EFFECT OF LOYALTY PROGRAMS ON CUSTOMER RETENTION: A CASE OF NAKUMATT SUPERMARKETS KENYA

BY

LINDA W. KAMAU

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2017
EFFECT OF LOYALTY PROGRAMS ON CUSTOMER RETENTION: A CASE OF NAKUMATT SUPERMARKETS KENYA

BY

LINDA W. KAMAU

A Research Project Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2017
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________ Date: ___________________________

Linda W. Kamau (ID 645526)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: ___________________________

Dr. Peter Kiriri

Signed: ___________________________ Date: ___________________________

Dean, Chandaria School of Business
ABSTRACT

In the current world, a business offering quality products and better services will without a doubt have lead over the others. Loyalty programs are often considered value-sharing instruments and can enhance consumers’ perceptions of what a firm has to offer. Since the individuals are faced with a wide range of alternatives it is not clear whether the scheme has helped either of the supermarkets in ensuring that their customer base is loyal.

This study looked at the effect of loyalty programs on customer retention in Nakumatt supermarket in Kenya. The study was guided by the following specific objectives; to establish the effect of point system on customer retention in Nakumatt supermarket; to find out the effect of smart cards on customer retention in Nakumatt supermarket; to determine the effect of gift vouchers on customer retention in Nakumatt supermarket and to determine the effect of discounts on customer retention in Nakumatt supermarket.

Point’s systems begin through the issue of personal plastic cards to the clients. Loyalty programs (LPs) with consistent and direct compensating plans, individuals acquire a specific measure of LP money for every shilling spent and they pick when to redeem and what to redeem in light of their individual reward liking and the gathered balance of points. Nakumatt grocery store gives one point for each Ksh. 100 spent at Nakumatt when one uses their card. This study determined the effect of Nakumatt points system on customer retention in Nakumatt supermarkets in Kenya.

Studies have shown that shoppers spend more on unfortunate nourishment things when they pay with Visa cards than when using cash. A loyalty card can be stacked to smart telephones in electronic frame, as telephones are generally dependant with clients. Nakumatt supermarket permits use of cards, for example, Visa, Master Card and Eurocard in making buys inside the supermarket stores. This study looked at the effect of use of smart card on customer repeat purchases and the subsequent effect on customer retention.

A gift voucher can quicken the loyalty life cycle, empowering first-or second-year clients to carry on like an organization's most gainful tenth-year clients. Gift vouchers are connected with acquiring recurrence, so these sorts of programs are otherwise called visit buy programs. Nakumatt supermarket from time to time offers gifts to its customers. Some of the gifts require the customers to spend up to a certain amount after which they
are presented with gifts. This study determined the effect of gifts on customer retention in Nakumatt supermarket in Kenya.

Discounts are more compelling in prompting stock heaping, and buy increasing speed, direct in brand exchange and new item trial in a specific order. Discount is the easiest strategy to offer an immediate decrease in the price tag with the offer plainly named on the bundle or purpose of procurement show. Nakumatt in conjunction with a few makers, for example, Coca-Cola, Unilever, Elliot’s, Delmonte, and P&G etc. choose to offer merchandise at a discount with an end goal to draw in more purchasers. This study determined the effect of discounts on customer retention in Nakumatt supermarkets in Kenya.

The study adopted descriptive survey research design. Using the design, both quantitative and qualitative data was collected. The target population was customers/clients of Nakumatt supermarket in Kenya. The study further narrowed down to customers within Nairobi city who are esteemed customers of Nakumatt supermarkets. Disproportional sampling was used to select the sample. The study used primary data since it’s suitable for obtaining reliable data from the customers. Both open-ended and closed-ended questions were used in collecting data. Quantitative data was analysed by use of SPSS version 20.0. A multiple regression analysis was further used to evaluate the effect of loyalty programs on customer retention in Nakumatt supermarket in Kenya.

The study concludes that there is a positive significant relationship between point systems and customer retention. The findings also conclude that there is a positive significant relationship between smart cards and customer retention. The study also concludes that there is a positive significant relationship between gift vouchers and customer retention. Finally the study concludes that there is a positive significant relationship between gift vouchers and customer retention.

The study recommends application of point system in all the stores since it was noted as one of the reason that customers make repeat purchases from the supermarket. The points accumulated by the customers should be redeemed quite often in order to encourage and motivate loyal customers. The study further recognizes the use of smart cards thus recommending retail stores to increase the use of smart cards especially for middle and high income earners in Kenya.
The study finally recommends that retail stores across the country should make use of discounts frequently in order to attract more customers who come for speculation hence higher sales and resultant customer retention.
ACKNOWLEDGMENT
I would like to express my special thanks of gratitude to my professor, Dr. Peter Kiriri, who gave me the golden opportunity to do this wonderful project on the topic: effect of loyalty programs on customer retention: a case of Nakumatt supermarkets Kenya, which also helped me in doing a lot of research and I came to know about so many new things. I am really thankful to him for his kind co-operation and supervision.

Secondly I would also like to thank my parents and friends who helped me a lot in finalizing this research proposal within the limited time frame. Finally I would also like to express my special gratitude and thanks to the USIU-Africa library staff for the help they accorded me while I was in the library conducting my research and for giving me such attention and time.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDENT'S DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>COPYRIGHT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGMENT</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xi</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xii</td>
</tr>
<tr>
<td>ACRONYMS AND ABBREVIATIONS</td>
<td>xiii</td>
</tr>
</tbody>
</table>

## CHAPTER ONE ................................................................. 1

1.0 INTRODUCTION ................................................................... 1

1.1 Background of the Problem ........................................... 1

1.2 Statement of the Problem ............................................. 4

1.3 General Objective ..................................................... 5

1.4 Specific Objective .................................................... 5

1.5 Importance of the Study ............................................. 5

1.6 Scope of the Study .................................................... 6

1.7 Definition of Terms .................................................. 6

1.8 Chapter Summary ...................................................... 7

## CHAPTER TWO ................................................................. 8

2.0 LITERATURE REVIEW ...................................................... 8

2.1 Introduction .......................................................... 8

2.2 Effect of Point System on Customer Retention .................. 8

2.3 Effect of Smart Card on Customer Retention .................... 12

2.4 Effect of Gift Vouchers on Customer Retention ............... 16

2.5 Effect of Discounts on Customer Retention ..................... 21

2.6 Chapter Summary ...................................................... 24
### CHAPTER THREE

3.0 RESEARCH METHODOLOGY ................................................................. 26

3.1 Introduction ..................................................................................... 26

3.2 Research Design ............................................................................. 26

3.3 Population and Sampling Design .................................................. 28

3.4 Data Collection Methods ............................................................... 30

3.5 Research Procedures ...................................................................... 32

3.6 Data Analysis Methods .................................................................. 32

3.7 Chapter Summary ........................................................................... 33

### CHAPTER FOUR

4.0 RESULTS AND FINDINGS ................................................................. 34

4.1 Introduction ..................................................................................... 34

4.2 General Information ....................................................................... 34

4.3 Influence of Point System on Customer Retention ....................... 37

4.4 Influence of Smart Card on Customer Retention ............................ 40

4.5 Influence of Gift Vouchers on Customer Retention ..................... 43

4.6 Influence of Discounts on Customer Retention .............................. 46

4.7 Customer Retention ...................................................................... 49

4.8 Inferential Statistics ....................................................................... 51

4.9 Chapter Summary ........................................................................... 54

### CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS ............. 55

5.1 Introduction ..................................................................................... 55

5.2 Summary ....................................................................................... 55

5.3 Discussion ...................................................................................... 57
5.4 Conclusions.................................................................................................................. 62
5.5 Recommendations......................................................................................................... 64

REFERENCES...................................................................................................................... 66

APPENDICES...................................................................................................................... 75
Appendix I: Letter of Introduction....................................................................................... 75
Appendix II: Questionnaire for Customers......................................................................... 76
LIST OF TABLES

Table 4.1: Gender of the Respondents ................................................................. 34
Table 4.2: Point Redemption Process ................................................................. 38
Table 4.3: Prizes Available .................................................................................. 39
Table 4.4: Customer Satisfaction Due to Point Redemption .................................. 40
Table 4.5: Influence of Smart card on Customer Retention .................................. 41
Table 4.6: Security ............................................................................................... 42
Table 4.7: Increase in Customer Spending .......................................................... 43
Table 4.8: Repetitive Buying ............................................................................... 44
Table 4.9: Brand Awareness ............................................................................. 45
Table 4.10: Greater Perceived Value ................................................................. 46
Table 4.11: New Customers .............................................................................. 47
Table 4.12: Customer Saving ............................................................................. 48
Table 4.13: Increase in Purchases ..................................................................... 49
Table 4.14: Frequency of Visits ........................................................................ 50
Table 4.15: Loyalty Programs and Customer Retention ..................................... 51
Table 4.16: Model Summary ............................................................................ 52
Table 4.17: ANOVA ......................................................................................... 52
Table 4.18: Regression Coefficients .................................................................. 53
LIST OF FIGURES

Figure 3.1: Conceptual Framework .................................................................27
Figure 4.1: Age Bracket .................................................................................35
Figure 4.2: Highest level of Education ............................................................35
Figure 4.3: Duration of Shopping at Nakumatt Supermarket .......................36
Figure 4.4: Number of Weekly Shopping .......................................................37
Figure 4.5: Whether they Visited Other Supermarkets ..................................50
# ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis Of Variance</td>
</tr>
<tr>
<td>CBD</td>
<td>Central Business District</td>
</tr>
<tr>
<td>ID</td>
<td>Identification Document</td>
</tr>
<tr>
<td>LP</td>
<td>Loyalty Programs</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

In the contemporary world, a business offering quality products and better services will without a doubt have lead over the others (Arunmuhil & Arumugam, 2013). Satisfying the customer is an important element in the success of any enterprise (Kotler & Armstrong, 2008). Customer retention directly affects the profitability of the business (McIlroy & Barnett, 2000). Obtaining a new customer can be five times more expensive compared to retaining an existing one and for that reason therefore organizations are investing considerable time and resources in developing strategies to retain customers (Karim, 2011). One such strategy is the implementation of customer loyalty programmes. In retailing, loyalty programmes have involved the issuance of specially coded credit/debit cards or other special scanner-readable cards (Preeta & Piyush, 2008). Card programmes have in the past few years, been introduced by several sectors such as the hotel and restaurant industry, air travel and the retail industry (Bose & Rao, 2011).

Loyalty programmes are often considered value-sharing instruments and can enhance consumers’ perceptions of what a firm has to offer (Jain & Singhal, 2012). This value enhancement function is vital due to the ability to offer superior value which is instrumental to customer retention (Yuping, 2007). There is an immediate connection between customer retention, value of the customer and company profitability, which can be distinguished as a special blend of advantages gotten by target purchasers (Kerin et al., 2007). This incorporates price, value, on-time conveyance, convenience and both before and after sale services. Satisfied purchasers tend to inform individuals concerning their experience and will probably get to be loyal (Kerin et al., 2007). Before, managers were remunerated for achieving their sales targets and little focus was on customer satisfaction. Nowadays organizations see the undeniable drawbacks of client stir since it’s more expensive than retaining their current clients and expanding their income from them (Kotler et al., 2008).

Loyalty programmes helps achieve customer loyalty (Gomez et al., 2006) and a loyal customer can mean a steady source of revenue. Loyalty programs also offer a platform for businesses to collect marketing data direct from the customer (Preeta & Piyush, 2008).
Customers’ database show buyer behaviour and are useful in developing new services, defining target groups and enhancing marketing strategies (Ergin et al., 2007). Loyalty programmes, through the ‘equity’ that the consumer builds via point’s collection, try to lock customers to the programme (Sharp & Sharp, 1997) and customers lose advantages (i.e. points) should they change stores/brands.

A successful loyalty program needs to have a major effect on the typical purchase frequency and share of requirements (Anns, 2009). In contrast to this, the increase in market penetration is generally not as pronounced. This is because of loyalty programs appealing to existing customers and heavy buyers, who tend to be existing buyers, given that heavy buyers are inclined to keep up a more substantial repertoire of businesses (Gudonavivienė & Rutelione, 2009). It means therefore that the brand may have a greater average purchase frequency than would be expected given its amount of penetration. In addition to these deviations, there should also be a more than normal duplication of purchase between participant businesses and less switching to non-program brands, thereby creating a qualification of market ‘partitioning’ (Leenheer et al., 2007).

An all-around sharpened loyalty program enhances customer retention, by expanding an individual’s "switching costs," that would otherwise be put up with so as to change to a contending supplier. These expenses can incorporate diminished administration and the time and assets required to construct another relationship. The higher an individual’s exchanging costs, the more probable that part is to stay loyal. The objective of these projects is to build up a larger amount of customer retention in productive fragments by giving higher satisfaction and esteem to specific clients (Noordhoff et al., 2004). There is a positive relationship between satisfaction and loyalty for retail establishments. For instance, clients who are extremely satisfied would show more commitment and repurchase behaviour (Bloemer & De Ruyter, 1998).

Nevertheless the implementation of a loyalty program involves a lot of cost and effort and shows the firm's overhaul commitment to establishing a lasting relationship with its clients. This demonstration of commitment and goodwill deepen the connection between the firm and customer (Yuping, 2007). Loyalty programmes need to be viewed as a business strategy which requires long term commitment as investments made reap benefits in the long run (Bennett & Rundle-Thiele, 2004). In view to supermarket an extra effort is needed due to their competitiveness and homogeneous factor. Customer retention
is usually manifested once the customer gets to use the product or the service again and from a particular store or chain of stores (Hallberg, 2004).

A study in UK supermarkets to ascertain the role of loyalty cards on customer retention revealed that loyalty programs enhance customer loyalty directly by offering rewards being an incentive to purchase regularly at any supermarket (Karim, 2011). Further findings indicated that loyalty programs generate considerable information for supermarkets, including a customer's name, address and purchase preferences. Supermarkets can use this information to tailor product offerings, promotions, investment and advertising to the requirements of the customers, thereby indirectly enhancing loyalty and customer retention (Karim, 2011).

In United States, Asian and European countries loyalty schemes are an established feature of the retail landscape of countries (Rowley, 2007) and reaching the maturity stage. In the United States, families are signed up to an average of 18 loyalty programmes. The Food Marketing Institute in the United States however reports that about 60% of the American retailers do not have loyalty programs, and 70% of these non-adopters have no plans to introduce them in the future. They consider them not suitable for their specific firms or for the market in which they operate in (Chibaya, 2016). In Bangladesh customer loyalty programmes have only recently become a feature of the retailing sector. In India loyalty programs have been seen to encourage the consumers’ to make dynamic decisions while making repeat purchases with the firm (Jain & Singhal, 2012).

In South Africa Loyalty programmes have emerged as an essential tool for customer retention and building sustainable customer loyalty through enhanced relationships. Many retail companies are offering loyalty cards to customers (Chibaya, 2016). The South African Loyalty and Rewards Survey identified a total of 101 rewards programs in South Africa operating today. This figure has experienced significant growth over the last two decades; however the last eight years have seen the largest annual growth of loyalty programmes. Surveys into the loyalty industry indicated that South African consumer has an average of ten loyalty programmes that they are signed up to per household.

Nakumatt supermarket is one of the leading supermarkets in Kenya that has established itself all over the country and in other countries such as Rwanda, Uganda and Tanzania. Nakumatt Supermarket was the first to adopt customer loyalty programmes in Kenya.
Other supermarkets have since adopted the strategy thus more competition has been created. Though the first supermarket to come up with loyalty programs in Kenya other supermarkets such as Tuskys, Ukwala, Uchumi and Naivas have embraced the system. One of the most common programs in these supermarkets is the use of loyalty cards where customers are rewarded with points. There was therefore stiff competition forcing the supermarkets to come up with several loyalty programs to woe the customers.

1.2 Statement of the Problem

Loyalty programmes represent an option to mass-market promotion since firms are better in a position to precisely target an increasingly segmented customer base (Karim, 2011). Firms are in a better position to communicate customized and relevant value propositions and individual messages to individual customers (Lacey & Sneath, 2006). Loyalty schemes thus could become ‘strategic marketing tools’ to handle customer heterogeneity by selecting, identifying and segmenting consumers, which improves and personalizes the focus of marketing resources (Meyer-Waarden, 2006). Loyalty programmes do not just help build customer commitment but in addition they demonstrate a firm’s commitment to its customer.

Studies on loyalty programs have been done in all sectors from groceries to drugstores to supermarkets among others. These studies have indicated a significant correlation between the introduction of loyalty programs on customer retention. In comparing the long-term ramifications of the loyalty programs and other marketing instruments on customer retention in grocery and drugstore items Lewis (2004) shows that the loyalty program is successful in increasing annual purchasing for a considerable proportion of customers. Participants in loyalty programs tend to be more behavioural and effectively loyal than non-participants (Go´mez et al., 2006). Nonetheless, most customers don't change purchase behaviour after joining a loyalty program. Loyalty programs have a positive effect on customers ’behavioural loyalty (Yoo, 2011). Furthermore loyalty programs are useful and essential for building and maintaining customer retention (Magatef & Tomalieh, 2015). Very few studies have focused on retail stores especially in developing countries like Kenya where the middle income earners form the largest cohort thus creating a knowledge gap in the sense that we are not able to effectively tell if loyalty programs actually help in retaining customers. Since the individuals are faced with a wide range of alternatives it is not clear whether the scheme has helped either of
the supermarkets in ensuring that their customer base is loyal. This study therefore looks at the effect of loyalty programs on customer retention in Nakumatt supermarket in Kenya.

1.3 General Objective

The purpose of the study was to evaluate the effect of loyalty programs on customer retention in Nakumatt supermarket in Kenya.

1.4 Specific Objective

The study was guided by the following specific objectives;

1.4.1 To establish the effect of point system on customer retention in Nakumatt supermarket

1.4.2 To find out the effect of smart cards on customer retention in Nakumatt supermarket

1.4.3 To determine the effect of gift vouchers on customer retention in Nakumatt supermarket

1.4.4 To determine the effect of discounts on customer retention in Nakumatt supermarket

1.5 Importance of the Study

1.5.1 Policy Makers

The findings from this research may be valuable to the policy makers who would recommend on the best loyalty programs to be implemented by mega stores as well as the businesses in Kenya. Information resulting from this research may form a basis of formation of government policies that govern loyalty programs in the retail sector.

1.5.2 Managers

The managers in Nakumatt supermarkets in Kenya would gain additional knowledge in relation to the issues that need to be addressed to retain customers. This would enable them beat the competition experienced from other supermarkets.
1.5.3 Researchers

The study focuses on the topic of customer retention and so scholars in this area would use this study as a form of reference or a basis for their literature review. In addition, researchers would be able to gain additional knowledge from the case study given that it is focusing on a particular supermarket.

1.6 Scope of the Study

The study focused on Nakumatt supermarkets in Kenya where the concentration was on the branches within Nairobi. A questionnaire was addressed to customers who frequent Nakumatt supermarkets within Nairobi and have one form of loyalty program associated with Nakumatt supermarkets.

Nairobi town is the Kenyans capital city located in Nairobi County. The city is located in the southern part of Kenya at 1°09′S 36°39′E and 1°27′S 37°06′E. It occupies 696 km$^2$ and is approximated to be 1795 metres above the sea level. As of 2011, Nairobi had a population of 3.36 million. The 2009 census estimated a population of 3,138,295 inhabitants lived within 696 km$^2$ of the administrative area of Nairobi. Nairobi city is the 14$^{th}$ largest city in Africa in terms of population.

The study intends on collecting the data within the month of March 2017. Data was collected in a span of three weeks where the researcher visited all the five supermarkets and request customers to participate in filling the questionnaires. The study was limited by various factors among them the resistance by customers to fill the questionnaires for security reasons and time. The researcher politely approached the respondents and assured them that the task would only require a few minutes from their time and that it is for academic purposes only.

1.7 Definition of Terms

1.7.1 Loyalty Programs

Refers to services provided by business enterprises with an aim of ensuring the customer feels the need to come back again (Taylor, 2005). A loyalty program may give a customer advanced access to new products, special sales coupons or free merchandise. Customers typically register their personal information with the company and are given a unique identifier, such as a numerical ID or membership card, and use that identifier when making a purchase.
1.7.2 Customer Loyalty Program

An integrated and interactive system of marketing actions that aims to make customers more loyal by developing personalized relationships with them (Meyer-Waarden, 2007).

1.7.3 Customer Satisfaction

Customer satisfaction refers to the extent to which customers are happy with the products and services provided by a business. Customer satisfaction levels can be measured using survey techniques and questionnaires (Zeithaml & Bitner, 2000).

1.7.4 Customer Retention

Is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship and it’s vital to a business as satisfied retained customers tend to spend more, cost less and make valuable references to new potential customers (Bateson & Hoffman, 2002).

1.7.5 Supermarkets

Are large self-service shops which offer variety of products such as households, groceries, foodstuffs and furniture among others (Mahajar & Yunus, 2010).

1.8 Chapter Summary

This chapter starts by looking at the background study on loyalty programs and consumer loyalty across the globe. Loyalty programs though not practiced in all sectors have been seen to be particularly common in retail sectors and more so in supermarkets. This scheme is not a new phenomenon in developed countries though the developing countries are still catching up even in the retail sectors. Chapter Two will discuss the literature review along the research questions. Chapter three presents research methodology, research design, and data collection and analysis methods while the fourth chapter provides the results and findings of the research. Finally the fifth chapter will present the discussion, conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

By and large, the point of loyalty programs is to execute a one-on-one relationship between the organization and the client. Effectively actualized loyalty programs ought to be extremely adaptable as to adjust to the different needs among the distinctive client sections. This chapter gives a detailed study on researches on influence of loyalty programs on customer retention across a wide range of industries and mostly on grocery stores. It starts by looking at the effect of point system on customer retention by pinpointing the significance of various variables under each. It further looks at the effect of smart cards on customer retention before presenting the effect of gift vouchers and discounts on customer retention. In each subtitle the study relates the studies done on the current situation in Nakumatt supermarket and how it intends on filling the gap.

2.2 Effect of Point System on Customer Retention

Point’s system begins through issue of personal plastic cards to the clients (Dato-on et al., 2006). The general target of loyalty cards is to alter client repeat behaviour by fortifying usage of service or good and retain clients by raising exchanging costs so as to have a win-win circumstance for both the customer and the organization (Meyer-Warden, 2007). This technique urges clients to come back to a retailer keeping in mind the end goal which is rewards or additional items and acquire extra goods or services in credit for their loyalty (Noble & Phillips, 2004).

2.2.1 Points Redemption Process

Loyalty programs (LPs) with consistent and direct compensating plans, individuals acquire a specific measure of LP money for every shilling spent and they pick when to redeem and what to redeem in light of their individual reward liking and the gathered balance of points (Stourm, Bradlow & Fader, 2013). In addition, in persistent LPs, the program and the points normally don’t lapse for a longer duration. Thus redemption of have impacts on conduct in pre-and post-reward period can be evoked by redeeming itself without the organizations forced limits (Blattberg, Kim & Neslin, 2008).
The choice to redeem points may begin the minute at which the reward is reclaimed or it might happen at a state of-ofer without much earlier arranging, which has coordinate outcomes on conduct (Hartmann & Viard, 2008). The choice to recover is made a brief timeframe in front of the recovery. Having settled on the choice inspires clients inside the LP, bringing about an expansion in obtaining conduct before the recovery occasion; notwithstanding when clients in this way reclaim only a little part of their general point adjust (Stourm et al., 2013). The impact reclamation energy supplements the point’s weight impact, which may happen for individuals who have a lacking measure of points in the prior week’s to recovery (Kopalle et al., 2012).

Redemption centered loyalty programs make points frameworks and offer rewards as an end-result of a buy. This is a model that has remained practically unaltered for more than a fourth of a century and is the establishment of the loyalty promoting industry (Kacey & Knutson, 2009). Established on equal connections, these programs give clients remunerate points or endorsements in return for every exchange (Moloney, 2006). They accept best buyers will "smoulder" what they’ve earned, be happy with the reward and return to the brand later on. The additional esteem to clients prompts to expanded clients burning through, maintenance, referrals and at last, primary concern benefits. Truly, redemption centered loyalty programs effectively keep clients and increment the recurrence and measure of spending. A fruitful program may see upwards of 40 percent of customers (Knutson, et al., 2006).

In any case, the reward itself is regularly the main element driving the reclamation centered program. In this model, clients have an association with an organization in light of what extra value they can escape the exchange – in the event that they spend enough cash, the organization gives them enough points to recover for a reward (Rauschecker, 2009). Basically, it decreases the brand-client relationship to a zero-whole diversion.

### 2.2.2 Prizes Available When you Redeem Points

Loyalty programs as indicated by Reinartz and Kumar, (2002) ought to build client consistency standards. Points amassed by clients go about as a motivating force to repeat clients who show faithful purchasing conduct. The essential point of points is to develop enthusiastic connections that produce benefits. The advantages should be significant and ought to be fit for making an enthusiastic association between the clients and the organization (Butscher, 2002). Point’s redemption may importantly affect individuals'
conduct, especially on purchase conduct just previously, then after reclaiming a reward (Blattberg et al., 2008). Reaching a pre-indicated limit on time to acquire a reward propels individuals to expand their uses—an impact known as points weight (Taylor & Neslin, 2005). If a customer has enough points or he has excessively few points, making it impossible to have the capacity to achieve the edge, the point’s weight gets to be unimportant (Hartmann & Viard, 2008).

Points accumulation can prompt to a development of suspicion that can improve the redemption experience, additionally be experienced as an inherent reward (Rauschecker, 2009). In numerous human encounters that include delay in encountering what is expected will be a pleasurable occasion, members start to anticipate the following stage. Postponing the reward can likewise escalate the shopper's response and develop extra suspicion (Knutson et al., 2007). The points approach is additionally based on a solid basic brain research that qualifies individual accomplishment. Points based upon certified accomplishment are exceedingly fulfilling and fortifies self-regard. The inherent sentiments of accomplishment in the wake of achieving 100 points, then 1,000, then 10,000 can be similarly as compelling as the recovery. Acquiring points prompts to a feeling that the reward is merited, in this manner hoisting the estimation of self and also for the reward (Kacey & Knutson, 2009).

In the event that firm-forced inspirations prompting to point's weight are evaluated, then the nearness of reclamation impacts relies on whether the recovery choice without anyone else's input impacts conduct. Through loyalty cards the clients can produce additional prizes. Clients can profit by investment in loyalty-card programs in a few ways (Mauri, 2003). Programs offer clients free items, rate/value decreases, investment funds, credit offices, a sentiment having a place, additional data, or some other exceptional treatment supported by the retailer (Roehm et al., 2002).

2.2.3 Customer Satisfaction Due to Point Redemption

Gaining points impersonates the components of a delight, including rivalry and the quest for an objective. Fun, convincing and addictive amusement play creates energizing feelings that add to the player's understanding, whether the opposition is single or includes others (Nunes et al., 2006). A viable loyalty program sees the whole win understanding as a diversion, one wherein the "play" is similarly as fun as the "triumphant" experience. Including layered accomplishment levels will upgrade the
gaming viewpoints since individuals regularly fancy the test of working for a reward (McClure, 2004). Basically, the right level of test stirs and energizes the mind. Setting and hitting breakthroughs result in a repeated feeling of achievement and supports value, prompting to a definitive fulfilment of achieving the objective and "winning."

Aggregation of points can be a mentally remunerating knowledge in itself, and can trigger a large group of inborn human feelings and conduct as distinguished by Horney (1950) and Maslow, (1968). Since program points are basically a dynamic idea, the brain is allowed to subjectively allot esteem past the money related advantage. Purchasers can see points in ways that are most significant to their own objectives (Zhang & Breugelmans, 2012). The straightforward demonstration of winning points can have esteem without program individuals having claimed or notwithstanding having any thought of how their points may be used. This is like the natural esteem many individuals put on having cash in the bank, regardless of the possibility that they don't promptly plan to spend it. Loyalty programs points relates to security, future indistinct reward potential, advance toward an objective, or even dominance of one's own accounts. Each had the capability of speaking to a natural reward that a customer could relate to the program encounter well before reward recovery has happened (Nunes & Xavier, 2006).

During redemption the recovery improves sentiments of appreciation, significance, fulfilment or obliged correspondence, which may thus goad purchase conduct (Palmatier et al., 2009). Be that as it may, observational discoveries on the post-remunerate consequences for individuals' conduct are rare and the outcomes are blended in the writing. Now and again, point's weight shifts buys in time and makes present reclamation plunges due on stockpiling. Recovery consequences for buy conduct may fluctuate crosswise over LP individuals (Zhang and Breugelmans, 2012). Specifically, the impacts might be directed by individuals' related knowledge with the loyalty program and different socio-demographic factors and also the measure of direct mailing advancements that individuals get (Lewis, 2004).

Nakumatt grocery store gives one point for each Ksh. 100 spent at Nakumatt when one uses their card. Utilizing Nakumatt worldwide card as the method of instalment mode likewise helps one win an additional 0.5 points on Ksh 100 spent. Clients are additionally qualified for 0.5 points for each Ksh 100 spent outside the market. Extra brilliant points are additionally granted regarding exceptional advancements that might be offered every
once in a while. Nakumatt keen points are recovered at Nakumatt outlets and other partaking outlets and are just reclaimed by Nakumatt Global card holders. The points are reclaimed for items and administrations which are offered every once in a while for incomplete instalment of merchandise and ventures on offer. Now and again the grocery store Nakumatt up with impetuses went for compensating faithful clients as they reclaim their points. A standout amongst the most well-known is issuance of school checks to clients who wish to reclaim their points. In 2016 for instance the general store arranged more than 4000 checks at a cost of 200 million which required the clients to reclaim their points at a rate of Kshs 2 for each point (Business Daily 2016). The savvy points are however not reclaimed for money. This study will determine the effect of Nakumatt points system on customer retention in Nakumatt supermarkets in Kenya.

2.3 Effect of Smart Card on Customer Retention

A smart card is a plastic card that contains an installed PC chip—either a memory or microchip type—that stores and executes information (Balishev, 2012). This information is typically connected with value, data, or both and is put away and handled inside the card's chip. As per Euro smart, overall smart card shipments will grow 10% in 2010 to 5.455 billion cards. Markets that have been generally served by other machine coherent card innovations, for example, scanner tag and attractive stripe, are changing over to smart cards as the computed degree of profitability is returned to by every card guarantor a seemingly endless amount of time. Initially presented in Europe about three decades prior, smart cards appeared as a put away esteem instrument for payphones to decrease robbery (Robinson, 2011).

2.3.1 Flexibility

Stacking a card for particular purchase as opposed to general use could deliver diverse relationship to that of a platinum card. Utilization of prepaid cards and trade out the setting of dry-cleaning and photocopying administrations expanded the utilization of both administrations (Soman, 2003). In any case it ought to be noticed that prepaid cards require the client to load cash in the card before they could make any buy. Shoppers spend more on unfortunate nourishment things when they pay with Visa than when utilizing money (Thomas et al., 2011). The trial MasterCard inquire about does not give convincing proof that Visa use and additionally affiliations affect purchase conduct.
In a study to detect whether loyalty cards issued by stores affect client loyalty and how loyalty cards contrast Ergin *et al.*, (2007) discovered that organizations can assemble some extremely valuable data about their customers and the advantage from this collected learning as they create showcasing procedures along these lines ready to section their business sectors all the more viably and serve their objective markets all the more effectively. A study by Mahajar and Yunus (2010) went for recognizing the adequacy of loyalty card program towards client loyalty and to demonstrate client mentality, trust, duty and fulfilment has effect on client loyalty towards a store. The study indicated a significant relationship between loyalty card program and client's loyalty (Mahajar & Yunus, 2010). Loyalty cards to assume a colossal part for associations through expanding client maintenance, improving clients shopping recurrence and increasing new clients (Karim, 2011).

In using data across US general store, Soman (2003) looked at shopping conduct crosswise over money, check and charge card modes of payments. Of the 275 receipts 33.5% used money, 20% used checks and 46.5% paid by means of charge card. The outright sum spent did not vary by much money $23.8; check; $24.0; charge card $24.7. He noticed that when utilizing check and charge card more insignificant things were bought - money $9.0; check $11.7; MasterCard $18.7. A study by Mercatanti and Montegrappa (2008) used information from an overview on 'Italian Households' Spending' keep running by the Bank of Italy and surveyed the effect of check card use on month to month family unit buys amid 1998, 2000 and 2002. Information included recurrence numbers and relative weighted frequencies of tested family units utilizing money and non-money payments instruments. They reasoned that families having non-money payments instruments spent more contrasted with the individuals who did not.

2.3.2 Increased Security Due to the Use of Smart Cards

Cobranded card with accomplice organizations is one alternative to offer something else for the client e.g. a MasterCard in participation with some bank and organization offering the loyalty program to its clients (Balishev, 2012). Individual distinguishing proof number for the client, which can be associated with the cell phone number or record number of the client, can be one choice for the plastic loyalty card. Indeed, even fingerprints could be used to recognize the clients, yet can be considered as a high, future innovation. A loyalty card can be stacked to smart telephones in electronic frame, as
telephones are generally dependant with clients. Versatile flyers are one alternative for the organization to furnish rebate offers with certain legitimacy of time. Additionally portable applications are a choice to serve the clients better and to have dynamic correspondence with the clients by giving most recent offers to them (Balishev, 2012).

There are more than 150 such plans at present in the UK with a consequence of around 40 million cards in current course (Byrom et al., 2001). The innovation of loyalty cards permit retailers to change icy information on purchaser conduct into warm connections and in the end into an authentic loyalty established on common comprehension and trust (Mauri, 2003). A warm relationship is additionally a learning relationship”. As remarked by Jenkinson (1995), loyalty cards are likewise about the accumulation of client information, "in a reward program, the reward is the cost for the data that I get. With each swipe of a loyalty card at a state of offer, the retailer is recording the whole exchange in detail: from the name of the customer, the time they shop, the shop they went to and the whole substance of their trolley (Field, 1997).

In the U.S., purchasers have been utilizing chip cards for everything from going by libraries to purchasing basic supplies to going to motion pictures, solidly coordinating them into regular day to day existences (Bodake et al., 2012). Smart card frameworks have ended up being more solid than other machine-comprehensible cards, as attractive stripe and standardized identification (Balishev, 2012). Smart cards additionally give fundamental segments of framework security for the trading of information all through for all intents and purposes any kind of system. Retail purchases with prepaid cards are relied upon to surpass $200 billion in 2014, or five percent of all U.S. retail spending (Lunka, 2015). Some notable retail marks of late have transformed prepaid cards into a huge part of their business. These organizations are utilizing prepaid cards as a part of their prize programs as a sort of magnet that keeps clients returning.

2.3.3 Increase in Customer Spending

A New Zealand research by Lie, Hunt, Peters, Velin and Harper (2010) found that negative relationship with MasterCard’s restrict the utilization of such cards and point of confinement spending when used. Their study demonstrated that members were more averse to spend within the sight of charge card logos. Visa logo however did not influence spending conduct (Shimp & Moody, 2000). Card images similarly affected evaluated tip sizes and though the impact of the MasterCard logo is not clear. This might be because of
the exploration on setting and plan or there might be social elements affecting everything (McCall, Trombetta & Gipe, 2004). Examinations in a solitary study to inspect the relationship between spending conduct and the payments method were conducted by Raghuribir and Srivastava (2008). The study analysed spending conduct as a component of mode of payments just inspected spending conduct when an equal measure of cash was given as a blessing endorsement versus money. The results indicated the aggregate sum spent was higher in the reward declaration condition than in the money condition over all item classes (Raghuribir & Srivastava, 2008).

In looking at behaviour over two modes of payment by Prelec and Simester (2001) they sold tickets (by means of a fixed offer framework) for a donning occasion and permitted the utilization of money or Visa modes of payment. The normal cost paid by the people who were hoping to pay with Visa was essentially higher than the normal cost paid by the people who were hoping to pay via cash. In the second study they arbitrarily relegated members to a credit or money mode of payment and evaluated their ability to pay for a $175 blessing card to a nearby eatery. They didn't discover a distinction (Prelec & Simester, 2001). They contend that liquidity imperatives can't totally clarify these outcomes. Be that as it may, those members could pick their mode of payment in the main test and not the second might be a component, and in the second test the underestudies might not have had an enthusiasm for nor esteemed the eatery voucher.

Further study by Soman (2001) inspected the impact of past utilization of payments instruments on future spending conduct by making contrasts in the review assessment of past payments. He found that buyers who typically use Visas versus check to pay for exchanges in the test circumstance will probably buy an extra optional item. He recommended that people have a thought of what they spend and whether their present spending is above or underneath the financial plan; that is, the part of planning on spending choice is driven by retrospection of past costs. People use their memory of past spending as a source of perspective indicates direct their present spending (Soman, 2001). Past payments diminishes buy expectation when mode of payments requires the shopper to record the sum paid (e.g. check) or is profoundly straightforward (e.g. money) and when the customer's riches is drained quickly instead of with a postponement. MasterCard needs straightforwardness, bringing on underestimation of past spending, and decoupling of payments from utilization (Soman, 2001).
Nakumatt supermarket permits utilization of brilliant cards, for example, Visa, Master Card and Eurocard in making buys inside the supermarket stores. The Nakumatt Global Prepaid MasterCard was revealed in October 2013. Its primary design is to give a substitution move up to our prevalent Nakumatt Smartcard Loyalty Card. This new card is an association between MasterCard, Kenya Commercial Bank and Diamond Trust Bank. Basically, the Nakumatt Global Card is a prepaid steadfastness card only accessible for our shrewd customers. It is EMV-consistent (Euro pay, MasterCard and Visa) and gives a scope of upgraded advantages and security highlights and our reliable clients amass brilliant points for all buys made crosswise over Nakumatt outlets (Nakumatt Global, 2016). They additionally acquire shrewd points for buys made with the card at any of the more than 35.9-million acknowledgment points, including 2.1 million ATMs where MasterCard is acknowledged around the world.

The card additionally has multicurrency ability, which permits buyers to transfer the prepaid card with any of eight monetary standards (counting) the Kenya shilling, U.S. dollar, Euro, British pound, Indian rupee, South African rand and the Australian dollar. The card is foreseen to instigate clients to make more buys while in the meantime making it their favoured retail location. Among different advantages, the Nakumatt Smart Card manages Nakumatt customers; merchandise for esteem against points i.e. buy of items utilizing points, recovery of points for money i.e. School Fees Checks, Redemption of points for Gift Cards/Vouchers, Discounts on products and ventures with various accomplices, for example, FoneXpress, Oil Libya, Books First, International Air lines Sherlock's Den etc. This study will take a gander at the impact of utilization of savvy card (Nakumatt Global) on client repeat buying and the resulting impact on client maintenance. This study will look at the effect of use of smart card (Nakumatt Global) on customer repeat purchases and the subsequent effect on customer retention.

2.4 Effect of Gift Vouchers on Customer Retention

Gifts have been around for over 10 years, and more organizations, not less, are hopping on the fleeting trend (O'Brien & Jones, 1995). From carriers offering regular flier arrangements to broadcast communications organizations bringing down their charges to get more volume, associations are burning through a huge number of dollars creating and executing rewards programs (Holmes, 2011). A gift voucher can quicken the loyalty life cycle, empowering first-or second-year clients to carry on like an organization's most
gainful tenth-year clients—however just in the event that it is arranged and actualized as a component of a bigger loyalty-administration system (Berman, 2006). An organization must discover approaches to impact esteem to clients in extent to the esteem the clients' loyalty makes for the organization. The objective must be to build up a framework through which clients are persistently taught about the prizes of loyalty and persuaded to acquire them. Accomplishing practical loyalty, measured in years, requires a key supportable approach (Davis, 2007).

2.4.1 Repetitive Buying

Gift vouchers are connected with acquiring recurrence, so these sorts of programs are otherwise called visit buy programs’ (Gomez, et al., 2006). Loyalty programs construct client rewards with respect to aggregate purchasing and intend to create repeat buying. This is performed to produce exchanging costs, protract the purchaser relationship cross or potentially up offering conceivable outcomes (Taylor, 2005). Gift vouchers are viewed as being a very guarded exercise and are separated from other showcasing endeavours by their emphasis on expanding repeat buying loyalty as contradicted to purely picking up piece of the overall industry (Müller, 2007). Gift vouchers unequivocally remunerate customers for uniting their purchase and diminishing how enormous their image collections are (Sharp & Sharp, 1997). At the point when contrasted with other showcasing exercises, loyalty programs can be seen to be a great deal more guarded and long-term in nature.

Gift vouchers are a promoting procedure focused on offering a motivating force yearning to securing client loyalty to a retailer (Hallberg, 2004). Client loyalty is inherent a few cases by offering a quality item with a firm assurance. A definitive objective is happy clients who will come back to buy again and influence others to use that organization's items or administrations (Kotler, 2003). Clients ought to be occupied with request to impact their experience to the program, the brand, and so forth (Hanover Research, 2011). Besides, losing steadfast clients ought to be diverted away from by undertaking incessant and suitable correspondence with them (Laškarin, 2013). This can be executed by breaking down the inclinations of the clients and also by making rewards that they exceedingly esteem.
Dynamic organizations comprehend the prevalent financial matters of focused advertising and the requirement for a fragmented way to deal with creating items and strategic offers. Many put vigorously in statistical surveying to produce expand demographic or psychographic divisions. Be that as it may, time and again these models demonstrate unacceptable in light of the fact that there is no reasonable approach to recognize a client by fragment (Robinson, 2011). A very much outlined prize program can target—and draw in—profitable client fragments. In the meantime, it can spare the organization cash by disheartening those clients who might end up being less important (Yoo, 2011). Such a program is self-selecting and independently rectifying. One such offer, high in esteem and liable to request just to those with huge optional spending capacity, is two carrier tickets for substantial card use amid a six-month time frame. The cost of the offer is high, yet the cost of losing possibly important clients and getting new ones would be higher. What's more, attempting to distinguish important clients through statistical surveying could be costly and tedious, given the measure of the organization’s overall base of clients.

2.4.2 Brand Awareness

Gifts might be in the type of free samples, free trials, premiums, coupons, service contracts and so on (Banks, 2003). Free gifts are offering of items without charging any cost with the expectation that clients will purchase the item. A free sample offers the client an opportunity to use the item by giving a free little part of the item to test (Shimp, 2003). A premium is an item or administration offered free or at a moderately low cost in kind for the buy of one or numerous items or administrations. Free trial alludes to the level at which an item can be attempted by a shopper on a restricted premise. Free time for testing is offered for an item or administration particularly on gadgets sold in general stores (Afande & Kang’arua, 2015). Coupons give a forthright markdown on an item or benefit, and are regularly dispersed independently from the item or administration (Cummins, 2008).

Gifts can be given promptly to clients, which empower the maker to point on particular gathering of shoppers (Leenheer, 2007). Entryway couponing is best to target a specific zone however the cost connected with dissemination is generally high, yet is successful in increasing new clients (Cummins, 2008). Gilbert and Jackaria, (2002) agreeing to the ubiquity of coupon reported that coupon is positioned last as the limited time minimum generally used by customers and slightest impact on item trial. Along these lines, coupons
offer ought to be more appealing than markdown advancement (Gilbert & Jackaria, 2002). Quick rewards are liked to postponed ones more often than not (Dowling & Uncles, 1997).

A premium is an item offered at a generally low cost in kind for the purchase of one or numerous items or administrations (d'Astous & Jacob, 2000). For example, a premium advancement is free tooth brush with a buy of toothpaste, free holders with a purchase of items or free glasses with a buy of soda pops and so forth. A premium is powerful in keeping up quality discernment since buyers make quality inductions in light of the first cost instead of the cost rectified for the estimation of the unconditional present (Darkea & Chungb, 2005). Excellent advancement is a standout amongst the most impacting factors for customer buy choice. This implies unconditional presents or premium advancement separates a special advantage in type of an unmistakable, isolate item which a regularly complimentary item is offered to the clients (Neha & Manoj, 2013).

A free specimen, as an advancement instrument has next to zero essentialness on shopper's purchasing conduct (Gilbert & Jackaria, 2002). However, Fill (2002) and Shimp (2003) have demonstrated a critical effect of free examples on buyer's buy choice. Loyalty programs urge the customers to settle on choices all the more powerful while making repeated buying with the firm (Jain & Singhal, 2012). Loyalty programs do reimburse on total acquiring which improved client maintenance and urged them to make repeat buying by demonstrating motivating forces which is gainful to them (Shimp, 2003; Jain & Singhal, 2012).

2.4.3 Greater Perceived Value

Gifts are essentially a generator of repeat buying and a reward for loyalty as they give retailers a few advantages including the capacity to pull in new purchasers and brand switchers (Gedenk et al., 2006). Gifts in client loyalty programs are to fill in as motivators to urge the client to focus buys to one store or to buy more. Gifts increment the estimation of purchaser things in this way the cost is no more drawn out the main money related criteria used by the client to assess retail things (Demoulin & Zidda, 2008). Loyalty programs upgrade client loyalty straightforwardly by offering rewards as an impetus to shop consistently at any grocery store (Karim, 2011).
Many fast food chains and administration suppliers, for example, auto washes offer prize programs of the second sort, purchase and get one free. These programs may have a humble impact in urging clients to purchase all the more regularly and to avert exchanging between suppliers (Gedenk et al., 2006). Notwithstanding, they are probably going to have an exceptionally constrained impact on developing income as most contenders inside a geographic range will receive comparative programs to kill any brand exchanging; and since the programs are unknown and un-tiered, clients are far-fetched climb or change their buy conduct essentially (Robinson, 2011). Clients turn out to be extremely faithful to the store mark as they value accepting significant offers for the fair sorts of thing they like to purchase as opposed to nonexclusive producer coupons.

Most organizations dispatch rewards programs without surveying their own particular needs and the financial aspects of circumstances and end results. They haven't thoroughly considered the connections between the esteem conveyed to clients and the esteem made for the organization (Zeithaml et al., 2001). A prizes program ought not to give something in vain: The benefits will be deceptive; however the expenses will be genuine. One-time advancements can cost a lot of cash and don't, when in doubt, create loyalty. They do in fact change client conduct however frequently in ways that are undesirable over the long haul. Any positive effect is washed away when contending organizations dispatch their next advancements. The maximum capacity of significant worth sharing through prizes is acknowledged just when clients turn out to be economically faithful. The maximum capacity of significant worth sharing through prizes is acknowledged just when clients change their propensities to wind up reasonably steadfast. Furthermore, that move happens just when the organization has created and conveyed a recommendation that obviously has long haul benefits for the customer (Robinson, 2011).

Nakumatt supermarket from time to time offers gifts to its customers. Some of the gifts require the customers to spend up to a certain amount in which case they are presented with gifts. In other instances spending up to some indicated amounts qualifies one to entry in a grand draw where they win vouchers or products. Gift systems aim at making the purchasers spend more. The supermarket mainly brings such offers during major occasions such as Easter holidays, Christmas or back to school period. This study will find out the effect of gifts on customer retention in Nakumatt supermarket in Kenya.
2.5 Effect of Discounts on Customer Retention

Discounts can be found in industry and administration structures as they are regular in instances of virtual equality, which means when there is minor distinction between costs or administration content, in low-association choices, when there is extraordinary rivalry among couple of contenders, when there are high altered and low factor costs and where sit out of gear limit makes it conceivable to offer free administrations (Arantola, 2000). They can be thought to be useful in circumstances like building ads to show value, or when lifetime client esteem is high, or when client maintenance expenses are less than obtaining costs (Alvarez & Cavanagh, 2005).

At the point when custom-made to those client's needs, extraordinary discounts can likewise be compelling (Ndubisi, 2005). In practically every market the world over value still means the time when purchaser and merchant are at long last in assertion. Producer, retailers in present day business frequently make non-value purposes of contrast, for example, item quality, mark picture, bundling and administration against their rivals (Osman et al., 2011). However serious rivalry in the commercial centre and with developing capacity of contenders to take after every part of non-value focuses as examined has made it troublesome for advertisers to win the certainty of clients. Subsequently numerous organizations, retailers and fabricates today uses cost based discount to impact the obtaining conduct of the clients (Inman et al., 2009).

2.5.1 Increase in New Customers Due to Discounts Offered

Discounts are more compelling in prompting stock heaping, and buy increasing speed, direct in brand exchange, and new item trial in a specific order, yet are not sufficiently viable to instigate individuals to spend more (Manish & Poojae, 2011). Discounts are used to support trial among non-clients of items and administrations. In this manner, it is essential to comprehend the impacts of advancements on assessments made by buyers who don't have any related knowledge with the advanced brand (Inman et al., 2009). Such advancements are coordinated towards totally new clients with the aim to present the brand.

Much research has been done to highlight the constructive outcomes of value discount on obtaining the choice of a client. Discounts are exceptionally regular limited time systems as they are a powerful method for drawing in clients (Alvarez & Cavanagh, 2005).
Furthermore Yeshin (1998) clarifies that the new cost is as often as possible highlighted on the bundle itself, completely or as a rate to the past cost. Cost discount expands the volume of offers amid the advancement time frame (Dawes, 2004). There is a connection between discounts and item trial as discounts provide buyers with money related funds on particular items (Shimp, 2003).

On the off chance that buyers are in a store deliberately scanning for these particular items, then it is normal that they would discover advancements on such items more alluring contrasted with those shoppers who are in the store yet don’t have an earlier buy objective for an advanced item. In this manner, the buy probability is higher. Notwithstanding this primary impact, customers may respond to various advancement attributes in various ways given the presence or nonattendance of a pre-purchase objective. Low cost does not assume noteworthy part between the client and the item, brand or organization. The best way to pick up the proceeding with client loyalty is to construct client relationship in light of feelings and trust, to offer one of a kind and high esteemed benefits in the casing of existing client loyalty program. Material advantages can be a part of the client loyalty program, yet act in no specific part by essence (Ashalyan et al., 2001).

2.5.2 Customer Saving

Value discount offers buyers items at decreased cost from general cost of an item. Cost offs imply that the producer denote the stock that the client could precisely observe that the cost is brought down (Fill, 2002). Cost advancement ordinarily lessens the cost for a given amount or builds the amount accessible at a similar cost, in this manner upgrading esteem and making a monetary motivation to buy. In any case, if buyers relate advancements with second rate mark quality, then, to the degree that quality is critical, cost advancement will not accomplish the degree of offers increment the financial motivating force generally may have created. Value discounting is a typical practice used by associations to initiate item trial and repeat buying by new and current clients (Osman et al., 2011).

Discount is the easiest strategy to offer an immediate decrease in the price tag with the offer plainly named on the bundle or purpose of procurement show (Fill, 2002). Value discount assumes a noteworthy part in affecting buyer item trial conduct. Value Discount assumes a huge part in brand exchanging, buy quickening, stock heaping, item trial and
spending more in the store (Farrag, 2010). Value discount actuates purchase increasing speed, spending progressively and stockpiling among clients (Shi & Prendergast, 2004). Cost discounts assume huge parts in impacting consumers purchase trial conduct and increment fleeting deals (Osman et al., 2011).

A study on utilization of limited time discounts in Tesco by Felgate et al. (2012) discovered that the relationship between limited time exercises and deal development is directed by the life-arrange profile of the customer. It was likewise uncovered plainly that the effect of multi-purchase advancements on deals development is probably going to be more prominent among families than single or dingle family units (Felgate et al., 2012). Nonetheless, the effect of value cuts on deals development was not more noteworthy among single and dingle family units than families – or possibly it couldn't have appeared as valid for standard hamburger class. Their study gave helpful knowledge on how the loyalty card information can empower the analysts to see the contrasts between customer sections in their reaction to different advancements. They additionally discovered that there is an extensive variety in the impact of various advancement mechanics between and inside the distinctive subgroups (Felgate et al., 2012).

2.5.3 Increase in Purchases

To find out how buyers see in-store discounts; that is, which ones they consider most essential by item class, and which ones they accept have the greatest effect on their buy choices Schultz and Block (2009) explored out nine distinctive item classifications, of which the nourishment related classes are spoken to next and in addition the normal rate of the nine classes. In-store exercises have an immense impact particularly on basic supply purchase. Findings showed that eight broadly used as a part of store publicizing exercises with their buyer inclinations in three sustenance classes are analyzed. For instance, unique presentations appeared to impact sustenance stockpiling packs. Strangely enough, not exactly every fourth shopper reported that in-store TV had any impact on their purchases in any of the nourishment related classifications. The share was considerably less for in-store radio (Schultz & Block, 2009).

A different study on relationship between client maintenance and client loyalty and their significance to the business by Singh and Khan (2012) found that understanding and fulfilling client's behaviour gives the advantage to the business in the long haul. Encourage, setting up great association with the clients by giving better administrations
will make client loyalty and more visits after some time consequently convey more benefit to the business in long haul and will decrease the opposition (Singh & Khan, 2012). By use of cross-sectional data from an overall monetary administrations organization that offers a loyalty rewards program to test the conditions under which a loyalty rewards program will positively affect client assessments, conduct, and repeat buying expectations (Kannan & Bramlett, 2000). The outcomes showed that individuals in the loyalty rewards program discount get negative assessments of the organization in correlation with the contenders (Kannan & Bramlett, 2000). Business growth would be lucrative to advancement inclined clients for some different reasons, instead of simply value sparing. Such advancement inclined clients are probably going to change brands to acquire uncommon arrangements that bolster their shrewd shopping recognition (Chandon et al., 2000).

Nakumatt in conjunction with a few makers, for example, Coca-Cola, Unilever, Elliot’s, Delmonte, and P&G etc may choose to offer merchandise at a discount with an end goal to draw in more purchasers. Amid seasons, for example, Ramadan or Christmas where clients need to spend, paying little mind to the value, the store offers merchandise at a discount so as to be focused over its opponents. This procedure draws in buyers who may now and again wind up getting to be faithful to the store or notwithstanding making repeat purchases. This study will determine the effect of discounts on customer retention in Nakumatt supermarkets in Kenya.

2.6 Chapter Summary

This chapter looks into detail the concept of loyalty programs. It further highlights on related studies relating to loyalty programs and customer retention. Empirical studies on loyalty programs have shown a positive relationship to retention. Finally the literature looks at the effect of loyalty programs on retention based on the study’s objectives which are; to examine the effect of the points system on customer retention, to determine the effect of smart card on customer retention and to determine the effect of gift vouchers on customer retention, to examine the effect of the discounts on customer retention in Nakumatt supermarket in Kenya.
Chapter three looked at the research methodology that was employed in the research of this project. Descriptive research design was used to describe the characteristics of the population being studied. The population of the study was selected based on five Nakumatt branches located in the central business district (CBD).
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at how efficiently data will be obtained from the respondents in order to measure the effect of loyalty programs on customer retention in Nakumatt supermarkets. The chapter starts by describing the research design and showing the best design that suits the study. The chapter further looks at the population and sample design employed in this study. It also outlines the data collection methods before examining the research procedures to be applied by the study. The study finally scrutinizes the data analysis before closing the chapter with a summary.

3.2 Research Design

Research design can be considered as the rationale or end-all strategy of a research that tosses light on how the study is to be led (Cooper & Schindler, 2008). It demonstrates how the greater part of the real part of the research study—the specimens or gatherings, measures or projects, etc.—work together trying to address the research questions (Kothari, 2006). The research design can either be contextual, descriptive, exploratory, non-experimental or qualitative.

In contextual research the environment and conditions in which the study takes place as well as the culture of the participants and location while in descriptive research it is designed to provide a picture of a situation as it naturally happens (Creswell & Plano Clark, 2007). Explorative studies are undertaken when a new area is being investigated or when little is known about an area of interest. Non-experimental research is used in studies whose purpose is description and where it is unethical to manipulate the independent variable (Polit et al., 2001). Qualitative research focuses on the experiences of people as well as stressing uniqueness of the individual (Burns & Grove, 2003).

The study adopted descriptive research design by use of a survey. Descriptive design is a design used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation (Creswell, 2013). This study design was selected because it helps the researcher describe data and
characteristics about the population and phenomenon under study. Using the design, both quantitative and qualitative data were collected.

This design was therefore suitable in providing information on the effect of loyalty programs on customer retention in Nakumatt supermarket in Kenya. It evaluated four elements (point system, smart card, gift vouchers, and discounts) under the loyalty programs as the independent variables and the customer retention as the dependent variable.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point system</td>
<td>Customer retention</td>
</tr>
<tr>
<td>Smart card</td>
<td>Increased sales</td>
</tr>
<tr>
<td>Gift vouchers</td>
<td>High profits</td>
</tr>
<tr>
<td>Discounts</td>
<td></td>
</tr>
</tbody>
</table>

![Conceptual Framework](image-url)

**Figure 3.1: Conceptual Framework**
3.3 Population and Sampling Design

3.3.1 Population

The population of a study refers to the whole group of people or objects to which researchers are interested in generalizing the conclusions (Cooper & Schindler, 2008). The target population was customers/clients of Nakumatt supermarket in the branches within Nairobi Kenya. According to data from Nakumatt management there is an estimated 4,900 customers visiting the Nakumatt branches below on a daily basis. The customers are distributed within the five branches mentioned below.

Table 3.1: Daily Population Distribution

<table>
<thead>
<tr>
<th>Branch</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakumatt Ronald Ngala</td>
<td>800</td>
<td>16.3</td>
</tr>
<tr>
<td>Nakumatt Moi Avenue</td>
<td>1000</td>
<td>20.4</td>
</tr>
<tr>
<td>Nakumatt Lifestyle</td>
<td>1200</td>
<td>24.5</td>
</tr>
<tr>
<td>Nakumatt Haile Sellasie</td>
<td>900</td>
<td>18.4</td>
</tr>
<tr>
<td>Nakumatt City Hall</td>
<td>1000</td>
<td>20.4</td>
</tr>
<tr>
<td>Total</td>
<td>4900</td>
<td>100</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame is the list or a set from which the respondents of a research study are picked (Kothari, 2012). The sampling frame of the study was made up of five (5) Nakumatt branches within the Nairobi CBD. The sample elements were loyal customers to these supermarkets that have participated or benefited from one or several forms of loyalty programs.

3.3.2.2 Sampling Techniques

Sampling techniques are procedures for selecting a sample that is used to make judgment about the entire population (Bailey, 2004). There are two sampling techniques used in determining the sample of a study namely; probability and non-probability sampling. The main distinction between the two sampling procedures is the definiteness of the
population. In probability sampling, the total number of population is known hence techniques such as simple random, cluster random and stratified sampling can be applied. Non-probability sampling does not have a prior knowledge of the exact number of population of the study thus techniques such as snow ball, purposive and convenience sampling techniques are applied (Cooper & Schindler 2008).

The study employed disproportionate sampling. Disproportionate sampling is a type of sampling method which allows the researcher to have an equal number of samples in all the strata irrespective of the total in each (Kothari, 2012). With the assumption that the respondents enjoy some form of loyalty program from Nakumatt supermarket then the population was considered homogeneous. In this study a sample size of 77 customers in all the five supermarkets were to participate in the study this is because with disproportionate stratified sampling the sample size of each stratum does not have to be proportionate to the population size of the stratum.

With a starting number of 3, the researcher selected every 5th customer coming out of the supermarket to participate in the study. Therefore the procedure was as follows; 3, 5, 8, 13, 18, 23, 28, 33…..

**3.3.2.3 Sample Size**

Sample size is a means of determining the number of elements of the population to be included in the sample (Creswell, 2013). The study sampled customers within Nairobi city who are esteemed customers of Nakumatt supermarkets. Nakumatt supermarket has an infinite number of customers that frequent over 5 branches within the Nairobi CBD and participates on one or various forms of loyalty programs and thus this number was used as the target population.

Since the exact number of customers is unknown, the following formula by Cochran (1963) was used.

\[ n_0 = \frac{Z^2 pq}{e^2} \]

Where

- \( n_0 \) = sample size
- \( Z^2 \) = abscissa of the normal curve that cuts off an area \( \alpha \) at the tails
- \( e \) = desired level of precision
\( p = \) is the estimated proportion of an attribute that is present in the population

\( q = 1-p. \)

Thus;

\[
n_0 = 1.96^2 \times (0.5) \times (0.5) / (0.05)^2
\]

\( n_0 = 385 \)

Therefore the population size was 385 respondents.

**Table 3.2: Sample Size**

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakumatt Ronald Ngala</td>
<td>800</td>
<td>77</td>
<td>16.3</td>
</tr>
<tr>
<td>Nakumatt Moi Avenue</td>
<td>1000</td>
<td>77</td>
<td>20.4</td>
</tr>
<tr>
<td>Nakumatt Lifestyle</td>
<td>1200</td>
<td>77</td>
<td>24.5</td>
</tr>
<tr>
<td>Nakumatt Haile Sellasie</td>
<td>900</td>
<td>77</td>
<td>8.4</td>
</tr>
<tr>
<td>Nakumatt City Hall</td>
<td>1000</td>
<td>77</td>
<td>20.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4900</strong></td>
<td><strong>385</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Methods

Data collection is the way of getting data on focused factors in a set up efficient form, which then empowers one to answer significant questions and assess results (Burns & Grove, 2003). The reason for data collection is to gather vital data to continue a record for further use, to settle on essential choices about various issues, and to pass fundamental data on to others. There are two common methods of data collection; primary and secondary. Primary data collection method involves collecting first-hand information from the participants. Primary data can further be categorized as either experimental or non-experimental research. Non-experimental pertains to use of observation, focus discussion groups, interviews and questionnaires among others (Cooper & Schindler, 2008) with questionnaires, interviews and direct observations as the most important means of data collecting (Kothari, 2006). The study used primary data since it’s suitable for obtaining original data from the customers, in regard to the effect of loyalty programs offered by Nakumatt supermarkets. The primary data was collected using structured questionnaires.
The questionnaires were structured into both open-ended and closed-ended questions. The questionnaire was divided into five major parts namely: section A on respondents’ general information; Section B on effects of point system on customer retention; section C on effects of smart card on customer retention; section D on effects of gift vouchers on customer retention; section E on effects of discounts on customer retention while section F was on the customer retention variable. A five point Likert scale where (1) is Strongly Disagree, (2) Disagree, (3) Neither disagree nor Agree (4) Agree, (5) Strongly Agree in rating various statement was used for measuring independent variables. A further five point Likert scale where 1=no extent, 2=little extent, 3=moderate extent, 4=great extent and 5= very great extent was used for identifying the dependent variables. This ratio scale was useful in analyzing the data both descriptive and inferential.

Structured questions have many potential advantages among them being generally time- and financial savvy, that it encourages wide geological scope and that respondents can finish it at their own pace. It in this way streamlines the gathering of generally more data on a dense premise. Likewise, questionnaire data can be handled generally easily as it evokes moderately uniform reactions. Questionnaires can likewise guarantee namelessness and accordingly respondents are more disposed to be straightforward, which more often than not helps with acquiring more exact and legitimate research data. The odds of the scientist making biasness are additionally diminished as an after effect of the unoriginal way of questionnaires. It is likewise more plausible that respondents will finish this kind of questionnaire as opposed to open questions, attributable to the time and mental depletion of the last mentioned.

The potential disadvantages of a questionnaire with organized questions are the limitations set on a respondent. He or she doesn't have the opportunity to move outside the limits set by the decisions. A further drawback is that questionnaires are ordinarily used and that low reaction rates are generally an issue as a level of "resistance" to questionnaires exist. Another potential hindrance is that emphatically organized questionnaires can on occasion make inside and out examination extremely troublesome. Questionnaires are additionally limited to the respondents' level of education and questionnaires all things considered, can sometimes almost not persuade respondents to take an interest in the exploration. Be that as it may, these potential hindrances were to a great extent overcome by a well-founded outline and organization process and questionnaires.
3.5 Research Procedures

The first step entailed preparation of structured questionnaire with both closed ended and open ended questions. The next step involved pre-testing the instruments to ensure they are free from errors through the guidance from the supervisor. Pretesting involved use of five respondents from each of the supermarket under the study. The researcher took note of any difficulties the respondents experienced, ambiguous questions and the time taken to fill the questionnaire. Changes were factored in appropriately before embarking on the actual field study. The questionnaires were administered using drop and pick method. Since the customers are knowledgeable and were able to fill without assistance they were issued with questionnaires to fill by themselves. The researcher looked for assistants who helped her in issuing questionnaires to the respondents. Since the study targets customers who frequent Nakumatt supermarkets, the assistants placed themselves in strategic points near such stores so as to be able to identify potential participants. It was also important to pay attention to the information received from the pre-tested questionnaires and make any necessary changes that were required.

3.6 Data Analysis Methods

After data collection, questionnaires were checked for completeness to ensure they were ready for analysis. With the help of SPSS (Statistical Package for Social Science) version 20, quantitative data collected using questionnaires were analysed using percentages, frequencies, means and standard deviation in form of tables and graphs. Factor analysis was used to determine the prominent factor. Factor analysis brings inter-correlated variables together under more general, underlying variables. A frequency distribution expressed the result of the grouping of the responses with respect to a single quantitative characteristic. Percentages were used conjointly with frequencies to express the proportion ranging from 0-100, on the same responses. Mean score and standard deviation were used in Likert scale data. In this case, Likert scale questions allowed the respondents to indicate their levels of agreement with statements referring to the factors affecting customer retention. The mean ranged from 1-5 based on the Likert scale.

Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicated that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data was spread out over a
large range of values. A multiple regression analysis was used to evaluate the effect of
to loyalty programs on customer retention in Nakumatt supermarket in Kenya. The
type of regression equation was:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon: \]

Where \( Y = \) Customer retention

\( \beta_0 = \) Constant

\( \beta_1, \beta_2, \beta_3, \beta_4, \beta_5 = \) Regression Coefficients

\( X_1 = \) Point system

\( X_2 = \) Smart card

\( X_3 = \) Gift vouchers

\( X_4 = \) Discounts

\( \epsilon = \) Error term

### 3.7 Chapter Summary

This chapter looks at the research design pinpointing on the use of descriptive research
design for this study. It also looks at the target population and further details on the
sampling techniques and the sample size for the study. Further in the chapter is the data
collection method and finally an outline of data analysis is given. The fourth chapter
provides the results and findings of the research. SPSS was used to analyse and interpret
the data collected.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the results and findings of the study of the research questions with regard to the data collected from the respondents. The findings are presented as per the study objectives that is; to establish the effect of point system on customer retention in Nakumatt supermarket, to find out the effect of smart cards on customer retention in Nakumatt supermarket, to determine the effect of gift vouchers on customer retention in Nakumatt supermarket and to determine the effect of discounts on customer retention in Nakumatt supermarket. Out of a total of 385 questionnaires only 336 were fully filled and qualified for analysis thus making a response rate of 87.3%. This was considered fit for analysis as Mugenda & Mugenda (2013) suggests that a response rate of over 70% is excellent for the study.

4.2 General Information
The general information of the study aimed at getting data on gender, age bracket, highest level of education, duration of shopping at Nakumatt supermarket and number of times shopped weekly.

4.2.1 Gender of the Respondents
The respondents were required to indicate their sex orientation. The findings are as summarized in Table 4.1. Majority of the respondents 51.5% were males while females were 48.5%. This indicates that both gender equally participated in the study.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>173</td>
<td>51.5</td>
</tr>
<tr>
<td>Female</td>
<td>163</td>
<td>48.5</td>
</tr>
<tr>
<td>Total</td>
<td>336</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.2 Age Bracket of the Respondents
The respondents were requested to indicate their age. The findings were as shown in the Figure 4.1 below. The study established that majority of the respondents (39%) were
between the ages of 20-30 years, 23.2% were aged between 31-40 years, 22% were aged between 41-50 years, 8.3% were above 50 years while 7.4% were below 20 years.

**Figure 4.1: Age Bracket**

4.2.3 Highest Level of Education

The respondents were requested to indicate their level of education. The findings were as shown in the Figure 4.2 below. According to the findings, majority of the respondents (37.2%) had college level, 26.2% had university education, and 23.5% were postgraduate diploma holders while the remaining 13.1% had secondary education.

**Figure 4.2: Highest level of education**
4.2.4 Duration of Shopping at Nakumatt Supermarket

The study requested the respondents to indicate the duration of shopping at Nakumatt supermarket. The findings are illustrated in the Figure 4.3. From the findings, it can be established that most of the respondents (42.9%) have been shopping at Nakumatt Supermarket for a period of 5-10 years, 35% have been shopping for 11-15 years, 22.9% for less than 5 years while the remaining 9.2% for over 15 years. This therefore implies that most Nakumatt customers have been shopping there for more than 5 years. It is an indication of some kind of loyalty thus high customer retention.

![Duration of Shopping at Nakumatt Supermarket](image)

**Figure 4.3: Duration of Shopping at Nakumatt Supermarket**

4.2.5 Number of Weekly Shopping

The respondents were further required to indicate the number of times in a week that they shop at Nakumatt supermarket. Their response is summarized in Figure 4.4. The findings in shows that majority (45.2%) of Nakumatt customers shopped once a week followed by 33.3% who shopped 2-3 times a week, 15.2% who shopped more than 3 times a week and only 6.3% shopped every day. This is an indication that Nakumatt customers do frequent the stores for at least once a week.
4.3 Influence of Point System on Customer Retention

The first objective of the study was to examine the effect of point system on customer retention. The respondents were to indicate their level of agreement on the given statements using a scale of 1-5 where 1=strongly disagree, 2= disagree, 3= neither agree nor disagree, 4=agree and 5= strongly agree. The findings are as shown in Table 4.2, 4.3 and 4.4.

4.3.1 Point Redemption Process

A high number of the respondents strongly agreed (42.3%) that they shopped more in order to get more points and reach the limit on time, 19.6% agreed, 12.5% neither agreed nor disagreed, 16.7% disagreed while 8.9% strongly disagreed. Thus customers shop more in order to get more points and reach the limit on time (mean=3.70, SD=1.390). The respondents agreed (44.9%) that they made the decision to redeem the points a short time ahead of the redemption, 18.5% strongly agreed, 18.5% strongly disagreed, 11% disagreed while 7.1% neither agreed nor disagreed. Its thus unsure whether customers make the decision to redeem the points a short time ahead of the redemption (mean=3.34, SD=1.388).

Many respondents agreed (43.2%) that they redeemed the points for goods offered by the supermarket 37.2% strongly agreed, 9.8% disagreed, 6.8% neither agreed nor disagreed and 3% disagreed. Customers thus redeem the points for goods offered by the supermarket (mean=4.02, SD=1.051). Further, the respondents strongly agreed (44%) that they redeemed their points when they don’t have enough cash, 29.5% agreed, and 11%
strongly disagreed, 10.1 disagreed and 5.4% neither agreed nor disagreed. Therefore customers redeem their points when they don’t have enough cash (mean=3.85, SD=1.369).

### Table 4.2: Point Redemption Process

<table>
<thead>
<tr>
<th>Point redemption process</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I shop more in order to get more points and reach the limit on time</td>
<td>8.9</td>
<td>16.7</td>
<td>12.5</td>
<td>19.6</td>
<td>42.3</td>
<td>3.70</td>
<td>1.390</td>
</tr>
<tr>
<td>I make the decision to redeem the points a short time ahead of the redemption</td>
<td>18.5</td>
<td>11</td>
<td>7.1</td>
<td>44.9</td>
<td>18.5</td>
<td>3.34</td>
<td>1.388</td>
</tr>
<tr>
<td>I redeem the points for goods offered by the supermarket</td>
<td>3</td>
<td>9.8</td>
<td>6.8</td>
<td>43.2</td>
<td>37.2</td>
<td>4.02</td>
<td>1.051</td>
</tr>
<tr>
<td>I redeem my points when I don’t have enough cash</td>
<td>11</td>
<td>10.1</td>
<td>5.4</td>
<td>29.5</td>
<td>44</td>
<td>3.85</td>
<td>1.369</td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

### 4.3.2 Prizes Available

Majority of the respondents strongly agreed (40.5%) that they got excited by the prizes they got from point redemption, 35.7% agreed, 11.6% neither agreed nor disagreed, 9.2% strongly disagreed and 3% disagreed. Thus customers get excited by the prizes they get from point redemption (mean=3.95, SD=1.213). A total of 45.5% respondents strongly agreed that the prizes they got from their points made them stick to this supermarket, 33.3% agreed, 8.3% strongly disagreed 7.7% neither agreed nor disagreed and 5.1% disagreed. The prizes that customers get from their points make them stick to this supermarket (mean=4.03, SD=1.220).

Quite a number of respondents agreed (52.4%) that the prizes encouraged them to return to the supermarket in order to save money, 32.1% strongly agreed, 10.7% neither agreed nor disagreed, 4.2% disagreed while 0.6% strongly disagreed. The prizes encourages customers to return to the supermarket in order to save money (mean=4.11, SD=0.799).
### Table 4.3: Prizes Available

<table>
<thead>
<tr>
<th>Prizes Available When you Redeem Points</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I get excited by the prizes I get from point redemption</td>
<td>9.2</td>
<td>3</td>
<td>11.6</td>
<td>35.7</td>
<td>40.5</td>
<td>3.95</td>
<td>1.213</td>
</tr>
<tr>
<td>The prizes I get from my points makes me stick to this supermarket</td>
<td>8.3</td>
<td>5.1</td>
<td>7.7</td>
<td>33.3</td>
<td>45.5</td>
<td>4.03</td>
<td>1.220</td>
</tr>
<tr>
<td>The prizes encourages me to return to the supermarket in order to save money</td>
<td>0.6</td>
<td>4.2</td>
<td>10.7</td>
<td>52.4</td>
<td>32.1</td>
<td>4.11</td>
<td>.799</td>
</tr>
</tbody>
</table>

**Key:** SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

### 4.3.3 Customer Satisfaction Due to Point Redemption

Majority of the respondents agreed (41.7%) that the points build up emotional relationships hence their continued frequency at the supermarket, 39.3% strongly agreed, 9.5% strongly disagreed, 8.9% neither agreed nor disagreed while 0.6% disagreed. The points build up emotional relationships hence customers continued frequency at the supermarket (mean=4.01, SD=1.169). A relatively high number of the respondents agreed (45.8%) that the points systems was very considerate of their needs, 37.2% strongly agreed, 11.9% strongly disagreed, 3.9% neither agreed nor disagreed while 1.2% disagreed. The points systems is thus very considerate of customer's needs (mean=3.95, SD=1.238). Many respondents agreed (46.1%) that they got excited when they got rewards from the points earned, 38.4% strongly agreed, 14.9% neither agreed nor disagreed while 0.6% strongly disagreed. Thus customers get excited when they get rewards from the points earned (mean=4.22, SD=0.735).
Table 4.4: Customer Satisfaction Due to Point Redemption

<table>
<thead>
<tr>
<th>Customer Satisfaction Due to Point Redemption</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The points build up emotional relationships hence my continued frequency at the supermarket</td>
<td>9.5</td>
<td>0.6</td>
<td>8.9</td>
<td>41.7</td>
<td>39.3</td>
<td>4.01</td>
<td>1.169</td>
</tr>
<tr>
<td>The points systems is very considerate of my needs</td>
<td>11.9</td>
<td>1.2</td>
<td>3.9</td>
<td>45.8</td>
<td>37.2</td>
<td>3.95</td>
<td>1.238</td>
</tr>
<tr>
<td>I get excited when I get rewards from the points earned</td>
<td>0.6</td>
<td>0</td>
<td>14.9</td>
<td>46.1</td>
<td>38.4</td>
<td>4.22</td>
<td>.735</td>
</tr>
</tbody>
</table>

Key: SD- strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

4.4 Influence of Smart Card on Customer Retention

The first objective of the study was to examine the effect of smart card on customer retention. The respondents were to indicate their level of agreement on the given statements using a scale of 1-5 where 1=strongly disagree, 2= disagree, 3= neither agree nor disagree, 4=agree and 5= strongly agree. The findings are as shown in Table 4.5, 4.6 and 4.7.

4.4.1 Flexibility

Majority of the respondents agreed (50%) that they chose Nakumatt supermarket since it allowed use of smart card, 33.6% strongly agreed, 10.1% strongly disagreed, 4.5% neither agreed nor disagreed, 1.8% disagreed. Customers thus choose Nakumatt supermarket since it allows use of smart card (mean=3.95, SD=1.168). Respondents strongly agreed (51.5%) that they frequently used my smart card to make purchases at the supermarket, 36.6% agreed, 7.1% neither agreed nor disagreed, 1.8% strongly disagreed while 3% disagreed. Customers frequently use their smart card to make purchases at the supermarket (mean=4.33, SD=0.871).

A relatively high number of the respondents agreed (44%) that they use the smart card in other stores to make purchases 36% strongly agreed, 2.4% disagreed, 7.7% neither agreed nor disagreed and 2.4% disagreed. Thus customers use the smart card in other stores to
make purchases (mean=3.94, SD=1.191). Half the respondents strongly agreed (50.6%) that the use of smart card is more convenient than cash purchases, 32.7% agreed, 0.6% strongly disagreed, 1.8% disagreed and 14.3% neither agreed nor disagreed. Therefore use of smart card is more convenient than cash purchases (mean=4.31, SD=0.825).

Table 4.5: Influence of Smart Card on Customer Retention

<table>
<thead>
<tr>
<th>Flexibility</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean (%)</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I choose Nakumatt supermarket since it allows use of smart card</td>
<td>10.1</td>
<td>1.8</td>
<td>4.5</td>
<td>50</td>
<td>33.6</td>
<td>3.95</td>
<td>1.168</td>
</tr>
<tr>
<td>I frequently use my smart card to make purchases at the supermarket</td>
<td>1.8</td>
<td>3</td>
<td>7.1</td>
<td>36.6</td>
<td>51.5</td>
<td>4.33</td>
<td>.871</td>
</tr>
<tr>
<td>I use the smart card in other stores to make purchases</td>
<td>9.8</td>
<td>2.4</td>
<td>7.7</td>
<td>44</td>
<td>36</td>
<td>3.94</td>
<td>1.191</td>
</tr>
<tr>
<td>The use of smart card is more convenient than cash purchases</td>
<td>0.6</td>
<td>1.8</td>
<td>14.3</td>
<td>32.7</td>
<td>50.6</td>
<td>4.31</td>
<td>.825</td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

4.4.2 Security

A moderate number of the respondents strongly agreed (43.8%) that the supermarket does not infringe my details without my permission, 27.4% agreed, 22.6% neither agreed nor disagreed, 5.1% strongly disagreed and 1.2% disagreed. Therefore supermarket does not infringe my details without my permission (mean=4.04, SD=1.081). Quite a number of the respondents strongly agreed (44.9%) that they do not allow any other person to use their smart cards, 29.2% agreed, 11.6% neither agreed nor disagreed, 10.7% disagreed 3.6% strongly disagreed. So, customers do not allow any other person to use my smart cards (mean=4.02, SD=1.149). High number of the respondents strongly agreed (63.4%) that they found it secure to carry their card instead of liquid cash when making purchases, 36.6% strongly agreed, 2.4% disagreed while 0.6% strongly disagreed. This is to indicate that customers find it secure to carry my card instead of liquid cash when making purchases (mean=4.58, SD=0.651).
Table 4.6: Security

<table>
<thead>
<tr>
<th>Security</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The supermarket does not infringe my details without my permission</td>
<td>5.1</td>
<td>1.2</td>
<td>22.6</td>
<td>27.4</td>
<td>43.8</td>
<td>4.04</td>
<td>1.081</td>
</tr>
<tr>
<td>I do not allow any other person to use my smart cards</td>
<td>3.6</td>
<td>10.7</td>
<td>11.6</td>
<td>29.2</td>
<td>44.9</td>
<td>4.01</td>
<td>1.149</td>
</tr>
<tr>
<td>I find it secure to carry my card instead of liquid cash when making purchases</td>
<td>0.6</td>
<td>2.4</td>
<td>0</td>
<td>36.6</td>
<td>63.4</td>
<td>4.58</td>
<td>.651</td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

4.4.3 Increase in Customer Spending

Less than half of the respondents strongly agreed (42.9%) that they spent more when paying with smart card compared to paying through cash, 26.5% agreed, 17% neither agreed nor disagreed 7.4% disagreed while 6.3% strongly disagreed. This shows that customers spend more when paying with smart card compared to paying through cash (mean=3.92, SD=1.207). More than half of the respondents agreed (53.9%) that they tend to purchase unnecessary items without realizing it when smart card was involved, 22.6% strongly agreed, 14.3% neither agreed nor disagreed 4.8% disagreed while 4.5% strongly disagreed. This is to imply that customers tend to purchase unnecessary items without realizing it when smart card is involved (mean=3.85, SD=0.971). Quite a number of the respondents agreed (41.1%) that often times they don’t counter check the price of items as long as they were on their shopping list, 30.1% strongly agreed, 11% strongly disagreed, 9.2% strongly agreed while 8.6% neither agreed nor disagreed. This is to show that often times customers don’t counter check the price of items as long as they are on my shopping list (mean=3.70, SD=1.289).
Table 4.7: Increase in Customer Spending

<table>
<thead>
<tr>
<th>Increase in Customer Spending</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I spend more when paying with</td>
<td>6.3</td>
<td>7.4</td>
<td>17</td>
<td>26.5</td>
<td>42.9</td>
<td>3.92</td>
<td>1.207</td>
</tr>
<tr>
<td>smart card compared to paying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>through cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I tend to purchase unnecessary</td>
<td>4.5</td>
<td>4.8</td>
<td>14.3</td>
<td>53.9</td>
<td>22.6</td>
<td>3.85</td>
<td>.971</td>
</tr>
<tr>
<td>items without realizing it</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>when smart card is involved</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Often times I don’t counter</td>
<td>11</td>
<td>9.2</td>
<td>8.6</td>
<td>41.1</td>
<td>30.1</td>
<td>3.70</td>
<td>1.289</td>
</tr>
<tr>
<td>check the price of items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as long as they are on my</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>shopping list</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

4.5 Influence of Gift Vouchers on Customer Retention

The first objective of the study was to examine the effect of gift vouchers on customer retention. The respondents were to indicate their level of agreement on the given statements using a scale of 1-5 where 1=strongly disagree, 2= disagree, 3= neither agree nor disagree, 4=agree and 5= strongly agree. The findings are as shown in Table 4.8, 4.9 and 4.10.

4.5.1 Repetitive Buying

A number of the respondents agreed (41.7%) that they got gift vouchers for other stores or chain of stores related to Nakumatt, 22.9% disagreed, 13.1% neither agreed nor disagreed, 11.3% strongly agreed, 11% strongly disagreed. It is thus unclear whether customers get gift vouchers for other stores or chain of stores related to Nakumatt (mean=3.19, SD=1.227). Quite a number of the respondents (36.3%) agreed that they came to Nakumatt supermarket often hoping to get more vouchers, 22% neither agreed nor disagreed, 18.5% disagreed, 15.2% strongly disagreed while 8% strongly agreed. Therefore it’s unclear whether customers come to this supermarket often hoping to get more vouchers (mean=3.40, SD=1.216).
Relative number of the respondents (38.7%) neither agreed nor disagreed that they had won severally and this has made them continue being a customer of Nakumatt, 25% disagreed, 17.7% agreed, 11.6% strongly disagreed and 8% strongly agreed. Thus it’s unclear whether customers have won severally and whether this has made them continue being a customer of Nakumatt (mean=2.85, SD=1.087). A higher number of the respondents agreed (42%) that they discuss with their family and friends about the gifts hence making them become loyal customers, 24.4% neither agreed nor disagreed, 17.9% disagreed, 8.3% strongly disagreed and 7.4% strongly agreed. However it’s uncertain whether customers discuss with their family and friends about the gifts hence making them become loyal customers (mean=3.22, SD=1.088).

**Table 4.8: Repetitive Buying**

<table>
<thead>
<tr>
<th>Repetitive Buying</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I get gift vouchers for other stores or chain of stores related to Nakumatt</td>
<td>11</td>
<td>22.9</td>
<td>13.1</td>
<td>41.7</td>
<td>11.3</td>
<td>3.19</td>
<td>1.227</td>
</tr>
<tr>
<td>I come to this supermarket often hoping to get more vouchers</td>
<td>15.2</td>
<td>18.5</td>
<td>22.0</td>
<td>36.3</td>
<td>8</td>
<td>3.04</td>
<td>1.216</td>
</tr>
<tr>
<td>I have won severally and this has made me continue being a customer of Nakumatt</td>
<td>11.6</td>
<td>25</td>
<td>38.7</td>
<td>16.7</td>
<td>8</td>
<td>2.85</td>
<td>1.087</td>
</tr>
<tr>
<td>I discuss with my family and friends about the gifts hence making them become</td>
<td>8.3</td>
<td>17.9</td>
<td>24.4</td>
<td>42</td>
<td>7.4</td>
<td>3.22</td>
<td>1.088</td>
</tr>
<tr>
<td>loyal customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key:** SD—strongly disagree, D—disagree, NAD—neither agree nor disagree, A—agree, SA—strongly agree

**4.5.2 Brand Awareness**

Quite a number of the respondents strongly agreed (31.3%) that the they have learnt about other brands through gift cards, 22% disagreed, 21.7% agreed, 17% neither agreed nor disagreed, 8% strongly disagreed. It is however unclear whether customers have learnt about other brands through gift cards (mean=3.46, SD=1.342). Majority of the
respondents strongly agreed (36.9%) that they had become loyal to some particular brands as a result of the vouchers, 19.6% neither agreed nor disagreed, 17.9% disagreed 13.4% agreed while 12.2% strongly disagreed. Thus customers have become loyal to some particular brands as a result of the vouchers (mean=3.63, SD=2.695). A number of the respondents agreed (31.5%) that they recommended some brands to their family and friends which they had become loyal to, 21.4% neither agreed nor disagreed, 19.9% strongly agreed, 17.3% disagreed, 9.8% strongly disagreed. Nonetheless, it’s unclear whether customers recommend some brands to their family and friends which they have become loyal to (mean=3.35, SD=1.251).

Table 4.9: Brand Awareness

<table>
<thead>
<tr>
<th>Brand Awareness</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have learnt about other brands through gift cards</td>
<td>8</td>
<td>22</td>
<td>17</td>
<td>21.7</td>
<td>31.3</td>
<td>3.46</td>
<td>1.342</td>
</tr>
<tr>
<td>I have become loyal to some particular brands as a result of the vouchers</td>
<td>12.2</td>
<td>17.9</td>
<td>19.6</td>
<td>13.4</td>
<td>36.9</td>
<td>3.63</td>
<td>2.695</td>
</tr>
<tr>
<td>I recommend some brands to my family and friends which I have become loyal to</td>
<td>9.8</td>
<td>17.3</td>
<td>21.4</td>
<td>31.5</td>
<td>19.9</td>
<td>3.35</td>
<td>1.251</td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

4.5.3 Greater Perceived Value

Many respondents agreed (36.3%) that they were attracted to Nakumatt supermarket by the gifts offered, 28.3% disagreed, 16.1% strongly disagreed, 12.8% neither agreed nor disagreed 6.5% strongly agreed. It is nevertheless uncertain whether customers are attracted to Nakumatt supermarket by the gifts offered (mean=2.89, SD=1.242). Majority of the respondents agreed (41.7%) that they participated in many promotions offered by the supermarket, 22.3% strongly agreed, 14.6% neither agreed nor disagreed, 12.8% disagreed while 8.6% strongly disagreed. Thus customers participate in many promotions offered by the supermarket (mean=3.56, SD=1.213). A high number of the respondents agreed (41.1%) that they were rewarded according to how much they spend in shopping.
at Nakumatt and this excited them, 26.8% strongly agreed, 2.4% strongly disagreed, 18.2% strongly agreed while 11.6% neither agreed nor disagreed. This shows that customers are rewarded according to how much they spend in shopping at Nakumatt and this excites them (mean=3.72, SD=1.117).

Table 4.10: Greater Perceived Value

<table>
<thead>
<tr>
<th>Greater Perceived Value</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I was attracted to Nakumatt supermarket by the gifts offered</td>
<td>16.1</td>
<td>28.3</td>
<td>12.8</td>
<td>36.3</td>
<td>6.5</td>
<td>2.89</td>
<td>1.242</td>
</tr>
<tr>
<td>I participate in many promotions offered by the supermarket</td>
<td>8.6</td>
<td>12.8</td>
<td>14.6</td>
<td>41.7</td>
<td>22.3</td>
<td>3.56</td>
<td>1.213</td>
</tr>
<tr>
<td>I am rewarded according to how much I spend in shopping at Nakumatt and this excites me</td>
<td>2.4</td>
<td>18.2</td>
<td>11.6</td>
<td>41.1</td>
<td>26.8</td>
<td>3.72</td>
<td>1.117</td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

4.6 Influence of Discounts on Customer Retention

The first objective of the study was to examine the effect of discounts on customer retention. The respondents were to indicate their level of agreement on the given statements using a scale of 1-5 where 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree and 5=strongly agree. The findings are as shown in Table 4.11, 4.12 and 4.13.

4.6.1 New Customers

Quite a number of the respondents agreed (31.3%) that they became a loyal customer to Nakumatt supermarket due to various discounts that occur regularly, 26.8% strongly agreed, 22.9% neither agreed nor disagreed, 11.6% disagreed, 7.4% strongly disagreed. Thus customers became a loyal customer to Nakumatt supermarket due to various discounts that occur regularly (mean=3.58, SD=1.209). A very high number of the
respondents agreed (61.6%) that they had become a frequent customer as they speculated price discounts, 14.3% neither agreed nor disagreed, 8.9% strongly agreed, 8.3% strongly disagreed while 6.8% disagreed. This is to indicate that customers become a frequent customer as they speculate price discounts (mean=3.56, SD=1.032).

Half the respondents 50.6% agreed that they invited their friends and family to come with them to the supermarket, 22.3% disagreed, 15.5% strongly agreed, 8% neither agreed nor disagreed and 3.6% strongly disagreed. Thus customers invite their friends and family to come with them to the supermarket (mean=3.52, SD=1.106). A relative number of the respondents strongly agreed (44%) that when goods are on discount the supermarket got more customers, 43.8% agreed, 4.5% neither agreed nor disagreed and 7.7% disagreed. Therefore when goods are on discount the supermarket gets more customers (mean=4.24, SD=0.859).

Table 4.11: New Customers

<table>
<thead>
<tr>
<th>New Customers</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I became a loyal customer to Nakumatt supermarket due to various discounts that occurs regularly</td>
<td>7.4</td>
<td>11.6</td>
<td>22.9</td>
<td>31.3</td>
<td>26.8</td>
<td>3.58</td>
<td>1.209</td>
</tr>
<tr>
<td>I have become a frequent customer as I speculate price discounts</td>
<td>8.3</td>
<td>6.8</td>
<td>14.3</td>
<td>61.6</td>
<td>8.9</td>
<td>3.56</td>
<td>1.032</td>
</tr>
<tr>
<td>I invite my friends and family to come with me to the supermarket</td>
<td>3.6</td>
<td>22.3</td>
<td>8</td>
<td>50.6</td>
<td>15.5</td>
<td>3.52</td>
<td>1.106</td>
</tr>
<tr>
<td>When goods are on discount the supermarket gets more customers</td>
<td>0</td>
<td>7.7</td>
<td>4.5</td>
<td>43.8</td>
<td>44</td>
<td>4.24</td>
<td>.859</td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree
4.6.2 Customer Saving

Majority of the respondents agreed (75.6%) that they bought goods that were on discount so as to save 12.2% strongly agreed, 7.4% disagreed, 3.6% neither agreed nor disagreed and 1.2% strongly disagreed. Hence customers buy goods that are on discount so as to save (mean=3.90, SD=0.745). Many respondents strongly agreed (64.9%) that discounts offered by the supermarket went well with their budget, 18.2% strongly agreed, 18.6% neither agreed nor disagreed, 7.7% disagreed 0.6% while strongly disagreed. Hence discounts offered by the supermarket go well with my budget (mean=3.92, SD=0.792). A high number of the respondents agreed (69.9%) that when it came to substitute commodities, they went for the ones that were on discount, 18.8% strongly agreed, 7.4% neither agreed nor disagreed, 3.9% disagreed. This implies that when it comes to substitute commodities, customers go for the ones that are on discount (mean=4.04, SD=0.645).

Table 4.12: Customer Saving

<table>
<thead>
<tr>
<th>Customer Saving</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I buy goods that are on discount so as to save</td>
<td>1.2</td>
<td>7.4</td>
<td>3.6</td>
<td>75.6</td>
<td>12.2</td>
<td>3.90</td>
<td>.745</td>
</tr>
<tr>
<td>Discounts offered by the supermarket go well with my</td>
<td>0.6</td>
<td>7.7</td>
<td>8.6</td>
<td>64.9</td>
<td>18.2</td>
<td>3.92</td>
<td>.792</td>
</tr>
<tr>
<td>budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When it comes to substitute commodities, I go for the</td>
<td>0</td>
<td>3.9</td>
<td>7.4</td>
<td>69.9</td>
<td>18.8</td>
<td>4.04</td>
<td>.645</td>
</tr>
<tr>
<td>ones that are on discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key: SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

4.6.3 Increase in Purchases

About a half of the respondents agreed (53.3%) that they were repetitive buyer of Nakumatt supermarket because of the discounts offered, 21.1% neither agreed nor disagreed, 14.9% disagreed, 7.1% strongly agreed and 3.6% strongly disagreed. It’s however unclear whether customers are repetitive buyers of Nakumatt supermarket because of the discounts offered (mean=3.46, SD=0.952). Majority of the respondents agreed (44.6%) that they bought goods that were on discount even if they had not
budgeted for them, 25.9% neither agreed nor disagreed, 14.3% strongly agreed, 10.1% strongly disagreed while 5.1% disagreed. Nonetheless it’s indistinct whether customers buy goods that are on discount even if they had not budgeted for them (mean=3.48, SD=1.117). Majority of the respondents agreed (57.4%) that they ended up buying more even though their intention was to purchase a particular product that was on discount, 20.8% strongly agreed, 10.7% neither agreed nor disagreed, 9.8% strongly agreed while 1.2% strongly disagreed. This shows that customers end up buying more even though my intention was to purchase a particular product that was on discount (mean=3.87, SD=0.895).

**Table 4.13: Increase in Purchases**

<table>
<thead>
<tr>
<th>Increase in Purchases</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>NAD (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am a repetitive buyer of Nakumatt supermarket because of the discounts offered</td>
<td>3.6</td>
<td>14.9</td>
<td>21.1</td>
<td>53.3</td>
<td>7.1</td>
<td>3.46</td>
<td>.952</td>
</tr>
<tr>
<td>I buy goods that are on discount even if I had not budgeted for them</td>
<td>10.1</td>
<td>5.1</td>
<td>25.9</td>
<td>44.6</td>
<td>14.3</td>
<td>3.48</td>
<td>1.117</td>
</tr>
<tr>
<td>I end up buying more even though my intention was to purchase a particular product that was on discount</td>
<td>1.2</td>
<td>9.8</td>
<td>10.7</td>
<td>57.4</td>
<td>20.8</td>
<td>3.87</td>
<td>.895</td>
</tr>
</tbody>
</table>

**Key:** SD-strongly disagree, D-disagree, NAD-neither agree nor disagree, A-agree, SA-strongly agree

### 4.7 Customer Retention

The study finally sought to seek information on customer retention by asking the respondents to indicate whether they visited other supermarkets and how often they did. The results are summarized in Figure 4.5 and Table 4.14 respectively.

#### 4.7.1 Whether Customers Visit Other Supermarkets

Many respondents (78%) visited other supermarkets while 22% did not visit other supermarkets.
4.7.2 Frequency of Visits
Of the 78% who visited other supermarkets, 71.6% rarely did it, 22.8 did it often while 5.6 visited very often. This shows therefore that Nakumatt supermarket have it loyal customers who have stuck to their brand and who rarely visit other supermarkets.

Table 4.14: Frequency of Visits

<table>
<thead>
<tr>
<th>No of visits</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very often</td>
<td>15</td>
<td>5.6</td>
</tr>
<tr>
<td>Often</td>
<td>61</td>
<td>22.8</td>
</tr>
<tr>
<td>Rarely</td>
<td>192</td>
<td>71.6</td>
</tr>
<tr>
<td>Total</td>
<td>268</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.7.3 Loyalty Programs and Customer Retention
As shown in Table 4.15 55.4% of the respondents indicated that point system enhanced customers’ to a great extent, 24.1 indicated to a very great extent, 18.5 % to a moderate extent, 1.2% to a little extent and 0.9 to a no extent. A total 0f 59.5% of the respondents indicated that smart card influenced customer retention to a great extent followed by 28.9% who indicated to a very great extent, 10.1% to a moderate extent and 1.5% to a little extent. Majority of the respondents 49.4% further indicated that gift vouchers
enhanced customer retention to a moderate extent with 18.2% indicating little extent, 17.9% to a great extent, 8.6% to a very great extent and 6% to a no extent. Finally the 58% of the respondents pointed out discounts enhanced customer retention to a great extent, 24.4% to a very great extent, 7.7% to a little extent, 5.4% to a no extent and the remaining 4.5% indicated to a moderate extent. This therefore shows that smart card greatly influenced customer retention (mean=4.16, SD=0.653) followed by point system (mean=4.0, SD=0.745) then discounts (mean=3.88, SD=1.034) and was least influenced by gift vouchers (mean=3.05, SD=0.971).

Table 4.15: Loyalty Programs and Customer Retention

<table>
<thead>
<tr>
<th></th>
<th>NE (%)</th>
<th>LE (%)</th>
<th>ME (%)</th>
<th>GE (%)</th>
<th>VGE (%)</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point system</td>
<td>0.9</td>
<td>1.2</td>
<td>18.5</td>
<td>55.4</td>
<td>24.1</td>
<td>4.01</td>
<td>.745</td>
</tr>
<tr>
<td>Smart card</td>
<td>0</td>
<td>1.5</td>
<td>10.1</td>
<td>59.5</td>
<td>28.9</td>
<td>4.16</td>
<td>.653</td>
</tr>
<tr>
<td>Gift vouchers</td>
<td>6</td>
<td>18.2</td>
<td>49.4</td>
<td>17.9</td>
<td>8.6</td>
<td>3.05</td>
<td>.971</td>
</tr>
<tr>
<td>Discounts</td>
<td>5.4</td>
<td>7.7</td>
<td>4.5</td>
<td>58</td>
<td>24.4</td>
<td>3.88</td>
<td>1.034</td>
</tr>
</tbody>
</table>

Key: NE-No Extent, LE-little Extent, ME-Moderate Extent, GE-Great Extent, VGE-Very Great Extent

4.8 Inferential Statistics

A multivariate regression model was applied to determine the relative significance of each of the independent variables with respect to the customer retention at Nakumatt supermarket. The regression model was as follows:

\[ Y = B_0 + B_1 X_1 + B_2 X_2 + B_3 X_3 + B_4 X_4 + \varepsilon \]

\( Y \) was the customer retention,

\( B_0 \) is the constant

\( X_1 \) = Point system

\( X_2 \) = Smart card

\( X_3 \) = Gift vouchers

\( X_4 \) = Discounts

\( \varepsilon \) = Error term

\( B_1, B_2, B_3 \) and \( B_4 \) are coefficients
4.8.1 Model Summary

Adjusted \( R^2 \) is called the coefficient of determination it show how change in the independent variable results to changes in the dependent variable. It tells us how customer retention varies with Discounts, Smart card, Gift vouchers and Point system. The value of adjusted \( R^2 \) as shown in Table 4.16 is 0.298. This shows that, there was a variation of 29.8\% of the customer retention regressed against discounts, smart card, gift vouchers and point system at 95\% confidence level. The estimated model revealed that the four variables explain only29.8\% of the variation in \( Y \).

Table 4.16: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.546a</td>
<td>.298</td>
<td>.289</td>
<td>.350</td>
</tr>
</tbody>
</table>

b. Predictors: (Constant), Discounts, Smart card, Gift vouchers, Point system

4.8.2 ANOVA

The \( F \)-ratio in the ANOVA tests whether the overall regression model is a good fit for the data. Table 4.17 shows that the independent variables (Discounts, Smart card, Gift vouchers, Point system) statistically significantly predict the dependent variable, \( F(4, 331) = 35.077, \ p < .0005 \).

Table 4.17: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>17.178</td>
<td>4</td>
<td>4.294</td>
<td>35.077</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>40.525</td>
<td>331</td>
<td>.122</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>57.702</td>
<td>335</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: customer retention
b. Predictors: (Constant), Discounts, Smart card, Gift vouchers, Point system

4.8.3 Regression Coefficients

The established multiple linear regression equation becomes:

\[ Y = -0.261 + 0.176X_1 + 0.134X_2 - 0.051X_3 + 0.096X_4 \]

Where

Constant=-0.261,
B_1=0.176 indicates that holding other variables constant, a unit increase in point system will lead to 0.176 increase in customer retention

B_2=0.134 indicates that holding other variables constant, a unit increase in smart card will lead to 0.134 increase in customer retention

B_3=-0.051 indicates that holding other variables constant, a unit increase in gift vouchers will lead to 0.051 decrease in customer retention

B_4=0.096 indicates that holding other variables constant, a unit increase in discounts will lead to 0.096 increase in customer retention

**Testing the Hypothesis**

a. Dependent Variable: Y

For X_1: B_1=0, since t=6.170, p=0.000 is less than 0.05, thus X_1 (Point system) has significant influence on Y (customer retention).

For X_2: B_2=0, since t=4.244, p=0.000 is less than 0.05, therefore X_2 (Smart card) has significant influence on Y (customer retention).

For X_3: B_3=0, since t=-2.383, p=0.018 is less than 0.05 thus X_3 (Gift vouchers) has significant influence on Y (customer retention).

For X_4: B_4=0, since t=4.413, p=0.000 is less than 0.05 therefore X_4 (Discounts) has significant influence on Y (customer retention).

It is thus clear that all the variables have significant influence on Y thus point system; smart card, gift vouchers and discounts have a significant influence on customer retention.

**Table 4.18: Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.261</td>
<td>.145</td>
<td></td>
<td>-1.805</td>
</tr>
<tr>
<td>Point system</td>
<td>.176</td>
<td>.029</td>
<td>.316</td>
<td>6.170</td>
</tr>
<tr>
<td>Smart card</td>
<td>.134</td>
<td>.032</td>
<td>.211</td>
<td>4.244</td>
</tr>
<tr>
<td>Gift vouchers</td>
<td>-.051</td>
<td>.021</td>
<td>-.119</td>
<td>-2.383</td>
</tr>
<tr>
<td>Discounts</td>
<td>.096</td>
<td>.022</td>
<td>.240</td>
<td>4.413</td>
</tr>
</tbody>
</table>
4.9 Chapter Summary
The study’s major findings indicate that point system has a significant positive influence on customer retention. Further findings show that smart card and discount also have a significant positive influence on customer retention. Findings also reveal that gift vouchers have a significant negative influence on customer retention in Nakumatt supermarkets in Nairobi. Chapter five will look at the discussions, conclusions and recommendations based on the findings from this chapter. Chapter five will also give viable recommendations that can be used by Nakumatt supermarkets to improve their loyalty program.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter has four sections which include the summary, discussion, conclusions, and recommendations in that particular order. The first section provides a summary of the important elements of the study, which includes the study objectives, methodology and the findings. The second section provides a discussion of the major findings of the study with respect to the specific objectives. The third section presents the conclusions made on the basis of the specific objectives, while using the findings and results which are obtained in chapter four.

5.2 Summary

The general objective of the study was to determine the effect of loyalty programs on customer retention at Nakumatt supermarkets. The specific objectives were to establish the effect of point system on customer retention in Nakumatt supermarket, to find out the effect of smart cards on customer retention in Nakumatt supermarket, to determine the effect of gift vouchers on customer retention in Nakumatt supermarket and to determine the effect of discounts on customer retention in Nakumatt supermarket.

The study targeted Nakumatt customers in the Nairobi County from which a sample size of 385 was selected through disproportionate stratified sampling which was the main source of the primary data. The collected data was coded and analyzed using the SPSS version 20 in order to generate relevant findings such as frequencies and percentages as well as regression tables. To show the relationship between the independent variables and the dependent variable, multiple regression was conducted.

The study showed that customers shopped more in order to get more points and reach the limit on time though unsure whether customers make the decision to redeem the points a short time ahead of the redemption. They redeemed the points for goods offered by the supermarket and redeem their points when they don’t have enough cash. Customers get excited by the prizes they get from point redemption and that the prizes they get from their points make them stick to this supermarket. The prizes encouraged them to return to the supermarket in order to save money. The findings further showed that the points build
up emotional relationships hence customers continued frequency at the supermarket and that the points systems are very considerate of customers’ needs and customers get excited when they get rewards from the points earned. The study thus showed that the point system largely influenced customer retention.

The study showed that customers chose Nakumatt supermarket since it allowed use of smart card. Customers frequently used their smart card to make purchases at the supermarket and in other stores. The used of smart card was more convenient than cash purchases. It was evident that supermarket do not infringe customers details without their permission. So, customers do not allow other persons to use their smart cards. Also, customers find it secure to carry their card instead of liquid cash when making purchases. Customers spent more when paying with smart card compared to paying through cash and they tend to purchase unnecessary items without realizing it when smart card is involved. Customers indicated not to counter check the price of items as long as they are on my shopping list. The study finally revealed that there was a positive significant relationship between smart card and customer retention.

The study findings were indistinct whether customers get gift vouchers for other stores or chain of stores related to whether customers come to the supermarket often hoping to get more vouchers. It was also found unclear whether customers win severally and whether this has made them continue being customers of Nakumatt. Customers rarely discussed with their family and friends about the gifts hence making them become loyal customers. It was unclear whether customers had learnt about other brands through gift cards though they became loyal to some particular brands as a result of the vouchers. It was also not evident whether customers recommended some brands to their family and friends and whether customers were attracted to Nakumatt supermarket by the gifts offered. Customers participated in many promotions offered by the supermarket and are rewarded according to how much they spend in shopping at Nakumatt which excites them.

Findings also indicated that customers became loyal customers to Nakumatt supermarket due to various discounts that occurred regularly and also became a frequent customer as they speculate price discounts. Customers invited their friends and family to come with them to the supermarket and that when goods are on discount the supermarket gets more customers. From the findings, customers bought goods that were on discount so as to save and that the discounts offered by the supermarket go well with customers’ budget.
Customers went for the ones that were on discount for substitute commodities. It was found unclear whether customers were repetitive buyers of Nakumatt supermarket because of the discounts offered and whether customers buy goods that were on discount even if they had not budgeted for them. Customers ended up buying more even though their intention was to purchase a particular product that was on discount. Finally the findings indicated that there was a positive significant relationship between discounts and customer retention.

5.3 Discussion
This section gives a discussion based on the research objectives as follows; point system and customer retention, smart card and customer retention, gift vouchers and customer retention and finally discounts and customer retention.

5.3.1 Point System and Customer Retention
Stourm, Bradlow & Fader (2013) states that Loyalty programs (LPs) with consistent and direct compensating plans allow individuals to determine how to spend and when to redeem and what to redeem in light according to the accumulated points. This study revealed that customers shopped more in order to get more points and reach the limit on time. According to Stourm et al. (2013), having settled on the choice inspires customers on loyalty program, bringing about an expansion in obtaining conduct before the recovery occasion. Hartmann & Viard (2008) further states that the choice to redeem points may begin the minute at which the reward is reclaimed or it might happen at a state of-offer without much earlier arranging, which has coordinate outcomes on conduct. From the study findings, it was unsure whether customers made the decision to redeem the points a short time ahead of the redemption. Customers redeem the points for goods offered by the supermarket and redeem their points when they don’t have enough cash. Moloney (2006) suggests that programs give clients remunerate points or endorsements in return for every exchange.

Redemption of points has a significant impact on customers’ behaviour, principally on purchase behaviour just before and after redeeming a reward (Blattberg, Kim, & Neslin, 2008). In concurrence, the study’s findings established that customers got excited by the prizes they get from point redemption. The prizes that customers got from their points made them stick to this supermarket. According to Reinartz and Kumar (2002), loyalty programs ought to build client consistency standards. Points amassed by clients go about
as a motivating force to repeat clients who show faithful purchasing conduct. Point’s redemption according to Blattberg *et al.* (2008), may affect customer’s behaviour especially just before and after getting a reward. The study findings showed that the prizes encouraged them to return to the supermarket in order to save money. In tandem with the study, Rauscher (2009) found that point’s accumulation can prompt to a development of suspicion that can improve the recovery encounter, additionally be experienced as an inherent reward.

A viable loyalty program sees the whole win understanding as a diversion, one wherein the "play" is similarly as fun as the "triumphant" experience. Palmatier *et al.* (2009) suggests that the redemption boosts feelings of gratitude, satisfaction, importance or indebted reciprocity, which may in turn impel purchase behaviour. According to the study findings the points built up emotional relationships hence customers continued to frequent the supermarket.

Loyalty programs points relates to security, future indistinct reward potential, advance toward an objective, or even dominance of one's own accounts. The study findings revealed that the points systems were very considerate of customers’ needs. The findings are in line with Zhang and Breugelmans (2012) that buyers can see points in ways that are most significant to their own objectives. Findings also showed that customers got excited when they get rewards from the points earned. In tandem with the study findings Palmatier *et al.* (2009) indicated that during redemption the recovery improves sentiments of appreciation, significance, and fulfilment or obliged correspondence, which may thus goad purchase conduct. According to Butscher (2002), the primary aim of points is to build up emotional relationships that generate benefits.

### 5.3.2 Smart Card and Customer Retention

Loyalty cards according to Karim (2011) assume a huge part for organizations through expanding client retention, improving clients shopping recurrence and increasing new clients. The study findings showed that customers chose Nakumatt supermarket since it allowed use of smart card. Mahajar & Yunus (2010) found a striking relationship between loyalty card program and client's loyalty. Customers frequently used their smart card to make purchases at the supermarket and in other stores. The findings agree with Mercatanti & Montegrappa (2008) who reasoned that families having non-money payments instruments spent more contrasted with the individuals who did not. They
agreed that use of smart card was more convenient than cash purchases. The findings are in line with Prelec & Simester (2001) who found the average price paid by the group who were expecting to pay by credit card to be significantly higher than the average price paid by the group who were expecting to pay cash.

Jenkinson (1995) states that loyalty cards are about the accumulation of client information. With each swipe of a loyalty card at a state of offer, the retailer is recording the whole exchange in detail: from the name of the customer, the time they shop, the shop they went to and the whole substance of their trolley (Field, 1997). The study findings showed that supermarket do not infringe customers’ details without their permission. So, customers do not allow other persons to use their smart cards. Findings also showed that customers found it secure to carry their card instead of liquid cash when making purchases. Smart cards according to Lunka (2015), give fundamental segments of framework security for the trading of information all through for all intents and purposes any kind of system. Similar findings were observed by Soman (2003) who found that the use of pre-paid cards and cash in the context of dry-cleaning and photocopying services increased the use of both services.

Shoppers spend more on unfortunate nourishment things when they pay with Visa than when utilizing money (Thomas et al., 2011). Soman (2003) also noticed that when using check and charge card more insignificant things were bought. The study findings concur with this as it was also evident that customers spend more when paying with smart card compared to paying through cash. Raghubir & Srivastava (2008) found that the aggregate sum spent was higher in the reward declaration condition than in the money condition over all item classes

Findings showed that customers tend to purchase unnecessary items without realizing it when smart card is involved. The findings concur with Soman (2001), who found that buyers who typically use Visas versus check to pay for exchanges in the test circumstance will probably buy an extra optional item. The findings however contradict with Lie et al. (2010) who found a negative relationship with credit cards limit the use of such cards and limit spending when used. Study findings revealed that often time customers don’t counter check the price of items as long as they are on the shopping list and corresponds to Thomas et al. (2011) that expenditure is related to card use and that consumers spend more on unhealthy food items when they pay by credit card than when using cash.
5.3.3 Gift Vouchers and Customer Retention

A gift voucher can quicken the loyalty life cycle, empowering first-or second-year clients to carry on like an organization's most gainful tenth-year clients (Berman, 2006). This study finding is unclear whether customers get gift vouchers for other stores or chain of stores related. Davis (2007) states that an organization must discover approaches to impact value to clients in extent to the value the clients' loyalty makes for the organization. The objective must be to build up a framework through which clients are persistently taught about the prizes of loyalty and persuaded to acquire them. Loyalty programs construct client rewards with respect to aggregate purchasing and intend to create repeat buying. This is performed to produce exchanging costs, protract the purchaser relationship cross or potentially up offering conceivable outcomes (Taylor, 2005). The study findings were unclear whether customers come to the supermarket often hoping to get more vouchers. Contrary to this, Gomez, et al. (2006) states that gift vouchers are connected with acquiring recurrence, so these sorts of programs are otherwise called visit buy programs.

According to Hallberg (2004), gift vouchers are a promoting procedure focused on offering a motivating force with yearning to securing client loyalty to a retailer. The definitive objective is to make customers buy again and influence others to use that organization's items or administrations (Kotler, 2003). Contrary to this, this study found it unclear whether customers win severally and whether this has made them continue being customers.

The findings of this study indicate that it’s uncertain whether customers discuss with their family and friends about the gifts hence making them become loyal customers. However, according to Gedenk et al. (2006), gifts are mainly generators of repeat purchase and a reward for loyalty as they give stores with various benefits among them the ability to attract new buyers and brand switchers.

Findings also show that it is unclear whether customers have learnt about other brands through gift cards. Gilbert & Jackaria (2002) suggested that a coupon is positioned last as the limited time minimum generally used by customers and slightest impact on item trial. Customers become loyal to some particular brands as a result of the vouchers and as Neha & Manoj, (2013) suggest, vouchers are one of the most influencing variables when customers are making decisions pertaining purchases. Study by Darkea & Chungb (2005)
showed that a premium is powerful in keeping up quality discernment since buyers make quality inductions in light of the first cost instead of the cost rectified for the estimation of the unconditional present. It is nonetheless not evident from the findings whether customers recommend some brands to their family and friends which they have become loyal to.

Most organizations dispatch rewards programs without surveying their own particular needs and the financial aspects of circumstances and end results (Zeithaml et al., 2001). Study findings found it unclear whether customers are attracted to Nakumatt supermarket by the gifts offered. Gilbert & Jackaria (2002) argue that a free sample as a promotion tool has little or no significance on a consumer’s buying behaviour. It is apparent from the findings that customers participate in many promotions offered by the supermarket and are rewarded according to how much they spend in shopping at Nakumatt which excites them. Findings agree with Darkea & Chungb (2005) suggesting that free gift promotion is effective in maintaining quality perception because consumers make quality inferences based on the original price rather than the price corrected for the value of the free gift.

5.3.4 Discounts and Customer Retention.

Discounts are considered to be useful in circumstances like building ads to show value, or when lifetime client esteem is high, or when client maintenance expenses are less than obtaining costs (Alvarez & Cavanagh, 2005). It is evident from the study findings that customers become a loyal customer to various discounts that occurs regularly. This is in tandem with Manish & Poojae (2011) that discounts are more compelling in prompting stock heaping, and buys increasing speed, direct in brand exchange, and new item trial in a specific order, yet are not sufficiently viable to instigate individuals to spend more. The study findings also indicate that customers become frequent clients as they speculate price discounts. A study by Alvarez & Cavanagh (2005) indicated that discounts are exceptionally regular limited time systems as they are a powerful method for drawing in clients. Cost discount expands the volume of offers amid the advancement time frame (Dawes, 2004).

From the study findings it is clear that customers invite their friends and family to come with them to the supermarket. In line with this Shimp (2003) and Fill (2002) indicated that there is a connection between discounts and item trial as discounts provide buyers with money related funds on particular items. Findings further show that when goods are
on discount the supermarket gets more customers. The findings correspond to Osman et al. (2011) that price discounts play significant roles in influencing consumers’ purchase trial behaviour and increase short term sale.

Value discounting is a typical practice used by associations to initiate item trial and repeat buying by new and current clients (Osman et al., 2011). Findings revealed that customers buy goods that are on discount so as to save. According to Fill (2002), discount is the easiest strategy to offer an immediate decrease in the price tag with the offer plainly named on the bundle or purpose of procurement show. Findings further show that the discounts offered by the supermarket go well with customers’ budget. A study by Chandon et al. (2000), indicated that discounts are lucrative to promotion prone customers for many other reasons, rather than just price saving. When it comes to substitute commodities, customers go for the ones that are on discount. Contrary to these findings is Manish & Poojae (2011), who indicated that price discounts are not effective enough to induce people to spend more.

Research done by Schultz and Block (2009) indicated that in-store exercises have an immense impact particularly on basic supply purchase. The findings from this study however showed that it is unclear whether customers are repetitive buyers because of the discounts offered. It is unclear from the study findings whether customers buy goods that are on discount even if they had not budgeted for them. Contrary to this suggestion by Dawes (2004), that price discount increases the volume of sales during the promotion period. Findings finally show that it evident that customer’s end up buying more even though their intention was to purchase a particular product that was on discount. In correspondent to these findings Shi & Prendergast (2004), indicate discount induces purchase, spending and stockpiling among consumers.

5.4 Conclusions
This study aimed at examining the effect of loyalty programs (point system, credit card, gift vouchers and discounts) on customer retention at Nakumatt supermarket. The following conclusions were made based on the study’s findings and discussions.

5.4.1 Point System and Customer Retention
The study concludes that customers shop more in order to get more points and reach the limit on time though unsure whether customers make the decision to redeem the points a short time ahead of the redemption. Customers redeem the points for goods offered by the
supermarket and redeem their points when they don’t have enough cash. The study also concludes that customers get excited by the prizes they get from point redemption and that the prizes they get from their points make them stick to this supermarket. The prizes encourage them to return to the supermarket in order to save money. The points build up emotional relationships hence customers continued frequency at the supermarket and that the points systems are very considerate of customers’ needs and customers get excited when they get rewards from the points earned. The study concludes that there is a positive significant relationship between point system and customer retention.

5.4.2 Smart Card and Customer Retention

The study also concludes that customers chose a supermarket that allows use of smart card. Customers frequently use their smart card to make purchases at the supermarket and in other stores. Smart card is more convenient than cash purchases. The study also concludes that supermarkets do not infringe customers’ details without their permission and customers do not allow other persons to use their smart cards. Customers find it secure to carry their card instead of liquid cash when making purchases. Customers spend more when paying with smart card compared to paying through cash and they tend to purchase unnecessary items without realizing it when smart card is involved. The study thus concludes that there is a positive significant relationship between smart card and customer retention.

5.4.3 Gift Vouchers and Customer Retention

The study concludes that customers do not get gift vouchers for other stores or chain of stores. Customers do not come to the supermarket often hoping to get more vouchers and their win does not make them continue being customers. Customers rarely discuss with their family and friends about the gifts hence making them become loyal customers. Customers do not learn about other brands through gift cards though they became loyal to some particular brands as a result of the vouchers. Customers do not recommend some brands to their family and friends and are not attracted to their respective supermarket by the gifts offered. The study also concludes that customers participate in many promotions offered by the supermarket and are rewarded according to how much they spend. The study thus concludes that there is a positive significant relationship between gift vouchers and customer retention.
5.4.4 Discounts and Customer Retention

The study finally concludes that customers become loyal customer to supermarkets due to various discounts that occur regularly and also as they speculate price discounts. Customers invite their friends and family to come with them to the supermarket. When goods are on discount the supermarket gets more customers. The study also concludes that customers buy goods that are on discount so as to save and that the discounts offered by the supermarket go well with their budget. Customers go for the goods that are on discount for substitute commodities. Customers end up buying more even though their intention is to purchase a particular product that is on discount. Finally the study concludes that there is a positive significant relationship between gift vouchers and customer retention.

5.5 Recommendations

5.5.1 Recommendations for Improvement

The study recommends that Nakumatt supermarkets should introduce and enhance use of loyalty programs such as point system, smart cards and discounts so as to increase customer retention.

5.5.1.1 Point System
The study also recommends application of point system in all the Nakumatt supermarkets across the country since it was noted as one of the reason that customers make repeat purchases from the supermarket. The points accumulated by the customers should be redeemed quite often in order to encourage and motivate loyal customers.

5.5.1.2 Smart Card
The study further recognizes the use of smart card in supermarkets in Kenya. Based on these findings the study recommends that other Nakumatt supermarkets across the country should follow suit and increase the use of smart cards especially for middle and high income earners in Kenya.

5.5.1.3 Gift Vouchers
The study found contradictory response on use of gift vouchers in influencing customer retention in Nakumatt supermarkets in Kenya. This study would therefore recommend that the various supermarkets especially the Nakumatt supermarkets in Kenya, should try to increase the adoption of gift vouchers in trying to win more customers.
5.5.1.4 Discounts

From the study findings it’s indistinct that customers make more purchases and are likely to be more loyal when discounts are given in the supermarket. The study thus recommends that Nakumatt stores across the country should make use of discounts frequently in order to attract more customers who come for speculation hence higher sales and resultant customer retention.

5.5.2 Recommendations for Further Studies

The study would recommend for a similar study to be done basing on other major supermarkets and other sectors such as banking sector, transport sector or insurance sector in Kenya for comparative purposes. The study would also recommend an expansion of the scope mainly touching on other loyalty programs other than point system, smart card, gift vouchers and discounts.
REFERENCES


Business Daily (2016). Nakumatt lines up Sh200m school fees cheques for loyal customers. [http://www.businessdailyafrica.com/Corporate-News/Nakumatt-lines-up-Sh200m-school-fees-cheques-for-loyal-customers/-/539550/3022522/-/vvn8ywz/-/index.html](http://www.businessdailyafrica.com/Corporate-News/Nakumatt-lines-up-Sh200m-school-fees-cheques-for-loyal-customers/-/539550/3022522/-/vvn8ywz/-/index.html)


Magatef S. G & Tomalieh E. F (2015). The Impact of Customer Loyalty Programs on Customer Retention. *International Journal of Business and Social Science Vol. 6, No. 8(1); pp 78-93*

Mahajar A. J & Yunus J. (2010). The relationship between customer commitment and satisfaction on the loyalty card program of department stores in Malaysia, *Problems and Perspectives in Management, 8 (4) pp 198-206*


APPENDICES

Appendix I: Letter of Introduction

Dear Respondent

Letter of Introduction

I am a student at UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA and undertaking a Post-Graduate course by the name of Masters in Business Administration (MBA). I am undertaking a study on EFFECT OF LOYALTY PROGRAMS ON CUSTOMER RETENTION: A CASE OF NAKUMATT SUPERMARKETS KENYA. I therefore wish to kindly request that you complete the attached questionnaire to aid me in conducting the research. I wish to assure you that the information disclosed will be treated with utmost confidence and used only for the purpose of this study.

I will be most grateful for your assistance and cooperation

Yours sincerely,

LINDA KAMAU
Appendix II: Questionnaire for Customers

This questionnaire is designed to assist in collection of data on the effect of loyalty programs on customer retention in Nakumatt supermarket Kenya. Your kind participation will help in providing useful information required to complete this research. The information and data is for academic use by the researcher and will be treated in confidence. You need not indicate your name.

Section A: Respondents General Information

1. Gender
   - Male [ ]
   - Female [ ]

2. Indicate your age bracket
   - Below 20 years [ ]
   - 20-30 years [ ]
   - 31-40 years [ ]
   - 41-50 years [ ]
   - Above 50 years [ ]

3. State your highest level of education
   - Secondary level [ ]
   - College [ ]
   - University [ ]
   - Postgraduate [ ]

4. For how long have you been shopping at Nakumatt supermarket?
   - Less than 5 years [ ]
   - 5 to 10 years [ ]
   - 11 to 15 years [ ]
   - Above 15 years [ ]

5. How many times do you shop at Nakumatt supermarkets in a week?
   - Once [ ]
   - 2-3 times [ ]
   - More than 3 times [ ]
   - Everyday [ ]
Section B: Effect of Point System

6. Rate the extent to which you agree on the following statements regarding effects of point system on customer retention at Nakumatt supermarket. Use a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Point Redemption Process</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I shop more in order to get more points and reach the limit on</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I make the decision to redeem the points a short time ahead of the redemption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I redeem the points for goods offered by the supermarket</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I redeem my points when I don’t have enough cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prizes Available When you Redeem Points</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I get excited by the prizes I get from point redemption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The prizes I get from my points makes me stick to this</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The prizes encourages me to return to the supermarket in order to save money</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer Satisfaction Due to Point Redemption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The points build up emotional relationships hence my continued frequency at the supermarket</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The points systems is very considerate of my needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I get excited when I get rewards from the points earned</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. How has point system enhanced your retention at Nakumatt supermarket?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
Section C: Effect of Smart Card

8. Show the extent to which you agree on the following statements regarding effects of smart card on customer retention at Nakumatt supermarket. Use a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Flexibility</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I choose Nakumatt supermarket since it allows use of smart card</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I frequently use my smart card to make purchases at the supermarket</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I use the smart card in other stores to make purchases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The use of smart card is more convenient than cash purchases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The supermarket does not infringe my details without my permission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I do not allow any other person to use my smart cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find it secure to carry my card instead of liquid cash when making purchases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Increase in Customer Spending</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I spend more when paying with smart card compared to paying through cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I tend to purchase unnecessary items without realizing it when smart card is involved</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Often times I don’t counter check the price of items as long as they are on my shopping list</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. How has smart card contributed to your retention at the Nakumatt supermarket?

..................................................................................................................
..................................................................................................................
..................................................................................................................
Section D: Effect of Gift Vouchers

10. Show the extent to which you agree on the following statements regarding effects of gift vouchers on customer retention at Nakumatt supermarket. Use a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Repetitive Buying</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I get gift vouchers for other stores or chain of stores related to Nakumatt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I come to this supermarket often hoping to get more vouchers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have won severally and this has made me continue being a customer of Nakumatt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I discuss with my family and friends about the gifts hence making them become loyal customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brand Awareness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have learnt about other brands through gift cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have become loyal to some particular brands as a result of the vouchers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I recommend some brands to my family and friends which I have become loyal to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Greater Perceived Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I was attracted to Nakumatt supermarket by the gifts offered</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I participate in many promotions offered by the supermarket</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am rewarded according to how much I spend in shopping at Nakumatt and this excites me</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. How has gift card/vouchers ensured your retention at the Nakumatt supermarket?

............................................................................................................................................................
............................................................................................................................................................
............................................................................................................................................................
**Section E: Effect of Discounts**

12. Show the extent to which you agree on the following statements regarding effects of discounts on customer retention at Nakumatt supermarket. Use a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Customers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I became a loyal customer to Nakumatt supermarket due to various discounts that occurs regularly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have become a frequent customer as I speculate price discounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I invite my friends and family to come with me to the supermarket</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When goods are on discount the supermarket gets more customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Customer Saving</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I buy goods that are on discount so as to save</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounts offered by the supermarket go well with my budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When it comes to substitute commodities, I go for the ones that are on discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Increase in Purchases</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am a repetitive buyer of Nakumatt supermarket because of the discounts offered</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I buy goods that are on discount even if I had not budgeted for them</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I end up buying more even though my intention was to purchase a particular product that was on discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13. How have discounts improved your retention at Nakumatt supermarket?

……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………
Section E: Customer Retention

14. Do you visit other supermarkets? Yes [ ] No [ ]
   If yes how often
   Very Often [ ]
   Often [ ]
   Rarely [ ]

15. To what extent has each of the following loyalty programs enhanced your retention at Nakumatt supermarket? Use a scale of 1-5 where 1=no extent, 2=little extent, 3=moderate extent, 4=great extent and 5= very great extent

<table>
<thead>
<tr>
<th>Indicators</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smart card</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gift vouchers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (specify and indicate their extent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your cooperation and input!