & Lomax, W. (1995). Loyalty to supermarkets. International Review of Retail, Distribution and Consumer Research, 5(1), 99-109.

Egan, J. 1999. Relationship Marketing : A retail perspective. Paper presented at the 28th Annual Conference of the European Marketing Acadamy. Berlin : Van Humboldt University.

Enis, B.M. & Paul, G.W. (1970). Store loyalty as a basis for market segmentation. Journal of Retailing, 46, 206-208.

Evans, J.R. & Laskin, R.L. (1994). The relationship marketing process: a conceptualization and application. Industrial Marketing Management, 23, 439-452.

92

Farley, J.U. (1968). Dimensions of supermarket choice patterns. Journal of Marketing Research, 5(5), 206-208.

Finn, A. & Kayandé, U. (1997). Consistency of the Relationship Between Retailer Product and Service Quality. Paper presented at the 4th Recent Advances in Retailing and Services Science Conference. Scottsdale, Arizona.

Finn, D. W. & Lamb, C. W. (1991). An evaluation of the SERVQUAL scales in a retail setting. In R. Holman & M.R. Solomon (Eds.). Advances in Consumer Research. Provo, UT: Association for Consumer Research.

Fornell, C. (1992). A national customer satisfaction barometer: the Swedish experience. Journal of Marketing, 56(1), 6-21.

Gandy, A. (1998). Smart cards get smarter. Banker, 148(869), 82-83.

Gaski, J. F. & Etzel, M. J. (1986). The index of consumer sentiment toward marketing. Journal of Marketing, 50(July), 71-81.

Ghosh, A. & McLafferty, S. L. (1987). Location strategies for retail and service firms. Lexington, MA : Lexington Books.

Ghosh, A. (1990). Retail management (2nd Edition). Chicago: The Dryden Press.

Gremler, D.D. & Brown, S.W. (1996). Service loyalty: its nature, importance, and implications. In Edvardsson, B. et al. (Eds), Advancing service quality: A global perspective. International Service Quality Association, 171-80.

Grönroos, C. C. (1994). From marketing mix to relationship marketing: towards a paradigm shift in marketing. Management Decision, 32(2), 4-20.

Gruen, T.W. (1995). The outcome set of relationship marketing in consumer markets. International Business Review, 4(4), 447-509.

Gutman, J. & Alden, S. D. (1985). Adolescents' cognitive structures of retail stores and fashion consumption: A means-end chain analysis of quality. In J. Jacoby & J. Olsen (Eds), Perceived quality : How consumers view stores and merchandise. Lexington, M.A. : Lexington Books.

Hallowell, R. (1996). The relationship of customer satisfaction, customer loyalty and profitability: An empirical study. The International Journal of Service Industry Management, 7(4), 27-42.

Hasty, R. & Reardon, J. (1997). Retail management. New York : McGraw-Hill.

Hirschmann, E. C. (1981). Retail research and theory. In B. E. Enis & K. J. Roering (Eds), Review of Marketing. Chicago : American Marketing Association, 120-133.

Hummel, J.W. & Savitt, R. (1988). Integrated customer service and retail strategy. International Journal of Retailing, 3(2), 5-21.

Jacoby, J. & Chesnut, R.W. (1978). Brand loyalty measurement and management. New York: Wiley.

Jacoby, J. (1971). A model of multi-brand loyalty. Journal of Advertising Research, 11, 25-30.

Jain, A.K., Pinson, L. & Malhotra, N.K. (1987). Customer loyalty as a construct in the marketing of banking services. International Journal of Bank Marketing, 5(3), 49-71.

Jarvis, L. & Mayo, E. (1986). Winning the market share game. Cornell Quarterly, 11, 73-79.

Jarvis, L.P. & Wilcox, J.B. (1997). True vendor loyalty or simply repeat purchase behaviour? Industrial Marketing Management, 6, 9-14.

Johnson, K. (1998). Choosing the right program. Direct Marketing, 61(2), 36-38 & 45.

Jones, T.O. & Sasser, W.E. Jr. (1995). Why satisfied customers defect. Harvard Business Review, November-December, 88-99.

Kerin, R. A., Jain, A. & Howard, D. J. (1992). Store shopping experience and consumer price-quality-value perceptions. Journal of Retailing, 68(Winter), 376-397.

King, C. W. & Ring, L. J. (1980). Market positioning across retail fashion institutions : A comparative analysis of store types. Journal of Retailing, 56(Spring), 37-55.

Kotler, P. (1991). Marketing management: Analysis, planning, implementation and control. Englewood Cliffs: Prentice-Hall.

Lindquist, J.D. (1974). The meaning of image. Journal of Retailing, 50, 29-38.

Lucas, G. H. Jr., Bush, R. P. & Gresham, L. G. (1994). Retailing. Boston : Houghton Mifflin.

Macintosh, G. & Lockshin, L. S. (1997). Retail relationships and store loyalty: A multi-level perspective. International Journal of Research in Marketing, 14(5), 487-497.

Martineau, P. (1958). The personality of the retail store. Harvard Business Review, 36(1), 47-55.

Mason, N. (1991). An investigation into grocery shopping behaviour in Britain. Headington, Oxford: ACNielsen.

Mazursky, D. & Jacoby, J. (1985). Forming impressions of merchandise and service quality. In J. Jacoby & J. Olsen (Eds), Perceived quality : How consumers view stores and merchandise. Lexington, M.A. : Lexington Books.

Morgan, R.M. & Hunt, S.D. (1994). The commitment-trust theory of relationship marketing. Journal of Marketing, 58(7), 20-38.

Muncy, J. (1983). An investigation of the two dimensional conceptualization of brand loyalty. Unpublished doctoral dissertation. Texas Technical University, Lubbock.

Murphy, J.A. (1997). Customer loyalty and the art of satisfaction. London: Financial Times (www.ftmastering.com).

O'Brien, L. & Jones, C. (1995). Do rewards really create loyalty? Harvard Business Review, 73(3), 74-82.

Oliver, R. L. (1981). Measurement and evaluation of satisfaction processes in retail settings. Journal of Retailing, 57(Fall), 25-48.

Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. Journal of Retailing, 64(Spring), 12-40.

Payne, A. (1993). The essence of services. Hemel Hempstead: Prentice-Hall.

Pritchard, M., Howard R. & Havitz, M.E. (1992). Loyalty measurement: a critical examination and theoretical extension. Leisure Science, 14, 155-164.

Radice, C. (1997). Moving to customer category management. Progressive Grocer, 4, 69-72.

Rao, A. R. & Monroe, K. B. (1989). The effect of price, brand name and store name on buyers' perceptions of product quality : An integrative review. Journal of Marketing Research, 26(August), 351-357.

Rao, T.R. (1969). Consumers' purchase decision process: stochastic models. Journal of Marketing Research, 6, 321-329.

Reichheld, F. F. & Sasser, W. E. Jr. (1990). Zero defections : Quality comes to services. Harvard Business Review, 68(Sept-Oct), 105-111.

Reichheld, F.F. (1996). The loyalty effect: the hidden force behind growth, profits and lasting value. Boston: Harvard Business School Publications.

Ridgeway, N. M., Dawson, S. A. & Bloch, P. H. (1989). Pleasure and arousal in the marketplace: Interpersonal differences in approach-avoidance responses. Marketing Letters, 1(2), 139-147.

Royce, J. (1908). The philosophy of loyalty. Massachusetts: Macmillan.

Samli, A.C., Kelley, J.P. & Hunt, H.K. (1998). Improving the retail performance by contrasting management- and customer-perceived store images: A diagnostic tool for corrective action. Journal of Business Research, 43(1), 27-38.

Schriver, S. (1997). Customer loyalty: Going, going...American Demographics, 9, 20-23.

Selin, S.W., Howard, D.R., Udd, E. & Cable, T.T. (1988). An analysis of customer loyalty to municipal recreation programs. Leisure Science, 10, 217-223.

Sharp, B. & Sharp, A. (1997). Loyalty programs and their impact on repeat-purchase loyalty patterns. International Journal of Research in Marketing, 14, 473-486.

Siler, C. (1995). For consumers, loyalty is in the cards. Advertising Age, 66, 9-10.

Silver, L. & Laine, P. (1996). Relationship marketing in banking. Proceedings of the International Conference on Relationship Marketing. Berlin: Humboldt University.

Simonson, I. (1999). The effect of product assortment on buyer preferences. Journal of Retailing, 75(3), 347-370.

Sirgy, M., Grewal, D. & Mangleburg, T. (2000). Retail environment, self-congruity and retail patronage : An integrative model and a research agenda. Journal of Business Research, 49(2), 127-138.

Sirohi, N., McLaughlin, E. W., & Wittink, D. R. (1998). A model of consumer perceptions and store loyalty intentions for a supermarket retailer. Journal of Retailing, 74(2), 223-245.

Sivadas, E. & Baker-Prewitt, J.L. (2000). An examination of the relationship between service quality, customer satisfaction and store loyalty. International Journal of Retail and Distribution Management, 28(2), 73-82.

Sopanen, S. (1996). Customer loyalty schemes in retailing across Europe. Oxford: Oxford Institute of Retail Management, Templeton College.

Spencer, R., Wilkinson, I. & Young, L. (1996). A comparative study of the nature and function of interfirm relations in domestic and international industrial markets. International Conference on Relationship Marketing: Development, Management and Governance of Relationships. Berlin: Humboldt-Universitat zu Berlin, 199-200.

Stanton, J. & Linneman, R. (1996). If you want loyalty, buy a dog. Progressive Grocer, 2, 21.

Storbacka, K., Sandvik, T. & Grönroos, C.C. (1994). Managing customer relations for profit: the dynamics of relationship quality. International Journal of Service Industry Measurement, 5, 21-38.

Strauss, B. & Neuhaus, P. (1997). The qualitative satisfaction model. International Journal of Service Industry Management, 8(3), 240-249.

Terblanche, N. S. & Boshoff, C. (2000). An exploratory study of consumer perceptions of selected controllable elements of the total retail experience. Management Dynamics: Contemporary Research, 9(3), 1-24.

Terblanche, N. S. & Boshoff, C. (2001a). The measurement of consumer satisfaction with selected elements of the total retail experience: An exploratory study of fast food and supermarket retailers. South African Journal of Economic and Management Sciences, 4(1) (New Series), 99-117.

Terblanche, N. S. & Boshoff, C. (2001b). Measuring customer satisfaction with some of the controllable elements of the total retail experience : An exploratory study. South African Journal of Business Management, 32(2), 35-41.

Terblanche, N. S. & Boshoff, C. (2001c). Measuring customer satisfaction with the controllable elements of the in-store shopping experience. South African Journal of Business Management, 32(4), 11-19.

Terblanche, N. S. & Boshoff, C. (2001c). The controllable elements of the total retail experience : A study of supermarket shoppers. Management Dynamics : Contemporary Research, 10(3), 18-36.

Terblanche, N. S. & Boshoff, C. (2002). A generic instrument to measure customer satisfaction with the in-store shopping experience: Some preliminary results. Paper read at the 31th annual conference of the European Marketing Academy, Braga, Portugal, 28-31 May.

Terblanche, N. S. & Boshoff, C. (2003). The controllable elements of the total retail experience : A study of clothing shoppers. South African Journal of Economic and Management Sciences, 6(1) (New Series),143-158.

Uncles, M. (1994). Do you or your customers need a loyalty scheme? Journal of Targeting, Measurement and Analysis for Marketing, 3, 335-350.

Van Herpen, E. & Pieters, R. (2000). The variety offered by stores. Paper presented at the 29th Annual EMAC Conference. Rotterdam, The Netherlands.

Van Waterschoot, W. & Van den Bulte, C. (1992). The 4P classification of the marketing mix revisited. Journal of Marketing, 56(10), 83-93.

Vavra, T. G. (1992). Aftermarketing: how to keep customers for life through relationship marketing. Homewood: Business One Irvin.

Walters, D. & Hanrahan, J. (2000) Retail strategy : Planning and control. London : Macmillan Business.

Ward, J. C., Barnes, J. & Bitner, M J. (1992). Measuring the prototypicality and meaning of retail environments. Journal of Retailing, 68(Summer), 194-220.

Westbrook, R. A. (1981). Sources of consumer satisfaction with retail outlets. Journal of Retailing, 57(Fall), 68-85.

Wright, C . & Sparks, L. (1999). Loyalty saturation in retailing: the end of retailer loyalty cards? International Journal of Retail & Distribution Management, 27 (10), 429-439.

Wu, B. T. W. & Petroshuis, S. M.. (1987). The halo effect in store image measurement. Journal of the Academy of Marketing Science, 15(3), 44-51.

Zeithaml, V. A. & Bitner, M. J. (1996). Services marketing. New York : McGraw-Hill.

Zeithaml, V. A. (1988). Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. Journal of Marketing, 52(3), 2-22.

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. Journal of Marketing, 60(2), 31-46

Zimmer, M.R. & Golden, L.L. (1988). Impressions of retail stores: a content analysis of consumer images. Journal of Retailing, 64(3), 265-287.

ANNEXURE A

QUESTIONS IN THE QUESTIONNAIRE , DIMENSIONS MEASURED AND VALUES

Question no	Item (question)	Dimension measured*	Mean value	Standard deviation
1	Hhb staff gives me personal attention	PERIN 1	5,0	1,7
2	When I consider my experience at Hhb, I am satisfied	SATISFACTION 1	5,8	1,2
3	Hhb deals effectively with customer enquiries	COHAN 1	N/A	N/A
4	Hhb products are of good quality	MEVAL 1	6,3	0,9
5	Hhb staff is always willing to help me	PERIN 2	5,7	1,5
6	The décor of Hhb is attractive	STENV 1	5,5	1,3
7	Hhb offers a wide choice of different brand names	VAROS 1	6,0	1,1
8	Hhb prices offer value for money	MEVAL 2	6,0	1,1
9	Hhb has attractive physical facilities (check-out counters, shelves, etc)	STENV 2	5,3	1,4
10	Hhb staff provides me with prompt service	PERIN 3	5,4	1,5
11	Hhb offers a good selection of well-known brands	VAROS 2	6,1	1,1
12	Products offered by Hhb function the way they are suppose to	MEVAL 3	6,0	1,1
13	Hhb has a fair system for the handling of complaints	COHAN 2	5,6	1,4
14	Hhb has attractive product and promotional displays	STENV 3	5,7	1,2
15	Hhb staff are courteous	PERIN 4	5,8	1,4
16	I believe that the ClubCard loyalty program offers me great value	CLUBCARD**		
17	Hhb offers products that represent good value	MEVAL 4	6,2	1,0
18	Hhb offers a variety of brand names in many different sizes	VAROS 3	5,8	1,2
19	I consider Hhb as my first choice store for health, home and beauty shopping	LOYALTY 1	6,2	1,1
20	Hhb staff deals efficiently with customer complaints	COHAN 3	6,6	1,5
21	Hhb staff is never too busy to assist me	PERIN 5	5,4	1,6
22	Materials associated with Hhb service (e g shopping bags and till slips) always look good	STENV 4	5,8	1,3
23	After shopping at Hhb, I am usually satisfied	SATISFACTION 2	6,2	1,0
24	Hhb offers a wide variety of products	VAROS 4	6,1	1,1
25	Hhb product displays of are well-spaced in the shop	STENV 5	5,6	1,2
26	Hhb offers products that are free from defects and flaws	MEVAL 5	5,9	1,2
27	I intend to shop at Hhb again in the future	LOYALTY 2	6,7	0,8
28	I intend to recommend Hhb to other people	LOYALTY 3	6,5	1,0
29	My overall satisfaction with Hhb is high	SATISFACTION 3	6,4	1,0
30	I pick up shopping ideas from my ClubCard magazine	CLUBCARD**		
31	What proportion of your total, home and beauty spending is made at Hhb?***	LOYALTY 4	2,6	1,0

*PERIN=Personal interaction; MEVAL=Merchandise value; STENV=Internal store environment; VAROS=Variety of merchandise; COHAN=Complaint handling. The number indicate the position of the item in the sequence in which the item appears on the questionnaire.

**Questions provided by Hhb to measure ClubCard members' perceptions of the loyalty program and ClubCard magazine.

***50% or less = 1; 51-80% = 2; 81-95% = 3; More than 95% = 4

FREQUENCIES AND CUMULATIVE FREQUENCY AND PERCENTAGE OF THE VALUES OF ANSWERS TO QUESTIONS MEASURING THE 5 TRE DIMENSIONS AS WELL AS SATISFACTION AND LOYALTY

	Value	Frequency	Percent	Cumulative Frequency	Cumulative Percent
PERIN1	1	139	4.4	139	4.4
	2	137	4.3	276	8.8
	3	235	7.5	511	16.2
	4	673	21.3	1184	37.6
	5	616	19.5	1800	57.1
	6	491	15.6	2291	72.7
	7	862	27.3	3153	100.0
PERIN2	1	62	2.0	62	2.0
	2	84	2.7	146	4.6
	3	140	4.4	286	9.1
	4	362	11.5	648	20.6
	5	509	16.1	1157	36.7
	6	751	23.8	1908	60.5
	7	1245	39.5	3153	100.0
PERIN3	1	75	2.4	75	2.4
	2	90	2.9	165	5.2
	3	181	5.7	346	11.0
	4	437	13.9	783	24.8
	5	646	20.5	1429	45.3
	6	739	23.4	2168	68.8
	7	985	31.2	3153	100.0
PERIN4	1	49	1.6	49	1.6
	2	59	1.9	108	3.4
	3	126	4.0	234	7.4
	4	332	10.5	566	18.0
	5	498	15.8	1064	33.7
	6	807	25.6	1871	59.3
	7	1282	40.7	3153	100.0
PERIN5	1	95	3.0	95	3.0
	2	87	2.8	182	5.8
	3	168	5.3	350	11.1
	4	461	14.6	811	25.7
	5	618	19.6	1429	45.3
	6	676	21.4	2105	66.8
	7	1048	33.2	3153	100.0
STENV1	1	34	1.1	34	1.1
	2	43	1.4	77	2.4
	3	142	4.5	219	6.9
	4	531	16.8	750	23.8
	5	740	23.5	1490	47.3
	6	805	25.5	2295	72.8
	7	858	27.2	3153	100.0
STENV2	1	40	1.3	40	1.3
	2	62	2.0	102	3.2
	3	179	5.7	281	8.9
	4	586	18.6	867	27.5
	5	761	24.1	1628	51.6
	6	734	23.3	2362	74.9
	7	791	25.1	3153	100.0

	Value	Frequency	Percent	Cumulative Frequency	Cumulative Percent
STENV3	1	24	0.8	24	0.8
	2	30	1.0	54	1.7
	3	103	3.3	157	5.0
	4	375	11.9	532	16.9
	5	655	20.8	1187	37.6
	6	944	29.9	2131	67.6
	7	1022	32.4	3153	100.0
STENV4	1	21	0.7	21	0.7
	2	33	1.0	54	1.7
	3	93	2.9	147	4.7
	4	407	12.9	554	17.6
	5	548	17.4	1102	35.0
	6	845	26.8	1947	61.8
	7	1206	38.2	3153	100.0
STENV5	1	23	0.7	23	0.7
	2	27	0.9	50	1.6
	3	78	2.5	128	4.1
	4	319	10.1	447	14.2
	5	599	19.0	1046	33.2
	6	971	30.8	2017	64.0
	7	1136	36.0	3153	100.0
MEVAL1	1	9	0.3	9	0.3
	2	7	0.2	16	0.5
	3	23	0.7	39	1.2
	4	108	3.4	147	4.7
	5	339	10.8	486	15.4
	6	915	29.0	1401	44.4
	7	1752	55.6	3153	100.0
MEVAL2	1	16	0.5	16	0.5
	2	28	0.9	44	1.4
	3	58	1.8	102	3.2
	4	212	6.7	314	10.0
	5	523	16.6	837	26.5
	6	966	30.6	1803	57.2
	7	1350	42.8	3153	100.0
MEVAL3	1	16	0.5	16	0.5
	2	12	0.4	28	0.9
	3	37	1.2	65	2.1
	4	248	7.9	313	9.9
	5	548	17.4	861	27.3
	6	1080	34.3	1941	61.6
	7	1212	38.4	3153	100.0
MEVAL4	1	8	0.3	8	0.3
	2	13	0.4	21	0.7
	3	34	1.1	55	1.7
	4	134	4.2	189	6.0
	5	451	14.3	640	20.3
	6	1018	32.3	1658	52.6
	7	1495	47.4	3153	100.0
MEVAL5	1	18	0.6	18	0.6
	2	21	0.7	39	1.2
	3	77	2.4	116	3.7
	4	304	9.6	420	13.3

	Value	Frequency	Percent	Cumulative Frequency	Cumulative Percent
	2	5	0.2	21	0.7
	3	9	0.3	30	1.0
	4	48	1.5	78	2.5
	5	146	4.6	224	7.1
	6	504	16.0	728	23.1
	7	2425	76.9	3153	100.0
LOYAL3	1	16	0.5	16	0.5
	2	7	0.2	23	0.7
	3	22	0.7	45	1.4
	4	143	4.5	188	6.0
	5	213	6.8	401	12.7
	6	592	18.8	993	31.5
	7	2160	68.5	3153	100.0
LOYAL4	1	468	14.8	468	14.8
	2	1038	32.9	1506	47.8
	3	1078	34.2	2584	82.0
	4	569	18.1	3153	100.0
SAT1	1	26	0.8	26	0.8
	2	32	1.0	58	1.8
	3	93	2.9	151	4.8
	4	304	9.6	455	14.4
	5	598	19.0	1053	33.4
	6	902	28.6	1955	62.0
	7	1198	38.0	3153	100.0
SAT2	1	12	0.4	12	0.4
	2	19	0.6	31	1.0
	3	39	1.2	70	2.2
	4	142	4.5	212	6.7
	5	443	14.1	655	20.8
	6	1025	32.5	1680	53.3
	7	1473	46.7	3153	100.0
SAT3	1	13	0.4	13	0.4
	2	17	0.5	30	1.0
	3	29	0.9	59	1.9
	4	113	3.6	172	5.5
	5	246	7.8	418	13.3
	6	793	25.2	1211	38.4
	7	1942	61.6	3153	100.0