

DO LOYALTY CARDS KEEP CUSTOMERS COMING BACK?



How many loyalty cards do you have in your wallet? Odds are that many South African consumers belong to more than one loyalty programme and that some of those programmes are in direct competition with one another. Do loyalty programmes really work and are consumers really loyal if they belong to two competing programmes?

A recent study examining the relationship between the ownership of a loyalty card and shopping frequency was conducted to give marketers a better understanding of the South African market. The study was conducted by Adri Meyer, a [Master's student](#) in the [Department of Marketing Management](#), amongst a sample of 300 loyalty card holders from two pharmaceutical outlets in Pretoria.

The continuous growing rivalry amongst retailers increases the pressure to deal with their customers more effectively, and to consistently provide customers with value. There is a growing belief that it is less costly to invest in programmes that will lead to the retention of customers through enhancing satisfaction and providing better value, than the cost associated with obtaining a new customer. And that's where customer loyalty programmes come in. By providing loyal customers with customer loyalty cards in order to collect points based on purchase frequency is one marketing retention strategy.

But with most retailers joining the loyalty programme bandwagon, how effective are the programmes really? It can be argued that consumers with multiple loyalty cards are less loyal to a specific retail outlet, and that the effectiveness of a specific loyalty card is therefore smaller. This is known as polygamous loyalty.

The results of this study indicate that a relationship does exist between the possession of a loyalty card and shopping frequency, as well as the relationship between polygamous loyalty and shopping frequency. In short, loyalty cards have a positive effect on consumer shopping frequency.

Consumers who possess loyalty cards could have a very large impact on the success of retail processes and retailers need to have a good understanding of how loyalty card programmes could affect their business. Managers should consider targeting rewards and promotions to specific customer segments instead of treating all loyalty cardholders the same.

This research was conducted as part of the fulfilment of the [Master's degree](#) in Marketing Management in 2011 with the [Department of Marketing Management](#) by Adri Meyer under the supervision of Dr Mignon Reyneke.