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Abstract
With the ever-changing business environment, concentration on customer acquisition has since seen its prevalence slowly fading into thin air as firms are now battling to retain customers who have become highly sensitive to various marketing stimuli in highly competitive markets. This study therefore sought to examine the extent to which the three major Fast Food retailers in Masvingo use loyalty programs as the means and end for harnessing customer retention in highly competitive markets such as perfect competition. A descriptive research design was employed to establish the extent to which the retailers used the identified customer loyalty program variables. A structured questionnaire was administered face to face to 120 research subjects. Results of the research were analyzed quantitatively using descriptive statistical measures, namely mean and standard deviation. The major findings indicated that retailers in this sector least use loyalty programs to retain customers and that there is need for firms in perfect competition markets to use loyalty programs so as to maximize customer retention.

Key terms: Loyalty program, customer retention, perfect competition, Fast Food retailer.
Introduction

With the ever-changing business environment concentration on customer acquisition has since seen its prevalence fading fast into thin air (Daukševičiūtė et al 2011), as firms are now battling to retain customers who have become highly sensitive to various marketing stimuli in highly competitive markets. The dollarization of the Zimbabwean economy at the beginning of 2009 coupled with the government’s advocacy for indigenization and black empowerment, has seen rapid entry of new entrants into the market for the provision of Fast Foods. This move by the government saw the sudden mushrooming of a number of micro, small and medium firms entering into the Fast Foods market. These new players offered identical products and services to those that currently existed in the market thereby forcing the existing businesses to become “price takers” rather than “price setters” as product and or service differentiation could not play any meaningful contribution in this highly price sensitive market. This development has enhanced the bargaining power of customers as they could now move from one service provider to the other with very limited or no switching costs. Realizing the slow growth in the sales turnover due to pure competition in the market, players then came up with a number of strategies to remain afloat in the market. Firms aggressively promoted their products through advertising and sales promotion. This however would result in the firms generating high demand in the short run. Thus firms would acquire new customers who would soon be attracted to other firms (cherry pickers, (Levy and Weitz, 2009). Bearing in mind that customer retention far outweighs customer acquisition most organizations particularly large commercial retail businesses have embraced the concept of customer retention as they have realized the economic benefits of “catching and keeping” the customer. This thinking is premised on what Lindgreen et al, (2000, 2004) and Jang and Mattila, (2005) claim that “it costs 3 to 10 times more to acquire a new customer than to service an existing one.” Thus retaining current users of a service results naturally in the acquisition of new customers as the retained customers are most likely to voluntarily spread the priceless positive word of mouth (WOM) and are less sensitive to price and pay less attention to competing brands from other competing service providers. While it may be difficult to create barriers through increasing switching costs in the fast moving consumer goods (FMCGs) market, most large commercial entities have used price-based incentives as a means of discouraging customers from moving from one service provider to the other.

Objectives of the Study

The major objective of this undertaking was to evaluate the extent to which retailers in the Fast Foods sector engage various forms of customer loyalty programs as means for fostering customer retention, a key aspect for enhancing profitability and competitiveness for firms operating under pure competition market condition. The general objective was split into the following sub objectives:

- To establish the extent to which Fast Foods retailers use credit and charge cards as means to retain customers.
- To find out if retailers in this sector engage discount programs as a way for attracting and keeping customers.
To examine the extent to which Fast Foods retailers use non-monetary customer loyalty programs as a way of encouraging repeat purchases from customers.

Literature Review

Customer Loyalty Program

The use of loyalty programs is a tactical marketing strategy that a firm implements in a bid to retain a group of profitable customers. O` Malley, (1998), Uncles et al, (2003), Berman, (2006), and Nunes and Dreze, (2006) suggest a number of reasons for which customer loyalty programs are implemented by organizations. These are: (1) the need to derive more utility through up selling and cross selling, (2) diverting customer attention from purchasing and using competing brands, and (3) enabling customers to view themselves as partners and co-creators of value and thereby naturally encouraging them to spread positive (word of mouth) viral marketing. Loyalty programs seek to establish long term relationships between certain brands and or service providers, anchored on trust and commitment. Worthington and Fear, (2009) claim that businesses engage the use of customer loyalty programs in order to encourage customers to continue patronizing a particular group of stores. These reward programs may be instantaneous to the buying situation or may rather be designed in a manner that will allow buyers to redeem accumulated points at a later date by either receiving cash or kind or by purchasing new products or services at discounted prices. Before defining the term “loyalty program”, it is prudent to first introduce the concept of customer loyalty from which it derives its being. Streams of research have defined customer loyalty in several dimensions which reflect that indeed loyalty is a psychogenic variable in which an individual buyer or group of buyers are unconditionally motivated to repurchase or revisit the same products/services or similar service providers. Oliver (1999) contends that customer loyalty is a habitual tendency by individual customers or a group of customers which may include a family, friends and even organizations to want to continuously buy a preferred product or service from one service provider regardless of being exposed to a barrage of various marketing stimuli and other environmental and situational circumstances seeking to divert their attention. Oliver, (1999) categorically classifies customer loyalty into cognitive, affective and conative loyalty and claims that conative loyalty is vital in influencing repetitive behavior in customers. Dick and Basu,(1994) look at customer loyalty from a two dimensional perspective, namely behavioral and attitudinal loyalty and the former is directly related to the activities that customers undertake that include viral marketing as well as frequency of purchase (Dekimpe et al, 1997). The latter is anchored in the customer`s demonstration of considerable association to a brand or store. Further studies by Dick and Basu, (1996), reveal that loyalty is categorically classified into four typologies namely spurious loyalty, in which customers engage in high repeat purchases coupled by limited patronage, latent loyalty which is defined by infrequent repeat purchase coupled by high preference, sustainable loyalty, premised on high repeat purchases and brand or store preference and zero loyalty in which customers least repeat buying and may switch to other brands. Uncles et al. (2003), however claim that what amounts to customer loyalty is a product of the interplay of such variables as personal attributes, environmental
influences and or situational circumstances. This conception is closely linked to Rowley (2005), whose classification of loyalty typologies are anchored on Uncles et al (2003)´s understanding of loyalty. Customers may be subjected to captive loyalty which comes about as a result of the customer being exposed to one brand or service provider, commonly found in monopoly markets. Customers may also be conditionally subjected to buying the same product or service due to the need for convenience. Contented and committed loyalties are the vital loyalty aspects that enable firms operating in highly competitive business environments to achieve their objectives. Despite having defined loyalty in as many times as 53,( Jacoby and Chestnut,1978), Jacoby revitalized his definition as , “a biased continuous response behavior demonstrated over time by some decision making units such as individuals, families and or business entities with respect to buying one or more alternative brands out of a range of all possible identical brands.” Vyas and Sinha (2008), summarily view customer loyalty as a mind–orientated phenomenon, “related to commitment which often results in a positive mental disposition toward a certain brand based on past experience with the brand, trust and confidence in the supplier as well as acceptance in the societal moral fabric”. Customer loyalty is rather a prolonged positive attitudinal orientation in an individual or group of buyers to behave more like relationship partners to suppliers of certain brands and as a result these buyers are committed to go out of their way to spread viral marketing (word of mouth communications) to prospective customers and act as company and or brand ambassadors. Firms large or small therefore strive to influence the behaviors of customers positively towards them with the aim of creating benefits throughout the customer’s life time with the brand.

**Loyalty program**

Customer loyalty program is an ancient concept which dates back to 1896 where customers would be given green post stamps redeemable for the purchase of household and other consumer goods (Hanover Research, 2011). With the passage of time the stamps lost popularity as new forms of loyalty programs came on board (Lacy and Sneath 2006). Berman (2006) claims that the use of loyalty programs was first introduced in America by an airlines. Although many definitions have been proposed with different wordings, Daukševičiūtė et al. (2011), claim that their purposes seem to point toward one direction, which is basically to retain customers so as to derive value from them. Sharp and Sharp (1997), view loyalty program as “all marketing efforts aimed at rewarding and motivating consumer behavior to increase profitability”. Oman et al .(2007) consider a loyalty program as a set of processes aimed at identifying and retaining profitable customers through creating activities that will enhance up selling and cross selling by current customers.

**Types of Loyalty Programs**

Berman (2006) developed a four customer incentive based loyalty program scheme. The first category consists of discounts which are given to customers as a result of buying regularly and or buying high value products. This is related to the second category in which customers get extra rewards in the form of gifts as a result of spending more. The third typology relates to rebates and or coupons that enable customers to redeem cash after accumulating buying points. The fourth aspect concerns developing relations with individual customers through direct mailings. Berman`s
work is built on the earlier work by Griffin (2002) who categorized loyalty into four types based on the extent of frequency of repeat purchase and scope of attachment. “No loyalty” is the basic loyalty level and this is common in markets selling low value convenience goods, which are highly undifferentiated and where customers highly price sensitive and these markets are characterized by pure competition. Such customers are called “cherry pickers” in retail circles as they move from one shop to the other in search of lower prices, Levy and Weitz (2009). It therefore makes more sense for businesses to aim at building and cultivating loyalty rather than focusing customers who do not need any relationships with the firm. The second loyalty level is the “inertia loyalty” which depicts a low level brand and or store association coupled with high frequency repeat purchases. This is termed by Rowley (2005) convenience seeker loyalty in which consumers buy certain brands or patronize certain stores out of habit rather than due to attitudinal drives. For firms to maximize out of this form of loyalty they need to develop mechanisms against brand switching such as product and or service differentiation and customer service that will compel customers to perceive the difference. The third tier of loyalty is termed the “latent loyalty” in which the customer’s propensity to repeat buying is low although relative attitude to buy from the same store is high. Griffin (2002) contends that this loyalty is more effective if the marketers monitor the situational circumstances that affect the purchasing behavior of customers. “Premium loyalty” is the most valued loyalty level by the business community and it is characterized by high brand and or store association as well as super high repeat frequency. This is related to Rowley (2005)’s contented and committed loyalties in which customers become partners and ultimate advocates who will be motivated to spread positive word of mouth communications and to be brand ambassadors.

**Credit and charge card reward programs**

These programs entail issuing credit cards which will be used by customers as they will be buying goods from a particular store. Such cards allow the service providers to have records of all transaction entered into between the organization and a particular individual and this makes it easy for the service providers to automatically record accumulated purchase points or discounts that are due to a customer and above all firms can easily monitor the buying behaviors of individual customers. Current trends reflect that credit cards of late have been co-branded with certain banks, large retailers and mobile telecommunications systems. Cards may help firms gather information about types of products bought, location of transaction as well as the date at which the transaction was done (Worthington and Fear, 2009). At a much higher level such information may be vital for marketing decision making.

**Discount Programs**

These are loyalty building programs whose impact is believed to be the weakest and are likely to elicit limited loyalty in customers (Daukševičiūtė et al. (2011). Berman (2006) claim that discounts are rather not classified as loyalty programs but as forms of sales promotions. These are widely applied in the retailing and Fast Foods marketing sectors. Discounts may be once off undertakings or may be accumulative; particularly when the customers are encouraged to spend more funds in order to get more discounts or to purchase more products whose value enables them to attract more purchase points which may then be redeemed after customers meet the predetermined number of purchase points or their monetary value. These are then redeemed in cash or kind and or through getting other products from the incumbent store or from other service providers. The bulk of the
Fast Food businesses and service providers have engaged the use of discount related loyalty programs such as the, “buy one and get another for free” (Robinson, 2011). Despite their ability to induce more buying (through cross selling and up selling) amongst customers and discouraging customer promiscuity (a tendency to switch from one service provider to the other), discounts, are not very attractive by virtue of them being easy to copy by competitors.

**Frequent buyer Programs**

Frequent buyer programs, have their roots in the airlines business where customers who would use the plane services regularly would be rewarded through free flights. These programs were designed in such a way that they would collect data about the airlines most spending customers. This concept has since been adopted in the hospitality services sector and these are what Worthington and Fear, (2009) call “the original ‘loyalty’ programs and are still highly successful in commercial terms.”

**Buy n and get one Free**

Berman,(2006) also claims that most Fast Food retail chains use the “buy one and get another for free” programs and confirms that this category of customer loyalty programs is critical in encouraging frequent purchasing as well as discouraging customer switching amongst customers. This however is not very attractive to firms in perfect competition where most goods sold are low cost convenience goods since competitors within the same business may easily follow suit and quickly erode the competitive advantage enjoyed by the pioneers in that particular market.

**Perfect Competition Market**

Perfect competition markets are characterized by many fragmented players, with each commanding a very minute share of the market and because of this background each firm in such a market cannot wield power to affect price in the event that a change has occurred on the supply side of the market, hence firms in this category are termed the “price takers”. Under the perfect competition market structure firms produce goods and services that are identical by virtue of how they processed and purpose of use such that the target market sees no difference amongst them. Since products and or services of one retailer can be easily substituted by those of other players, consumers can easily switch from one supplier to the other at no or very minimal costs. In this form of market structure consumers are believed to share perfect knowledge and information about market dynamics and these can be accessed freely and with no hurdles. The market is open for entry and or exit to any interested firms without and restraints.

**Customer retention**

Hoffmam and Bateson, (2011) refer to customer retention as the firm’s deliberate move to focus all its marketing efforts towards its current market base. Thus firms commit all their efforts to already existing market segments so as to monitor their current and changing demands with the intention of establishing and maintaining long term relationships between the firm and its immediate customers. Oliver (1997) takes a customer oriented perspective of customer retention and defines this concept as, “a deeply held commitment to rebuy or repatronise a preferred product or service consistently in the future despite situational pressures and a barrage of marketing efforts having the potential to influence customer switching behavior.” In a nut shell customer retention implies the ability of a firm to “catch and keep” the customer. It is believed that a retained customer is least price sensitive and as such does not respond negatively to any upward price changes. Retained customers are ambassadors of positive word of mouth recommendations. Research overtime has shown that it is
more cost effective for firms to retain existing customers than to lure new ones since it costs 5 to 10 times more to attract than to service an existing account. Customer retention is a relationship marketing paradigm aimed at maximizing value from a customer by engaging in long term relationships which capitate into a win-win situation for both the firm and the customer.

**Fast Food retailer**

Fast Food refers to any form of edible staff that can be prepared and then sold in a very short space of time. Such kind of food is commonly sold in takeaways, restaurants and even along highways to service people in transit. According to [www.foodretailworld.com](http://www.foodretailworld.com), the term Food retailer has been used for a variety of things and which differ from country to country. Thus Fast Food retailers prepare food that is immediately sold to the final consumer and this may be done as an autonomous business or as part of a larger business such as in the case of large supermarkets, which may be housing a Deli department. In Zimbabwe Fast Food retailers are fast sprouting in almost every corner in major towns and cities due to the limited restraint of entry into the sector. The major players in this retail category prepare and sell their Fast Foods under some franchise agreements, an aspect that has resulted in competitors selling standardized food stuffs.

**Methodology:**

**Population & Sample:**
The target population of interest comprised of all the clients who purchase Fast Foods from the three dominant Fast Foods retailers in Masvingo Urban namely: Chicken Inn, Wimpy and Food Express, the rationale being that these three retailers’ core business is to prepare and sell franchised Fast Foods and as such attract the bulk of customers who are the main likely sources of relevant research data and information required to investigate the research problem. In order to get a clearer picture about the issue of loyalty programs, employees of the aforementioned retailers were also included in the targeted population. The study used a sample size of 120 (females 70 and 50 males) and quota sampling was adopted. The justification of this sampling technique was premised on the understanding that the researcher would get a balanced perspective regarding loyalty programs offered across the sector.

**Research Instrument:**
Most if not all researches use formalized schedules, interview guides or some form measuring instruments to gather data. Malhotra and Birks, (2004) refer this to the questionnaire, “a formalized set of questions for obtaining information from respondents.” The researcher designed an undisguised structured questionnaire which enabled the research subjects the opportunity to quickly give their responses in relation to the loyalty program aspects asked in the questionnaire. The instrument had five main components namely, the credit and charge card, discounts, non-monetary rewards, cash rebates and or coupons and the buy n and get one extra free item. The questionnaires were administered face to face by a team of six research students as part of their practical work. Three groups of twos were assigned to each outlet and data was gathered and over weekends for a month. Respondents would be selected to participate on the basis of convenience and frequency of purchase of the Fast Foods at that particular place. An equal number (40) of questionnaires were administered at each of the three retail businesses.
Pilot-testing:
The questionnaire was initially tested using 12 respondents (four interviews were done at each of the three outlets to constitute 10% of the sample size) in a bid to detect potential flaws and weaknesses that would deter collection of objective data during actual data gathering. Wilson (2006) contends that pre-testing a questionnaire particularly for interviewer administered instruments enables researchers to realize how much time they would need to interview an individual respondent, respondents’ likely reactions, relevance of the instrument to the targeted population and to identify errors in formatting and sequencing of questions.

Data Analysis and Results:
The research findings were analyzed using SPSS. The interpretation of results was done using simple descriptive statistics, namely mean and standard deviation. The analysis was autonomously done for each Fast Food retailer so as to determine similarities and variations in responses across the sector as reflected below.

Table 1: Survey Findings from Chicken Inn

<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>N</th>
<th>Mini</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers credit card rewards</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>1.65</td>
<td>.736</td>
</tr>
<tr>
<td>Offers discount programs</td>
<td>40</td>
<td>1</td>
<td>4</td>
<td>2.65</td>
<td>1.075</td>
</tr>
<tr>
<td>Offers non-monetary rewards in form of gifts</td>
<td>40</td>
<td>1</td>
<td>4</td>
<td>1.50</td>
<td>.751</td>
</tr>
<tr>
<td>Offers cash rebates and or coupons</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>1.90</td>
<td>.841</td>
</tr>
<tr>
<td>Offers the buy n and get one extra free item</td>
<td>40</td>
<td>3</td>
<td>5</td>
<td>3.70</td>
<td>.853</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
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</tbody>
</table>

The table above shows the pattern of responses given by respondents in relation to the loyalty programs being offered by the Fast Food retailer. The results indicate that Chicken Inn engages the use of loyalty programs to a very limited extent. This is reflected by the mean response values which fall mostly between the “strongly disagree” and “disagree” response categories as shown in the table. Chicken Inn does not make use of discount programs, (2.65). The findings however indicate that the retailer offers the “buy n and get one extra item for free”. This is depicted by the 3.7 mean responses which fall within the “neutral and “agree” response categories. The overall results therefore show that the retailer’s commitment towards the use of loyalty programs as a means of harnessing customer retention is limited.
Table 2: Survey Findings from Wimpy

<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers credit and charge card programs</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>2.05</td>
<td>.932</td>
</tr>
<tr>
<td>Offers discount programs</td>
<td>40</td>
<td>1</td>
<td>4</td>
<td>2.90</td>
<td>.955</td>
</tr>
<tr>
<td>Offers non monetary rewards in form of gifts</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>2.05</td>
<td>.815</td>
</tr>
<tr>
<td>Offers cash rebates and or coupons</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>1.75</td>
<td>.899</td>
</tr>
<tr>
<td>Offers buy n and get extra free item</td>
<td>40</td>
<td>1</td>
<td>5</td>
<td>3.65</td>
<td>1.167</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results in the table above do not show a definable difference from the results reflected in table 1, above. Likewise Wimpy does not have credit and charge card programs, non-monetary rewards and cash rebates, as reflected mean response values of 2.05, 2.05 and 1.75 respectively. In relation to discounts, it appears as if most respondents were not sure, whether the retailer offered discounts, as indicated by a mean value of 2.90 which falls closer to the “neutral” response category. This may be so because Wimpy is strategically located along the highway as one enters into town and as such most buyers of Fast Foods at this retailer buy on transit and may not be regular buyers, an aspect which may attribute their lack of knowledge regarding the loyalty programs being offered by the incumbent Fast Food Retailer. The findings at Wimpy also show that, like Chicken Inn, the retailer also awards extra free food items such as a soft drink can or ice-cream, in the event that a customer buys food of a certain proportion. This is evidenced by a 3.65 average response from the 40 surveyed research subjects. Thus this form of loyalty programs seems to be common across Fast Food Retailers as a way of achieving cross selling and up selling, aspects which are easily deplorable through customer retention.

Table 3: Survey findings from Food Express.

<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer credit card rewards</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>1.90</td>
<td>.778</td>
</tr>
<tr>
<td>Offers discount programs</td>
<td>40</td>
<td>1</td>
<td>4</td>
<td>2.60</td>
<td>1.172</td>
</tr>
<tr>
<td>Offers non-monetary rewards in form of gifts</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>1.55</td>
<td>.815</td>
</tr>
<tr>
<td>Offers cash rebates and or coupons</td>
<td>40</td>
<td>1</td>
<td>3</td>
<td>1.70</td>
<td>.791</td>
</tr>
<tr>
<td>Offers the buy n and get one extra free item</td>
<td>40</td>
<td>1</td>
<td>5</td>
<td>3.45</td>
<td>.986</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results in the table above depict that, indeed that Food Express like any other Fast Food retailer is also not engaging the use of loyalty programs as a means to retain customers, particularly in a highly competitive market set up such as perfect competition. The research subjects revealed that the Fast Food retailer does not make use of credit cards as a way of creating membership
association with the retailer, a fundamental aspect of customer retention. The results also confirm that the retailer does not also have discount programs aimed at attracting and keeping customers. Such results are reflected by mean responses of 1.90 and 2.60 which fall between the “strongly disagree” and “neutral” response categories. There is also no use of coupons and use of cash rebates as reflected by a mere 1.70 response, with a very small standard deviation value of 0.791 on all the responses.

Conclusion
The overall results show that organizations in the Fast Food retail sector in Masvingo urban do not employ the use incentive-based customer loyalty programs as both the means and end for achieving customer retention, yet it is the critical for achieving sustainable competitive advantage and profitability in highly competitive market environments such as perfect competition in which it difficult to dictate the pace in the market. It is therefore in light of this that executives in this sector be congetized of the validity of employing loyalty programs as means of helping firms providing highly undifferentiated products, opportunities to achieve returns beyond break-evening and the ability to create differentiation. Thus the use of loyalty programs creates barriers for customer from switching. Firms in highly competitive markets therefore need to embrace the use of incentive-based customer loyalty programs since they play a vital role in building long term bonds between the organization and a group of customers. Several studies have demonstrated empirically the strategic benefits that firms have enjoyed as a result of successfully acquiring and retaining customers.

References


