



## CRAVING LOYALTY: EXAMINING THE INFLUENCE OF LOYALTY PROGRAMS ON CUSTOMER RETENTION IN SOUTH AFRICA'S FAST-FOOD LANDSCAPE

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### **Abstract:**

This study investigates the dynamics of customer loyalty within South African fast-food restaurants, focusing on the influence of loyalty programs on customer retention. The background highlights the rapid growth of the South African fast-food industry and the need for a nuanced understanding of customer behavior in this context. Employing a quantitative methods approach employed a cross-sectional design; the methodology includes a comprehensive situational analysis and addresses three research questions: customer motivations for loyalty program participation, factors beyond loyalty programs affecting retention, and the impact of existing loyalty programs on retention. Findings reveal that emotional connections, trustworthiness, and perceived value are key motivators for program participation. Beyond loyalty initiatives, service quality, menu variety, and overall customer experience significantly impact retention. Loyalty program metrics, including participation rates and reward perceived value, play a crucial role in customer loyalty. The study concludes that businesses should tailor loyalty programs to local preferences, adopt a holistic approach to customer retention, and optimize program metrics. The practical implications emphasize the need for clear communication and cultural sensitivity. This research contributes to the academic literature by addressing gaps specific to the South African context and provides actionable insights for businesses aiming to enhance customer loyalty in this dynamic and competitive market.

**Keywords:** loyalty programs, customer retention, fast-food restaurants

### **1. Introduction**

The South African fast-food industry has undergone a remarkable expansion in recent years, marked by heightened competition that has sparked a surge in research inquiries into customer behavior and loyalty dynamics within this dynamic market. This evolution

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necessitates a deeper understanding of the factors that propel customer participation in restaurant loyalty programs, as actively engaging customers in such programs is crucial for cultivating and sustaining a loyal customer base (Shin et al. 2020; Kwiatek et al. 2020). While studies by Hwang & Choi (2020) and Bauer et al. (2020) have delved into the psychological and economic drivers encouraging consumer participation in loyalty programs across various retail contexts, the specific motivations within the South African fast-food landscape remain relatively unexplored.

The imperative to explore customer motivations arises from the growing complexity of consumer preferences and the diverse offerings in the South African fast-food market (Ledikwe et al., 2020). This study seeks to bridge the existing knowledge gap by investigating what motivates customers to participate in loyalty programs within this unique industry context. By drawing on insights from established studies, the research aims to uncover the nuanced motivations that drive South African fast-food patrons to actively engage with loyalty initiatives.

However, the pursuit of customer retention in this fiercely competitive market extends beyond the conventional boundaries of loyalty programs. While these programs play a crucial role, external factors exert a substantial influence on customer retention (Dose et al. 2019). The study by Naudé et al. (2022) accentuates the multifaceted nature of customer retention, underscoring the significance of factors such as service quality, menu variety, and overall customer experience. In the context of South African fast-food, understanding the intricate interplay between loyalty programs and these external factors becomes imperative for designing effective strategies that transcend traditional loyalty program structures.

The examination of existing loyalty programs and their impact on customer retention in South African fast-food restaurants stands as a paramount concern for both academics and industry practitioners (Sochenda, 2021). While studies like those by Alshurideh et al. (2020) have explored the effectiveness of loyalty programs across various sectors, the specific nuances of the South African fast-food market warrant a dedicated investigation. Assessing this impact involves evaluating the success of current loyalty initiatives in fostering customer loyalty and encouraging repeat patronage. To achieve this, the research integrates insights from prior studies while considering the unique characteristics of the South African consumer landscape.

The distinctive challenges and opportunities presented by the South African context necessitate a comprehensive analysis that goes beyond a generic understanding of loyalty programs. This study aspires to contribute to the body of knowledge by providing nuanced insights that can inform strategic decisions within the rapidly evolving South African fast-food industry (Beal et al., 2019; Tadesse et al. 2019). By amalgamating references from pertinent literature, the research aims to offer a synthesized perspective on the role of loyalty programs in shaping customer retention, elucidating not only the motivations behind customer participation but also the broader contextual factors influencing loyalty within the fast-food sector.

Overall, this study addressed the pressing questions surrounding customer participation in loyalty programs, the multifaceted nature of customer retention beyond loyalty initiatives, and the overall impact of existing loyalty programs in South African fast-food restaurants. Through a thorough integration of references from relevant literature, the research seeks to contribute valuable insights that transcend the generic and cater specifically to the intricacies of the South African fast-food industry, ultimately guiding strategic decisions in this dynamic and competitive market.

## 2. Situational Analysis

In the rapidly evolving landscape of South Africa's fast-food industry, a comprehensive situational analysis unveils critical issues that set the stage for examining the influence of loyalty programs on customer retention. As market saturation becomes a prominent challenge, an increasing number of fast-food establishments vie for the attention and loyalty of consumers. This saturation intensifies competition, making it imperative for businesses to not only attract but also retain customers effectively (Nastasoiu & Vandebosch, 2019). The issue of market saturation has profound implications for the effectiveness of loyalty programs in such a competitive environment.

Baker & Legendre (2021) highlight the potential pitfalls of a meager points accumulation system within loyalty programs. In the context of South African fast-food, this limitation poses a significant challenge as it may fail to sufficiently incentivize customers, leading to a lack of enthusiasm in program participation. With numerous options available, consumers may gravitate towards establishments offering more compelling loyalty incentives. This issue underscores the need for businesses to carefully structure their loyalty programs to align with the preferences and expectations of South African fast-food consumers.

The complexity of the redemption process is another notable concern within loyalty programs, as discussed by Hollingshead & Wohl (2022). If customers find it cumbersome to redeem their rewards, it may diminish the perceived value of loyalty programs, thereby impacting their effectiveness in retaining customers. This complexity can act as a deterrent to active program engagement, potentially undermining the intended benefits of loyalty initiatives. Therefore, businesses operating in the South African fast-food industry need to streamline their redemption process to enhance the overall customer experience and maximize the impact of loyalty programs.

Addressing these challenges is pivotal in light of existing skepticism regarding the efficacy of loyalty programs in driving customer retention, as raised by Petersen et al. (2019). Their question regarding whether joining a loyalty program necessarily increases patronage levels when customers are already attached to an organization is particularly pertinent in the South African fast-food context. Understanding the intricacies of customer attachment and loyalty is crucial for businesses seeking to navigate the competitive landscape and design effective loyalty strategies that resonate with local consumer behaviors.

The current study strategically addresses these issues, intending to unravel the intricate relationship between loyalty programs and customer retention in South African fast-food restaurants. By examining the motivations behind customer participation, the study aims to shed light on how businesses can navigate the challenges of market saturation, point accumulation, and redemption complexities to create loyalty programs that truly resonate with consumers. The research recognizes the dynamic nature of the South African market and the need for tailored approaches that go beyond generic loyalty program structures.

Moreover, the study delves into broader factors beyond loyalty programs, drawing on the insights of Bajpai & Venaik (2023) and other scholars. Bajpai & Venaik (2023) emphasize the multifaceted nature of customer retention, stressing the importance of factors such as service quality, menu variety, and overall customer experience. In the competitive South African fast-food landscape, understanding the interplay between loyalty programs and these external factors is essential for designing effective strategies that go beyond traditional loyalty program structures.

Overall, the situational analysis reinforces the relevance of the research objectives, emphasizing the need to navigate the complexities of loyalty programs within a saturated market. By integrating these challenges into the study, it not only aligns with the concerns raised by researchers but also positions the research as a vital contribution to the ongoing discourse on the effectiveness of loyalty programs in the South African fast-food landscape. Through a careful examination of market dynamics, loyalty program intricacies, and broader retention factors, the study aims to provide actionable insights for businesses operating in this dynamic and competitive industry.

### **3. Review of Literature**

Understanding the motivations that drive customers to participate in loyalty programs is pivotal for crafting initiatives that resonate with consumer expectations. A plethora of studies have explored the psychological and economic drivers behind customer engagement in loyalty programs across various retail contexts. Wang et al. (2019) contribute significantly to understanding the psychological aspect of loyalty program participation. Their research sheds light on the importance of emotional connections and perceived value in motivating customers to join loyalty programs. The study emphasizes the creation of a positive emotional bond between customers and the brand, suggesting that emotional incentives play a crucial role in attracting and retaining customers. This emphasis on emotional engagement resonates across industries, underlining the universal significance of building a positive and emotional relationship with consumers. On the economic front, Yang et al. (2021) provide insights into the rational motivations that drive customers to participate in loyalty programs. The study argues that customers are primarily motivated by tangible benefits such as discounts, freebies, and exclusive offers. This economic perspective aligns well with the South African fast-food landscape, where consumers are often price-conscious and responsive to tangible incentives that

offer immediate economic value. Understanding this economic motivation becomes essential for businesses operating in the South African context to tailor their loyalty programs effectively.

The South African context introduces unique dynamics that extend beyond the psychological and economic drivers explored in existing literature. Cultural preferences and socio-economic factors significantly impact consumer behavior in this context. Mofokeng et al. (2021) highlight the influence of cultural values on consumer loyalty in the South African context, adding a cultural lens to the understanding of customer motivations. This cultural perspective can be instrumental in uncovering motivations specific to South African fast-food consumers, contributing depth to the comprehension of why customers engage with loyalty programs in this unique market.

In the South African fast-food landscape, where cultural diversity is prominent, understanding how cultural values intersect with loyalty program participation becomes crucial. The study by Jang et al. (2021) prompts a reevaluation of the traditional psychological and economic motivations discussed in global loyalty program literature. Cultural nuances can shape the way customers perceive and respond to loyalty programs, influencing the success of these initiatives in the South African market. Moreover, the socio-economic landscape of South Africa introduces additional complexities. Research by Habanabakize (2020) highlights the significance of pricing strategies in the South African fast-food sector. Affordability becomes a critical factor influencing consumer behavior and loyalty. This economic consideration aligns with the findings of Ledikwe et al. (2020) but underscores the specific importance of addressing affordability concerns in a socio-economic context that varies widely among South African consumers.

The integration of cultural and socio-economic perspectives in the literature review reveals a comprehensive understanding of customer motivations in the South African fast-food landscape. By synthesizing insights from the previous literatures the study aims to provide a nuanced exploration of the psychological, economic, and cultural factors that drive customer participation in loyalty programs. This synthesis also highlights a gap in the current literature specifically, the lack of comprehensive research on how cultural and socio-economic factors intersect with loyalty program motivations in the South African fast-food industry. The current study aims to fill this gap by offering a contextualized examination of loyalty program motivations that goes beyond the conventional psychological and economic perspectives. This addition addresses the need for tailored loyalty program strategies that account for the diverse cultural and socio-economic landscape of South Africa.

Existing literature has significantly contributed to understanding the psychological and economic drivers behind loyalty program participation. Beli et al. (2022) and Dastjerdi et al. (2019) provide valuable insights into the emotional and economic motivations that attract and retain customers. Wang & Lalwani (2019) extend this understanding by emphasizing the influence of cultural values in the South African context. However, the integration of cultural and socio-economic perspectives reveals a

nuanced landscape that demands a more comprehensive examination. The current study aims to bridge this gap, offering a holistic understanding of customer motivations in the South African fast-food landscape and providing practical implications for businesses seeking to enhance their loyalty initiatives in this diverse and dynamic market.

Beyond the realm of loyalty programs, customer retention in the South African fast-food landscape is a multifaceted phenomenon influenced by various external factors. Kwiatek et al. (2020) advocated for a holistic approach to customer retention, underscoring the complexity of the phenomenon. Their research identifies service quality, menu variety, and overall customer experience as critical factors significantly impacting retention. Service quality consistently emerges as a pivotal aspect in the literature, with studies such as that by Slack et al. (2020) offering a comprehensive framework for understanding the dimensions of service quality. Applying this framework to the South African fast-food context allows for a nuanced examination of how service quality contributes to overall customer retention, extending beyond the boundaries set by loyalty programs. The provision of high-quality service becomes a key determinant in retaining customers in the fast-food industry, highlighting the need for businesses to focus on enhancing the overall service experience.

Additionally, the socio-economic landscape of South Africa introduces crucial considerations of affordability and accessibility as factors influencing customer retention. Otterbach et al. (2021) emphasize the importance of pricing strategies in the South African fast-food sector, suggesting that affordability plays a pivotal role in retaining cost-sensitive consumers. In a market where economic factors significantly impact consumer choices, businesses must carefully navigate pricing strategies to cater to a diverse consumer base. The integration of socio-economic perspectives into the literature review enriches the understanding of the broader influences on customer retention in the South African fast-food industry. Affordability, coupled with accessibility, becomes a vital consideration for businesses aiming to retain a customer base in a market characterized by diverse economic backgrounds. This integration broadens the scope of the literature review, addressing gaps in the current understanding of the external factors shaping customer retention beyond loyalty programs.

Furthermore, research by Slack et al. (2020) explores the impact of menu variety on customer retention in the fast-food industry. Their findings underscore the significance of offering diverse menu options to cater to varying consumer preferences, further emphasizing the multifaceted nature of customer retention. Integrating insights from studies like Slack et al. (2020) complements the existing literature by highlighting the role of menu variety as a contributing factor to customer retention in the South African fast-food landscape. The literature review expands the discussion beyond loyalty programs, acknowledging the diverse external factors shaping customer retention in the South African fast-food industry. By integrating perspectives from the reviewed literatures, the study positions itself to address gaps in the current understanding of how service quality, affordability, accessibility, and menu variety collectively contribute to customer retention. This comprehensive approach not only enriches the academic

discourse but also offers practical insights for businesses seeking to enhance their strategies in retaining customers in this dynamic and competitive market.

Delving into the impact of existing loyalty programs on customer retention in South African fast-food restaurants necessitates a nuanced analysis that considers program structures and their effectiveness within the local market. Dlamini & Chinje et al. (2019) contribute valuable insights by examining the general effectiveness of loyalty programs across sectors. Their research emphasizes the imperative of adopting a customer-centric approach, underlining the need for aligning loyalty program features with the specific preferences of customers, a critical aspect for success in the South African context. In the South African fast-food landscape, the challenge of market saturation looms large. Maphumumulo & Bhengu (2019) outline the difficulties posed by market saturation, underscoring the necessity for businesses to strategically differentiate their loyalty programs to stand out in a crowded market. This challenge introduces a unique dimension to the literature review, addressing gaps related to the impact of loyalty programs in highly competitive environments. The study by Maphumulo & Bhengu (2019) emphasizes the importance of innovation and distinctiveness in loyalty program design to effectively capture and retain the attention of consumers amidst intense market competition.

The literature review identifies crucial gaps that the current study aims to address. Firstly, there is a scarcity of research specifically exploring the motivations of South African fast-food consumers to participate in loyalty programs. Synthesizing insights from the reviewed studies and incorporating a cultural lens, the study seeks to provide a comprehensive understanding of customer motivations in this specific context. The integration of cultural nuances is essential in South Africa's diverse and culturally rich landscape, contributing to a more accurate depiction of the factors influencing customer engagement with loyalty programs.

Additionally, the research by Utz et al. (2023) and Sözer (2019) raises skepticism about the effectiveness of loyalty programs in increasing patronage levels when customers are already attached to an organization. This skepticism gains particular relevance in the South African fast-food context, where market dynamics and consumer behaviors may diverge from global trends. By addressing this skepticism, the current study aims to contribute insights that fill gaps in understanding the nuanced relationship between loyalty programs and customer retention in the unique context of South African fast-food restaurants. Furthermore, integrating insights into the reviewed studies provides a broader perspective on the impact of program features, like menu variety, on customer retention. Understanding how diverse program elements contribute to customer loyalty is crucial for businesses navigating the intricacies of the South African fast-food market.

The literature review identifies several gaps that the current study aims to fill. Firstly, there is a scarcity of research specifically exploring the motivations of South African fast-food consumers to participate in loyalty programs. By synthesizing insights from the above-reviewed studies and applying a cultural lens, the study provided a

comprehensive understanding of customer motivations in this specific context. Secondly, while existing studies highlight the importance of service quality and overall customer experience in customer retention (Suhartanto et al. 2019; Zhou et al. 2019), there is a need to integrate these insights into the South African fast-food literature. By doing so, the study intends to contribute to a holistic understanding of customer retention factors beyond loyalty programs in this unique market. Finally, the study addresses gaps related to the impact of loyalty programs in a saturated market. Drawing on the insights from the above-reviewed studies, the research explored how loyalty programs can effectively contribute to customer retention in the face of intense competition, providing practical implications for businesses operating in the South African fast-food landscape.

#### **4. Theoretical Framework**

The study adopts the Relationship Marketing Theory as its theoretical framework to investigate the influence of loyalty programs on customer retention in South African fast-food restaurants. This theory, articulated by Grönroos (1994), underscores the importance of cultivating long-term relationships between organizations and customers, with a focus on mutual satisfaction, trust, and commitment. The adoption of this theory aligns seamlessly with the study's three research objectives. Firstly, in exploring the motivations for loyalty program participation, the theory complements Steinhoff et al.'s (2019) emphasis on emotional connections, as Relationship Marketing Theory recognizes the significance of building psychological bonds for fostering enduring relationships. Secondly, in understanding external factors influencing customer retention, the holistic approach advocated by Rather (2019) finds resonance in Relationship Marketing Theory's consideration of service quality (Parasuraman et al., 1988) and affordability (Hernandez-Ortega & Ferreira, 2021) as integral components in nurturing customer relationships.

Finally, when assessing the impact of loyalty programs in a competitive market, the theory aligns with Bi's (2019) concern about market saturation by emphasizing strategic differentiation as a means to sustain customer relationships. The justification for adopting Relationship Marketing Theory lies in its ability to offer a comprehensive framework that goes beyond transactional interactions, fitting well with the study's aim to explore the multifaceted dynamics of loyalty programs and customer retention in the unique context of South African fast-food establishments. This theoretical lens not only enriches the study's conceptual foundation but also provides practical implications for businesses seeking effective strategies in this competitive and culturally diverse market.

#### **5. Research Objectives**

This study examined the influence of loyalty programs on customer retention in South Africa's fast-food restaurant landscape. Specifically, it provided answers to the following research questions:

- 1) What motivates customers to participate in restaurant loyalty programs?



- 2) What factors beyond loyalty programs significantly influence customer retention in the South African fast-food landscape?
- 3) What is the impact of existing loyalty programs on customer retention in South African fast-food restaurants?

### **5.1 Value of the Study**

This study holds substantial value for various stakeholders within the South African fast-food industry and beyond. For restaurant owners and managers, the findings provide actionable insights into the design and optimization of loyalty programs, enabling them to enhance customer retention strategies in a competitive market. Understanding the motivations of South African fast-food consumers to participate in loyalty programs allows for the tailoring of initiatives that resonate with diverse cultural preferences, thereby increasing the effectiveness of customer engagement. Customers stand to benefit by experiencing more personalized and culturally aligned loyalty programs, fostering increased satisfaction and loyalty. Loyalty program consultants gain valuable knowledge on crafting strategies that address market-specific challenges, offering a practical guide for optimizing program structures based on cultural nuances and market saturation concerns.

For future researchers, this study contributes to the body of knowledge by filling gaps in understanding customer motivations, external factors influencing retention, and the impact of loyalty programs in a specific cultural and competitive context. By exploring the South African fast-food landscape, the research extends the understanding of loyalty dynamics beyond conventional models, enriching the broader academic discourse on relationship marketing and loyalty programs in diverse markets. Overall, the study's insights have the potential to shape industry practices, inform strategic decision-making, and pave the way for future research endeavors in the realm of customer retention within the South African fast-food sector.

## **6. Methodology**

### **6.1 Research Design**

The research design employed for this study was a quantitative approach, employing a cross-sectional design. This design facilitated the investigation of customer motivations, external influences on retention, and the impact of loyalty programs at a specific point in time. The cross-sectional design allowed for a snapshot of customer perceptions, offering insights into the prevailing sentiments within the South African fast-food landscape. This design was justified by the need to capture a diverse range of customer experiences and preferences, aligning with the study's objectives to comprehensively explore the multifaceted dynamics of loyalty programs and customer retention.

## **6.2 Population, Locale, and Sample**

The study targeted a population of restaurant customers in four major South African cities, Cape Town, Johannesburg, Pretoria, and Durban. The sample comprised 400 participants selected through stratified random sampling. This method ensured a proportional representation of customers from each city, enhancing the generalizability of findings across diverse urban settings. The justification for this sampling method lies in its ability to capture the unique characteristics and preferences of customers in each locale, thereby enriching the study's understanding of cultural nuances and variations in loyalty program engagement within the South African context.

## **6.3 Data Collection Instruments**

The primary data collection instrument employed was an online survey administered through Google Forms. The survey comprised structured questions designed to gather quantitative data on customer motivations, external factors influencing retention, and the impact of loyalty programs. The choice of an online survey was justified by its efficiency in reaching a geographically dispersed sample and facilitating a standardized data collection process. Google Forms, as a widely accessible and user-friendly platform, ensured ease of participation for respondents, aligning with the study's goal of inclusivity and reaching a diverse range of participants.

## **6.4 Data Gathering Procedures**

Data were gathered through the online survey conducted via Google Forms. The survey link was shared across various online platforms frequented by South African fast-food customers. Participants were provided with clear instructions and consent information. The online approach was chosen for its cost-effectiveness, efficiency, and ability to reach a large and diverse audience. The use of Google Forms was justified by its accessibility, ease of use, and the platform's capacity to streamline data collection, ensuring reliable and standardized responses across diverse geographic locations.

## **6.5 Ethical Consideration**

Ethical considerations were paramount throughout the research process. Informed consent was obtained from all respondents, emphasizing voluntary participation and the confidentiality of responses. Participants were assured that their data would be anonymized and used solely for research purposes. The study adhered to ethical guidelines, ensuring transparency, integrity, and respect for participant autonomy. Ethical approval was obtained from the relevant institutional review board of the researcher's school, ensuring compliance with ethical standards in research.

## **6.6 Statistical Treatment of Data**

The collected data were subjected to statistical analyses to address the three research objectives. Weighted mean was employed to assess customer motivations for loyalty program participation, allowing for the consideration of the relative importance of

different factors. Regression analysis was utilized to explore the factors beyond loyalty programs influencing customer retention, providing insights into the strength and direction of relationships. The impact of existing loyalty programs on customer retention was assessed through regression analysis as well. These statistical tools were chosen for their appropriateness in examining the intricate relationships and dynamics outlined in the research objectives, offering a robust quantitative analysis of the study's focus areas.

## 7. Results and Discussion

In this section, the results and discussion of the data are unveiled, providing a comprehensive insight into the intricacies of customer motivations, external influences on retention, and the impact of loyalty programs in the South African fast-food landscape. The findings, drawn from a meticulous analysis of responses from restaurant customers across four cities in South Africa, serve as the foundation for a thoughtful exploration of factors shaping customer loyalty. These results guide the reader through an analytical journey, decoding insights and revealing the nuanced interplay between customer preferences, external influences, and the effectiveness of loyalty initiatives within the dynamic South African fast-food sector.

### 7.1 Factors Motivating Customers to Participate in Restaurant Loyalty Programs

In this part of the study, respondents were asked to rate the importance of various motivational factors on a scale of 1 to 5, with 5 being the highest. The weighted mean scores indicate the relative significance of each factor, providing insight into the key drivers motivating customers to engage with restaurant loyalty programs.

**Table 1:** Factors Motivating Customers to Participate in Restaurant Loyalty Programs

No.	Motivational Factors	Weighted Mean
1	Discounts and special offers	4.60
2	Personalized experiences	4.50
3	Program trustworthiness	4.40
4	Brand loyalty	4.30
5	Exclusive rewards	4.20
6	Convenience in redemption	4.10
7	Program accessibility	4.0
8	Social recognition	3.80

The results presented in Table 1 offer a nuanced understanding of the factors motivating customers to participate in restaurant loyalty programs. Notably, discounts and special offers emerge as the most influential factor, garnering a weighted mean score of 4.60. This finding aligns with previous research emphasizing the significance of economic incentives in driving customer participation (Alagarsamy et al., 2021). The allure of exclusive rewards, indicated by a weighted mean of 4.20, echoes the rational motivations identified by Danaher et al. (2020), suggesting that tangible benefits play a crucial role in customer engagement with loyalty programs.

Personalized experiences, with a weighted mean of 4.50, rank second in importance. This finding resonates with the research of Kim et al. (2021), highlighting the psychological aspect of loyalty program participation and the role of emotional connections in motivating customers. The emphasis on personalized experiences underscores the evolving nature of loyalty programs, transcending traditional transactional models to foster meaningful connections with customers. Program trustworthiness, indicated by a weighted mean of 4.40, emerges as a key driver, reflecting the significance of establishing and maintaining trust in loyalty initiatives. This aligns with the Relationship Marketing Theory (Grönroos, 1994), emphasizing the importance of trust in building enduring customer relationships. The positive correlation between trustworthiness and motivation underscores the pivotal role of customer confidence in loyalty program effectiveness.

Brand loyalty, with a weighted mean of 4.30, reinforces the notion that customers value programs aligned with their allegiance to a particular brand. This finding aligns with the research of Yang et al. (2019), highlighting the interconnectedness of brand loyalty and customer retention. The loyalty program serves as a reinforcement of existing brand allegiance, contributing to a mutually beneficial relationship. Convenience in redemption, indicated by a weighted mean of 4.10, suggests that the ease of redeeming rewards significantly influences customer motivation. This finding aligns with the study by Nastasoiu & Vandenbosch (2019), emphasizing the importance of aligning loyalty program features with customer preferences for enhanced effectiveness. The accessibility of redemption processes contributes to a positive customer experience, fostering continued participation.

Program accessibility, with a weighted mean of 4.0, underscores the importance of ensuring that loyalty programs are easily accessible to a diverse customer base. This finding resonates with the inclusive approach advocated by O'Brien et al. (2020), emphasizing the need for businesses to cater to a broad audience to enhance customer retention. Social recognition, with a weighted mean of 3.80, reveals that while it holds some importance, it is a relatively less significant motivator compared to other factors. This finding aligns with the study by Ledikwe et al. (2020), acknowledging that while social recognition can contribute to customer motivation, it may not be the primary driver in the South African fast-food context.

Overall, the analysis of Table 1 provides valuable insights into the hierarchy of factors motivating customers to participate in restaurant loyalty programs within the South African fast-food landscape. By integrating findings from previous research, this study contributes to the evolving understanding of customer motivations, offering practical implications for businesses seeking to optimize their loyalty initiatives and enhance customer retention strategies.

## 7.2 Factors Beyond Loyalty Programs that Significantly Influence Customer Retention in the South African Fast-Food Landscape

To answer this part of the study, regression analysis was used. The regression coefficients represent the strength and direction of the relationship between each independent variable and customer retention. The p-values indicate the statistical significance of each variable, with asterisks denoting the level of significance (\* for  $p < 0.05$ , \*\* for  $p < 0.01$ , \*\*\* for  $p < 0.001$ ).

**Table 2:** Factors Beyond Loyalty Programs that Significantly Influence Customer Retention in the South African Fast-Food Landscape

Independent Variable	Regression Coefficients ( $\beta$ )	P-value	Significance Level
Service quality	0.25	0.003	**
Menu variety	0.18	0.021	*
Overall customer experience	0.30	0.001	***
Affordability	-0.15	0.035	*

The findings presented in Table 2 provide valuable insights into the factors beyond loyalty programs that significantly influence customer retention in the South African fast-food landscape. Service quality emerges as a robust driver, with a positive regression coefficient of 0.25. This result corroborates the broader literature that emphasizes the pivotal role of service quality in retaining customers in the fast-food sector (Ahmad-Fuzir et al. 2020). Service quality is a multidimensional construct, encompassing aspects such as responsiveness, reliability, and assurance. Research by Zhong & Moon (2020) has highlighted the importance of meeting or exceeding customer expectations in these dimensions to enhance overall service quality.

Furthermore, menu variety, with a positive coefficient of 0.18, emerges as a significant factor influencing customer retention. This result underscores the importance of offering diverse and appealing options to cater to the varied preferences of South African consumers (Szejda et al. 2021). The fast-food industry is dynamic, and consumers often seek novelty and variety in menu choices. Providing a range of options can contribute to customer satisfaction and retention. The most influential factor, as indicated by the highest coefficient of 0.30, is the overall customer experience. This finding aligns with the recent research by Ahmed et al. (2020) which emphasizes the multifaceted nature of customer retention. Beyond loyalty programs, the overall customer experience encompasses various touch-points, including service interactions, ambiance, and overall satisfaction. The result underscores the need for businesses to adopt a holistic approach to customer retention, considering the entirety of the customer journey.

Contrastingly, affordability exhibits a negative impact on customer retention with a coefficient of -0.15. This suggests that while cost is a significant consideration for South African consumers, an overly aggressive focus on affordability may negatively impact perceived value and, consequently, retention (Zhong & Moon, 2020). Striking a balance between cost and perceived value is crucial, and businesses need to carefully calibrate pricing strategies to align with consumer expectations.

In light of these findings, the implications for South African fast-food businesses are substantial. While loyalty programs play a crucial role, a holistic strategy that prioritizes service quality, menu variety, and overall customer experience is essential for effective customer retention. This approach aligns with recent trends in the industry and underscores the importance of creating a positive and comprehensive customer journey. Businesses should invest in staff training, menu innovation, and overall service excellence to not only attract but also retain customers in this competitive landscape. Moreover, pricing strategies should be nuanced, considering both affordability and the perceived value of the overall dining experience. By addressing these factors, businesses can foster customer loyalty that extends beyond the confines of traditional loyalty programs, contributing to long-term success in the South African fast-food market.

### 7.3 Impact of Existing Loyalty Programs on Customer Retention in South African Fast-Food Restaurants

To answer this part of the study, regression analysis was used. The regression coefficients represent the strength and direction of the relationship between each independent variable (loyalty program metrics) and customer retention. The p-values indicate the statistical significance of each variable, with asterisks denoting the level of significance (\* for  $p < 0.05$ , \*\* for  $p < 0.01$ , \*\*\* for  $p < 0.001$ ). The results presented in Table 3 elucidate the impact of existing loyalty programs on customer retention in South African fast-food restaurants, providing nuanced insights into the efficacy of various loyalty program metrics. The positive regression coefficient of 0.28 for Loyalty Program Participation Rate indicates a significant positive relationship with customer retention. This finding resonates with previous research highlighting the importance of active customer participation in loyalty programs for sustained engagement and retention (Liu & Jo, 2020). Higher participation rates are indicative of a more engaged customer base, fostering a sense of commitment and loyalty.

**Table 3:** Impact of Existing Loyalty Programs on Customer Retention in South African Fast-Food Restaurants

Independent Variable (Loyalty Program Metrics)	Regression Coefficients ( $\beta$ )	P-value	Significance Level
Loyalty Program Participation Rate	0.28	0.002	**
Redemption Frequency	0.20	0.015	*
Reward Perceived Value	0.32	0.001	***
Communication Effectiveness	0.15	0.045	*

Redemption Frequency, with a positive coefficient of 0.20, emerges as another influential factor in customer retention. This aligns with studies emphasizing the role of redemption frequency in reinforcing customer loyalty by providing tangible rewards and incentives (Ting et al., 2021). Frequent redemption not only signifies customer satisfaction with the program but also contributes to the perceived value of the rewards, fostering a positive cycle of engagement. Reward Perceived Value, exhibiting the highest coefficient of 0.32,

underscores the paramount importance of how customers perceive the value of loyalty program rewards. This finding is in line with existing literature that emphasizes the need for loyalty programs to offer rewards perceived as valuable and meaningful by customers (Kumar et al. 2019). The perceived value directly influences customer satisfaction and, subsequently, retention.

Communication Effectiveness, with a positive coefficient of 0.15, signifies the role of effective communication in enhancing customer retention. This resonates with research highlighting the significance of clear and persuasive communication in fostering customer loyalty (Koo et al. 2020). Well-executed communication strategies contribute to customer understanding of program benefits, creating a positive impact on their decision to stay loyal to the brand.

The implications of these findings are substantial for South African fast-food restaurants aiming to optimize their loyalty programs. Focusing on strategies to increase participation rates, encouraging frequent redemptions, and enhancing the perceived value of rewards can contribute significantly to customer retention. Effective communication, both in promoting the program and conveying its benefits, emerges as a critical element. Restaurants should invest in clear and persuasive communication strategies to ensure that customers not only participate in loyalty programs but also perceive them as valuable and relevant. By aligning loyalty program metrics with customer preferences and expectations, businesses can create a robust foundation for customer retention in the competitive South African fast-food landscape.

## 8. Conclusions

In conclusion, the comprehensive findings derived from addressing the three research questions provide valuable insights into the dynamics of loyalty programs and customer retention within the South African fast-food landscape. Firstly, investigating the motivations behind customer participation in loyalty programs revealed that factors such as discounts, personalized experiences, and program trustworthiness significantly influence customer engagement. This aligns with broader literature emphasizing the importance of economic and emotional drivers in fostering customer loyalty. Secondly, exploring factors beyond loyalty programs that impact customer retention highlighted the multifaceted nature of retention, with service quality, menu variety, and overall customer experience playing pivotal roles. This underscores the necessity for businesses to adopt a holistic approach, going beyond loyalty programs to enhance various aspects of the customer journey. Lastly, analyzing the impact of existing loyalty programs on customer retention indicated that metrics such as participation rate, redemption frequency, reward perceived value, and communication effectiveness significantly contribute to customer loyalty. These findings collectively emphasize the intricate interplay between loyalty initiatives and broader aspects of customer satisfaction and engagement.

In practical terms, South African fast-food restaurants can leverage these insights to refine their strategies for building and sustaining customer loyalty. By designing loyalty programs that align with customer motivations, offering diverse menu options, ensuring service quality, and effectively communicating program benefits, businesses can create a holistic and compelling customer experience. Recognizing the cultural nuances and economic considerations of the South African market, businesses can tailor their loyalty initiatives to resonate with the preferences and expectations of local consumers. Ultimately, the study contributes to the existing body of knowledge by providing a nuanced understanding of the factors influencing customer loyalty in the South African fast-food context, offering actionable insights for industry practitioners and paving the way for future research endeavors in this dynamic and competitive market.

### **8.1 Practical Implications/Recommendations**

Practical implications drawn from the comprehensive findings and conclusions of the three research questions offer actionable recommendations for South African fast-food restaurants.

Firstly, recognizing that customer motivations extend beyond economic benefits implies tailoring loyalty programs to evoke emotional connections and trust. This suggests the need for programs that offer personalized experiences, build trust, and provide rewards perceived as valuable.

Secondly, adopting a holistic approach to customer retention is imperative. Businesses should enhance service quality, diversify menu options, and prioritize a positive overall customer experience, recognizing the multifaceted nature of customer loyalty.

Thirdly, optimizing loyalty program metrics for retention underscores the significance of participation rates, redemption frequency, reward perceived value, and communication effectiveness. Implementing initiatives to boost participation, encourage frequent redemptions, and ensure effective communication becomes crucial for sustained customer loyalty. Moreover, recognizing cultural nuances and economic considerations highlights the importance of tailoring loyalty programs to align with local preferences and balancing affordability with perceived value.

Lastly, investing in clear and persuasive communication emerges as a key recommendation, emphasizing the role of effective communication in influencing customer perceptions and engagement with loyalty programs. Continuous monitoring and adaptation become essential in the dynamic fast-food landscape, urging businesses to stay attuned to evolving consumer preferences and market trends. By incorporating these recommendations, South African fast-food restaurants can not only optimize their loyalty programs but also foster lasting customer relationships, contributing to long-term success in a competitive industry.



## **8.2 Contributions/Value-Add**

This study contributes valuable insights and adds significant value to both academic and practical domains within the context of South African fast-food restaurants.

Firstly, it enhances the academic understanding of customer loyalty dynamics by delving into the motivations behind participating in loyalty programs, factors influencing customer retention beyond loyalty initiatives, and the impact of existing programs on customer loyalty. The nuanced exploration of these aspects fills gaps in the literature, providing a context-specific perspective that goes beyond global trends.

Secondly, the study adds practical value by offering actionable recommendations for South African fast-food businesses. The tailored insights into customer motivations inform the design of loyalty programs that resonate with the local consumer base, fostering a sense of connection and trust. The emphasis on a holistic approach to customer retention, encompassing service quality and overall experience, guides businesses in creating comprehensive strategies that extend beyond loyalty programs. The optimization of loyalty program metrics, coupled with a focus on clear and persuasive communication, provides practical tools for businesses to enhance customer engagement and loyalty.

Moreover, the study contributes to the existing body of knowledge by addressing specific issues prevalent in the South African fast-food landscape, such as market saturation, points accumulation limitations, complex redemption processes, and concerns regarding the effectiveness of loyalty programs. By integrating a situational analysis into the study, it offers a comprehensive understanding of the challenges faced by the industry, aligning theoretical insights with practical considerations.

In summary, the study's contributions lie in its academic enrichment, providing a nuanced understanding of customer loyalty in the South African fast-food context, and its practical implications, offering businesses tailored strategies to optimize loyalty programs and foster sustained customer relationships. The insights generated by this research hold the potential to inform strategic decisions, guide industry practices, and stimulate further academic inquiries into the evolving dynamics of customer loyalty within the unique landscape of South African fast-food restaurants.

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### **Conflict of Interest Statement**

The author declares no conflicts of interest.

### **About the Author**

Nkosinathi Emanuel Mdletshe is a dedicated South African educator with a rich and varied professional background. As a skilled Economics, American History, and Literature teacher, he excels in motivating and mentoring students of all ages, employing both traditional and innovative methods to make learning exciting and foster critical thinking skills. Nkosinathi's overarching goal is to help students understand English culture while promoting their healthy development—mentally, socially, and academically. Nkosinathi holds certifications as a TESOL and TEFL instructor, showcasing his commitment to effective language teaching. His academic journey includes a Bachelor of Arts degree from Northern Luzon Adventist College (NLAC) in the Philippines, a Master in Theological Studies degree from Nations University in New Orleans, US, and a Master in Business Administration from AMA University in the Philippines. Currently pursuing a Doctorate in Business Administration from AMA University, Nkosinathi's dedication to continuous learning is evident. With an international teaching history, Nkosinathi has left an indelible mark on students in Beijing, China, at Xushui no. 2 Middle School (2015-2018) and Rongguang International School (2018-2020). His online teaching experience with iTutor from 2016 to 2020 further demonstrates his adaptability and proficiency in virtual education. Presently, he serves as a Curriculum Manager in Quanzhou, Balboa International Education, where he imparts knowledge in Economics and American History. In addition to his teaching and managerial roles, Nkosinathi is actively engaged in scholarly pursuits. Although his written works, "The Theological Imprint in Management" (2019) and "Growth and Maturity: A Battle Within" (2020), have not been published in journals yet, they reflect his commitment to contributing valuable insights to the academic community. These works add an academic dimension to his multifaceted contributions, reflecting a dedication to education, personal growth, and spiritual guidance.

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