

UNIVERSITY OF KWAZULU-NATAL

Title

Bank customer loyalty programs and its ability in creating loyalty amongst diverse individuals at a non-profit company in Durban, KwaZulu-Natal

By

Student Name: Luchen Govender

Student Number: 204005807

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**Graduate School of Business & Leadership
College of Law and Management Studies**

Supervisor: Dr Abdulla Kader

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Abstract

Customer loyalty programs in banks were introduced to develop a loyal customer base by offering rewards or points in return for continuous banking with their chosen bank. In recent years, there has been fierce rivalry amongst South African banks, each using unique customer loyalty strategies to win customers into their system. However due to the current financial climate in South Africa, loyalty programs have showed signs of becoming drivers for discounts, rather than creating loyalty.

The aim of this study was to determine whether customer loyalty programs are creating loyal customers, by understanding the perceptions of employees of a non-profit company, with regards to the level of importance given to customer loyalty programs. The employees of the non-profit company was used as the sample for the study, out of convenience, because it was the researcher's place of work. A quantitative method was used in the study, making use of a survey questionnaire to gather data from respondents. Overall results of the study from 57 participants, showed that most employees of the non-profit company said they strive to earn maximum points per month in order to reach a higher loyalty status and that they keep up to date with the latest changes made to their bank loyalty program. Most employees showed that they will not consider switching banks for a bank that offers better rewards for its loyal customers and their decision to remain with the bank is not influenced by the number of points that they earn from their banks customer loyalty program. The major conclusion of the study was that bank customer loyalty programs in South African banks do create loyalty amongst employees at the non-profit company in Durban KwaZulu-Natal. It was also found that bank loyalty programs do not have an effect on customer switching behavior. It is recommended that South African banks should continue in their efforts to reward loyal customers as the results of study have shown that loyalty programs do create loyalty amongst the employees of the non-profit company. South African banks should measure loyalty internally to gain customer data through their own databases. This information would provide a better understanding of customer needs which may have an effect on how loyal they will be towards their bank.

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Chapter One

Introduction

1.1 Introduction

The past two decades in South Africa, the banking industry has evolved considerably with regards to their strategic marketing efforts. The “big four” banks, as they are commonly known are ABSA bank, Standard Bank, Nedbank and First National Bank, account for the majority of customers amongst other smaller banks. Possibly the single most important factor that requires constant scrutinizing, is the availability of customers and their level of usage with the bank. Banks require customers to remain consistent in their purchases (i.e. Loans, credit agreements, higher purchase, insurance. etc.) without having to switch banks for better offers on these purchases. Customer Loyalty programs have since played a major role in developing consistent repeat purchases of customers. Loyalty programs aim to retain customers through its ability to offer special rewards for higher levels of loyalty (remaining with the bank for a lengthy period of time). This in turn allows the bank to enjoy major cost savings from not losing customers to competitors and not having to spend more on acquiring new customers.

1.2 Problem Statement

Loyalty programs have been used greatly to entice customers to remain with the bank, by offering them discounts, rewards and loyalty points that could be accumulated to reach higher loyalty status levels, earning the customer greater discounts and profits. Each of the major banks in South Africa continuously update their marketing strategies each year to either match or surpass their competitors in their efforts to influence customers to not switch banks. Over time, with the influx of information through the ever accessible internet and social networks, customers are seen to be consistently looking for a bank that offers

more value for their money. Loyalty it seems, is argued as being nonexistent. This comes as a result of South Africa still feeling much pressure in the financial markets, a weakened currency and higher cost of living, resulting in customers opting to for more discounts rather and possibly looking to other banks. It can therefore be argued during this current state of the country that loyalty programs have now switched to becoming discount drivers. Many studies and yearly loyalty surveys are conducted to better understand customer loyalty. However most of these studies focus on the general outlook of customer loyalty across all types of organizations. Research conducted by (Davis, 2011) amongst various different loyalty programs across South Africa, showed that loyalty programs are not creating true loyalty. Recommendations were made by (Davis, 2011) to conduct similar studies within specific industries to determine whether the results of his study could be applicable to different businesses. It is at this point, where the research problem was identified as there is not enough information on whether bank loyalty programs in South Africa are creating loyalty.

1.3 Aim of Study

To determine whether customer loyalty programs are creating loyal customers, by understanding the perceptions of employees of a non-profit company, with regards to the level of importance given to customer loyalty programs.

1.4 Research Objectives

1. To determine the awareness and engagement, of employees at a non-profit company, with customer loyalty programs of South Africa banks.
2. To determine whether customer loyalty programs of South African banks, have an effect on switching behavior and customer retention, amongst employees at a non-profit company.
3. To determine if customer loyalty programs, offered by South African Banks, creates customer loyalty amongst employees at a non-profit company in Durban KwaZulu-Natal.

1.5 Purpose of the study

The purpose of this study is to determine whether bank customer loyalty programs, create customer loyalty and the effect it has on customer switching behavior and customer retention. It is not possible to sample an entire population of South African bank customers and hence the study was carried out at the researcher's place of work, a non-profit company in Durban KwaZulu-Natal. These individuals serve as an ideal sample because they are made up of professionals at different levels of work, experience and theoretical knowledge. This will help South African banks to understand weather more emphasis needs to be placed on awareness of customer loyalty programs and whether or not the current objectives of loyalty programs are being met in the major banks of South Africa.

1.6 Limitations of the Study

All types of research have limitations that the researcher must document in order for future studies surrounding the topic to be considered. The limitations encountered in this study were:

- a) A quantitative method was chosen for this study due to time constraints, as it was not possible to get more information from participants using a qualitative method which would have required more time.
- b) It is not possible to sample the entire bank customer population in South Africa and therefore due to convenience the researcher chose to carry out the study amongst bank customers at the researcher's place of work. These bank customers may not represent the total bank customer population of South Africa.
- c) Participants of the study, work in a busy environment and therefore, careful choice over the number of questions that was used in the questionnaire, was taken into account. More questions, revealing more answers to the problem could have been asked to participants, but instead fewer questions, phrased in a clear way were asked to get maximum involvement.

1.7 Chapter Outline

Chapter One: Provides an overview of the research study, problem statement, objectives and purpose of the study.

Chapter Two: Provides an overview of past and current literature that surround the research study

Chapter Three: Provides an overview of the research methodology that was used, survey instrument and how validity and reliability was ensured.

Chapter Four: Provides an overview of the results generated from the study using statistical analysis.

Chapter Five: Provides a discussion that links the results to the literature review and objectives of the study

Chapter Six: Provides the conclusion of the study, together with recommendations and a summary of the solutions to the research objectives.

1.8 Summary

Bank Customer loyalty programs are aimed at creating loyalty and repeat purchase to banks by showering customers with reward and points for their ongoing engagement with the bank. However, the financial climate in South Africa is seen to have forced bank customer loyalty programs into being drivers of discounts, which South African people are ever willing to be a part of. It is therefore important to for the major banks in South Africa to learn more about what their customers feel regarding loyalty and loyalty programs. A good understanding into weather these programs are achieving its desired outcomes is crucial for long term sustainability of South African banks. An in depth look into the literature surrounding loyalty, loyalty programs, switching behavior and customer retention, together with how all of these concepts are interrelated will be discussed in the next chapter.

CHAPTER TWO

Literature review

2.1 Introduction

Customer loyalty programs in banks were introduced to develop a loyal customer base, by offering rewards or points in return for continuous banking with their chosen bank. All major banks in South Africa, such as Standard Bank, ABSA, Nedbank and First National Bank have incorporated customer loyalty programs into their marketing strategy (Mather, 2013). In recent years, there has been fierce rivalry amongst South African banks, each using unique customer loyalty strategies to win customers into their system (Mokoena & Govender, 2015). However due to the current financial climate in South Africa, loyalty programs have showed signs of becoming drivers for discounts, rather than creating loyalty (Kearney, 2013).

This chapter will begin with discussing the literature surrounding the term customer loyalty and how it exists through the decisions made by customers. Thereafter the concept of customer loyalty programs will be discussed, with the aim of outlining the most important benefits to organizations. The concepts of customer switching behavior and customer retention will then be covered to determine their relationship to customer loyalty programs.

2.2 What is customer Loyalty

Customer loyalty in business, refers to a customer having a firm belief and commitment in the product offering of that business, every time the customer faces the decision to buy a similar product, irrespective of competitor brands that may also exist (Ranade, 2012). Customer loyalty may also relate to those instances where customers remain with the same business, irrespective of the business going through a crisis (Shafei & Tabaa, 2016).

The above statements are further confirmed by Zhang & Doorn (2014) who define customer loyalty as positive attitudes that customers have towards a brand, with the emphasis of willingness of the customer, to remain a member of the brand. Customer loyalty can be best understood through the following concepts, loyalty as an attitude towards the product and loyalty in terms of purchasing behavior (Cheng, 2011).

2.2.1 Loyalty expressed as an attitude (attitudinal loyalty)

Reichfield (1996) states that, in order for true unwavering loyalty to exist, there must be a strong positive attitude, towards the product or service being offered by the company. According to Oliver (1997) it is the intensity of these attitudes that will lead customers to re-purchase products. To further support this statement (Ahluwalia, Burnkrant & Unnava 1999) have come to the conclusion that customers with strong positive attitudes, will not be phased by the existence of negative opinions expressed by other customers and better products offered by competitor organizations. Attitudinal loyalty is further understood by the concepts of trust and switching costs related to a company (Baloglu, 2002). Trust resembles the ability of a company to be reliable, accountable and honest with their customers and switching costs refers to the time and expenses incurred when moving to a competitors more favorable product option (Baloglu, 2002).

2.2.2 Loyalty in terms of purchasing behaviour (behavioural loyalty)

The amount of revisits and re-purchases that a customer makes together with overall engagement with the company is indicative of behavioral loyalty (Radder, van Eyk & Swiegelaar 2015). Behavioral loyalty is also defined by the way in which customers promote a certain product or customer experience to their friends and family (Szczepańska & Gawron, 2011). Baloglu (2002) suggests that a customer's behavioral loyalty takes into account their ability to be influenced by competitor products.

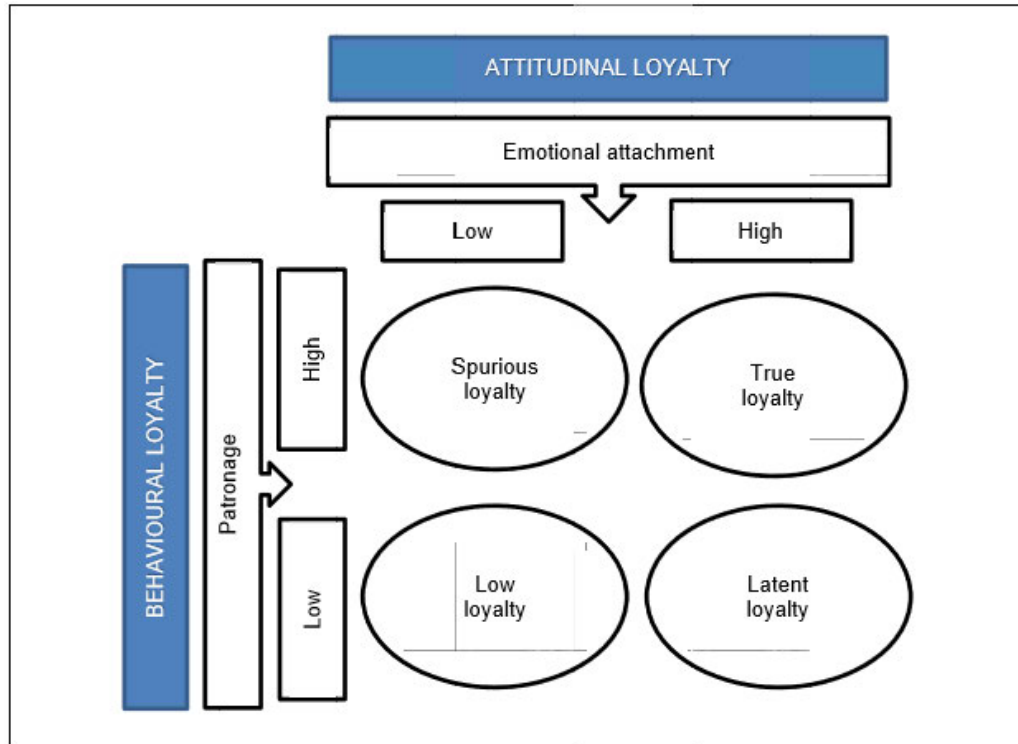


Figure 2.1 The four main categories of loyalty

Source : Baloglu, S., 2002. Dimensions of customer loyalty: Separating friends from well wishers. *Cornell Hotel and Restaurant Administration Quarterly*, 43(1), pp. 47-59

There are four main categories of loyalty, namely true loyalty, latent loyalty, low loyalty and spurious loyalty (Baloglu, 2002). These categories are determined by the amount of attitudinal and behavioral loyalty that is exhibited by the customer.

Customers that exhibit true loyalty are an organizations most desirable customer. They show the highest levels of patronage and emotional attachment to the organization and are not easily influenced by competitor organizations (Baloglu, 2002). They are the customers who willingly spread the name of the organization to others (Gómez, Arranz & Jesús 2006)

Customers who exhibit latent loyalty have high levels of emotional attachment and low levels of patronage (Baloglu, 2002). A marketing strategy with the aim of reducing prices

and making the product easily accessible to the customer, will help transform the customer into a true loyal customer (Baloglu, 2002)

Spurious loyalty is exhibited by customers who make spontaneous purchases without having any emotional attachment to the organization. These spontaneous situations are usually as a result of customers being forced to purchase, due to no other alternatives that exist or because of some form of incentive, usually for financial gain (Baloglu, 2002)

Low loyalty customers exhibit the lowest levels of emotional intelligence and patronage. This is due to them either not fully understanding the organization or because of their constant search to find cheaper alternatives. These customers are very easily influenced by competitor organizations (Baloglu, 2002)

Only a small amount of customers are loyal, instead most of them are “polygamous” which means that they are loyal to a number of different brands within a particular product category (Uncles, Dowling & Hammond 2003). According to (Howcroft, Hewer & Durkin 2003) customers who are generally lazy or feel that it is inconvenient to switch to a different product, are loyal based on their behavior being expressed, rather than their attitudes. Some customers continuously purchase the same brand or product, because it is not worth their effort and time to search for an alternative (Uncles, et al., 2003) Alternative products are used only if the customer can identify it as having the same capabilities as that of the intended product (Uncles, et al., 2003).

Customer loyalty is important in achieving greater returns on investments made by the business (Rayner 1996). Customers who are loyal, usually spend more on purchases than those who are not and moreover it is more cost effective to carry out business with existing customers, compared to being able to do business with prospective customers (Artun & Levin, 2015).

2.2.3 Identifying loyalty in customers

According to O'Brien & Jones (1995) loyalty programs must be structured to generate loyalty in customers. Too often are loyalty programs misused as hot deals of the month

and instead only bring in short term sustainability with regards to profits. Loyalty programs must be designed in a way that includes awareness towards loyalty and the benefits that can be earned (O'Brien & Jones, 1995)

During the years of 1980's, customer loyalty was dependent on customer satisfaction and product quality and therefore businesses was more driven towards ensuring quality services and products rather than exceptional customer service (Gonring, 2008). Beyond the 1990's this approach eventually led to a more customer focus one, that aimed at developing long lasting relationships with customers (Gonring, 2008).

According to (Mohsan, Nawaz, Khan, Shaukat & Aslam 2011) customer satisfaction is a key driver of customer loyalty. Satisfaction is defined as the acceptance level of customers towards a product or service being offered and it is influenced by expectations of the product or service as well as quality (Hu, Kandampully & Juwaheer 2009).

Morgan & Hunt (1994) states that when customers show commitment to an organization, they are less likely to switch to competitor organizations and therefore these relationships are important to maintain. In the business to customer environment, commitment is an important factor that directly influences loyalty (Shabbir, Palihawadana & Thwaites 2007). Rauyren & Miller (2007) state that commitment refers to attitude that displays continuous engagement in a relationship between an organization and customer. According to Ju Liang & Wang (2005) high levels of commitment lead to greater levels of repeat patronage (repeat purchase) which in turn will lead to customers being loyal.

According to Ranade (2012) loyalty can be measured by the degree to which customers recommend an organizations products to others. These customers are known as brand advocates because they advocate or promote the organization and its product because of a firm belief in the value of it (Lawer & Knox, 2006). Brand advocates are customers who do not require any motivation to spread the name and brand of the organization (Tate, 2013). They do so with immense pleasure and satisfaction gained from being customers of the organization and experiencing the benefits received. According to Williams (2015)

brand advocates share information about the brand through referrals, social media communication and word of mouth, a statement also fully supported by (Daye, 2013). A study conducted by Fullerton (2005), amongst two business entities, showed that commitment towards a brand was directly related to repeat patronage and the need to be an advocate of the brand.

2.3 Customer loyalty programs

Customer loyalty programs refers to the relationship that exists between a customer and an organization, where the organization rewards the customer with incentives, in return for ongoing engagement and repeat purchasing of the organizations products and services (DeMatas, 2016). Incentives in customer loyalty programs, usually represent cash or points that can be accumulated based on the customer's frequency of purchases (Mokoena & Govender, 2015). These programs involve the use of enhanced communication tools to engage and transform customers, so as to improve customer retention levels (Sharp & Sharp, 1997). DeMatas (2016) further argues that making the initial sale of service or product is a good start to achieving profits, but it is the second, third and fourth sale to the same customer that will increase profits exponentially.

Older types of customer loyalty programs resemble what was known as punch programs, which were very much suited to simple businesses selling products or services (Donnelly, 2010). This type of loyalty program made use of a card that would be ticked off, every time a purchase was made. When the customer reaches a certain level, a free gift or product is given to the customer in return for their continued purchase of the organizations products. This is analogous to the situation of a customer using a loyalty card at a car wash and then receiving a free car wash after 15 washes, which is still used in some businesses today (Fallon, 2014).

Tiered programs are amongst the most common types of customer loyalty programs used by organizations (Peiguss, 2013). These programs are made up of different levels, of which customers can achieve increasing amounts of discounts and incentives as they

progress up the tiered structure, by accumulating points through repeat purchases (Colliander, Söderlund & Szugalski 2016). The tiered structure allows for easy customization so that customers of all income-earning brackets can be satisfied. According to (McEachern, 2014) the tiered system of loyalty programs is the most effective because it motivates customers to challenge for greater customer status's by achieving higher tiers relative to their friends and family, a concept known as the Local Ladder Effect. Customers in the upper levels of tiered systems are the most valuable because, when they achieve high reward levels, they receive unique discounts exclusive to those levels of purchasing and engagement.

In today's business environment, most loyalty programs exist in a tiered structure. These loyalty programs involve the payment of a monthly fee for being a member. In return for this monthly fee, customers gain access to special rewards and discounts that can be spent on items offered by an organizations partner (McEachern, 2014). The advent of an ever progressing technology landscape, has allowed for better engagement between customers and customer loyalty programs, with customers now being able to track their loyalty points and rewards via their cellphones and computers. (Friend, 2014)

2.3.1 The need for customer loyalty programs

In the early years of marketing it was discovered by the Europeans that suppliers who had developed strong business relationships with their customers often created customers who were loyal to their business (Uncles, et al., 2003). In return customers would be happy to undertake more business with suppliers and thus creating a positive winning partnership for both supplier and customer. Companies that have loyalty programs in place are usually more profitable than those that don't (Magatef & Tomalieh, 2015). According to Dowling & Uncles (1997) this is due to the reduction in costs attributable to serving customers as well as positive recommendations made to their friends and business colleagues regarding the exceptional service being offered.

The aim of customer loyalty programs is to firstly enhance the customer experience of current customers such that their support remains unchanged, as well as increasing repeat

sales (Uncles, et al., 2003). Loyalty programs can also be used as vehicle to market less popular or new products in the company (Markidan, 2015). The important rule of thumb is that, in a business, majority of the sales is gained from a small percentage of customers and it should be the aim of the business to put strategies in place to retain these customers. This is otherwise known to the business world as the 80/20 principle, which means that 80% of sales are generated from 20% of customers (Dowling & Uncles , 1997).

According to (Sällberg , 2010) one of the most common rewards programs, found in every country is the frequent flyer program adopted by airlines across the world. It rewards customers for their choice to fly, by allowing them to redeem points which when accumulated can lead to the purchase of a full flight. Over time, variations of this type of rewards system has evolved into more flexible and sophisticated ones, which allow customers to choose from a range of rewards, which are usually provided by the partnerships formed between more than one business. Regular messages are sent to customers regarding the amount of points or rewards accumulated. However, findings of Bootzin, Bower, Crocker & Hall (1991) are of the view that this delay in accumulating points to reach a specific target decreases the power of the loyalty program itself, because people simply do not want to wait. Statements made by (Nishino, 2013) further emphasized that customers do not want to spend in order to earn points, but instead desire personal attention.

2.3.2 Generation Demographics of customers

Different generations of customers have different needs and therefore need to be treated differently, when it comes to customer service (Bennington, 2012). According to (Bedgood, 2016) the Millennials and Generation Z were born during the age of the internet and the frequent flow of information through social networks and hence are very knowledgeable and quick thinkers. According to Cromhout, Reid & Netto (2016) under 25 year olds understand marketing efforts almost too well and therefore need personal attention, when it comes to loyalty programs, rather than mass marketing efforts currently implemented by most organizations in South Africa. Comments made by (Pedroncelli, 2015) argue that

young customers in South Africa are also not interested earning points from loyalty programs, but rather will opt for the loyalty program that offers the best rewards and will constantly switch to different organizations to achieve better rewards because of the level of information that is always accessible to them.

According to (Burkard, 2016) Generation X refers to people born in 1960 to 1981, and they are the group of people whose purchases are mostly premium quality items that will have long lasting effects. They are well known to be loyal to organizations. Although these group of people have a lot of money on hand, they find every way to use it only for the benefit of their families and future needs. These groups of people are best satisfied with loyalty programs that have value and are convenient to the customer (Burkard, 2016)

Table 2.1 Generations of people with starting and ending birth dates

Generation Name	Births Starting	Births Ending	Youngest Age Today	Oldest Age Today (if still alive)
The Lost Generation - The Generation of 1914	1890	1915	101	126
The Interbellum Generation	1901	1913	103	115
The Greatest Generation	1910	1925	91	106
The Silent Generation	1923	1944	72	93
Baby Boomer Generation	1945	1964	52	71
Generation X	1961	1981	35	55
Generation Y - The Millennials - Gen Next	1975	1995	21	41

Source : Robinson, M. T., 2015. *The Generations - What are You?*. [Online]
Available at: <http://www.careerplanner.com/Career-Articles/Generations.cfm>
[Accessed 05 April 2016]

2.3.3 Specific benefits of loyalty programs to organizations

2.3.3.1 Prevents customers from switching organizations

Customers often remain with an organization because of their current status of rewards or loyalty points that has accumulated over a period of time (Magatef & Tomalieh, 2015). Much time and money has been spent ensuring that these points have reached a certain level and therefore, leaving one organization for another, will result in a sunk cost (Keiningham, et al., 2005). A sunk cost, refers to the costs that has already occurred and cannot be recovered (McRaney, 2011). From the customer's point of view, this includes the cost of repurchasing, buying different products and increasing their total spend amounts, in order to gain more rewards or points. Ultimately, it is the organization that benefits because although the customer loyalty program has not created complete loyalty, it has fulfilled its purpose of retaining the customer, preventing them from switching to a competitor organization (Magatef & Tomalieh, 2015).

2.3.3.2 Increases customer purchasing

Most customer loyalty programs offer rewards and points of which, when a specific level is reached, a certain discount or product is achieved. Customers are drawn into purchasing more when some form of incentive is attached to the purchasing situation (Nunes & Drèze, 2006). Both customers who need more reward points to get to the next tier, as well as those who need more reward points to avoid being dropped to a lower tier, will be easily influenced into purchasing more when promotions or incentives are available (Sharp & Sharp, 1997). Increased purchasing results in increased profits.

2.3.3.3 Gathers important customer data

Customer loyalty programs are an important tool in gathering customer data that can be used to better serve customer's needs (Kumar & Shah, 2004). According to (Olenski, 2014) customer loyalty programs are research tools that gather valuable information, regarding the types of rewards that are sought after by customers as well as the desired levels of points that customers want to achieve. When marketers understand which types

of rewards are the most valuable to customers, they will then be able to attach these to the product or service that needs more sales, thereby increasing revenue in the most lucrative product segments. Social networking platforms such as Facebook and Twitter have allowed for the easy dissemination of information to the crowds of customers out there in the cyber world (Friend, 2014). The customer loyalty program is therefore an important tool in the customer relationship management strategy of the organization (Nunes & Drèze, 2006).

2.3.3.4 A platform to reward frequent customers of the organization

According to (Ciotti, 2013) the human mind is geared towards wanting to keep our status intact and therefore when customers reach a certain level of points they will continue purchasing in order to remain at that points status. Organizations create a loyalty system which allows customers to reach different loyalty statuses such as Silver and Gold Status, which entitles them to preferential treatment or special types of discounts and incentives (McEachern, 2014). This platform allows for the differentiated service that is only offered to the most frequent customers.

2.3.4 Importance of organizational partnerships in customer loyalty programs

Some organizations partner with others to form coalition programs, a customer loyalty program in which more than one partner is benefiting from the customer's engagement with the program (Kolowich, 2015). According to (Lemon & van Wangerheim, 2009) these types of loyalty programs help the organization to retain customers as well as being exposed to their partner's customers, thereby creating a larger customer base from which greater profits can be earned. This is further supported by (Johnson, 2013) who states that partnerships in loyalty programs offer a collaborative platform where new ways of communication can be developed to understand customer behavior better.

The major banks of South Africa, all have incorporated some form partnership with other organizations to better serve their customers. For example, Standard Bank's uCount rewards program offers customers up to R2 in points for every litre of fuel filled with their

Standard Bank card, at a Caltex fuel station in South Africa (Mokoena & Govender, 2015). First National Bank's eBucks program is amongst the most desirable because of its strong affiliation to Discovery (an insurance company) and Kulula (a very popular low cost airline) where points earned from the program can be used to make purchases from these partners (Mather, 2013). The eBucks program requires no monthly fee to earn extra points and has a more variety of retail outlets where bank customers can spend rewards, when compared to other bank loyalty programs on offer (Mokoena & Govender, 2015).

2.4 Overview of major bank loyalty programs in South Africa

All of the major banks in South Africa make use of a loyalty program system whereby customers are encouraged to use their bank cards in order to earn points and rewards which can be used at each bank's partner (Mokoena & Govender, 2015).

2.4.1 Standard Bank Ucount Rewards

Ucount rewards is Standard Bank's loyalty program which rewards customers for making purchases with their debit, cheque or credit card. Twenty percent of purchases made at selected grocery stores can be earned by customers in the form of rewards. The rewards are offered to customers in the form of points that are only received at the end of each month. Ten points is the equivalent of one rand. Points can be accumulated and used to purchase fuel, online items or discounts. The Ucount program uses a tiering points system, to determine how much rewards a customer will earn. The Standard Bank – Caltex partnership has become very popular of the last few years, with customers being able to earn as much as R2 per litre of fuel filled. There is also a monthly fee of R20 to register onto the Ucount rewards program (Mather, 2013).

2.4.2 ABSA Bank Rewards

The ABSA rewards program is unique in that rewards earned by customers are in the form of cash, instead of points. These cash rewards can then be used for whatever the customer desires. Becoming a member requires an online registration with a monthly fee of R21.

ABSA bank encourages customers to shop at their cash reward partners in order to get up to 10% returned to them when making a purchase. The cash reward is deposited into the account which the monthly membership amount is expensed from. Customers can also use these rewards to purchase vouchers, airtime or submit donations to charities. ABSA bank offers all members of this program bonus rewards such as 24 hour emergency assist, discounts up to 20% on a network of optometrists and dentists, as well as home assistance in the form of plumbing and locksmith services (Mather, 2013).

2.4.3 Nedbank Greenbacks

Greenbacks is the term given to the rewards earned by Nedbank customer's when he or she uses their cheque or credit card at any of Nedbanks partners. One greenback is earned for every R5 spent. Much like the other reward systems, customers can spend their rewards at similar partners, however the distinguishing feature is that members can purchase greenbacks at cost of 4c each, as well as earn rewards on all cards linked to their name. The annual fee for a member is R179, which is considerably less than standard bank and ABSA Bank. However (Mather, 2013) points out that one of the setbacks is that unlike Standard Bank and ABSA Bank, it is not possible to earn rewards at fuel stations.

2.4.4 FNB eBucks

eBucks is the reward currency offered to customers of First National Bank for using their cheque or credit cards at specific fuel stations, grocery stores and other brands. The eBucks can be accumulated to purchase luxury items on takealot.com, a popular variety online store. A maximum allowable discount of 40% may be granted on purchasing of flights and gadgets, based on the tiered system used. One rand is the equivalent of 10 eBucks and customers can earn up to 15% back on fuel at Engen fuel stations and large supermarkets. Unlike other reward programs, there is no joining fee onto the eBucks program and according to (Mather, 2013) the eBucks program has a greater variety of partners offering a wider range of products and services for customers to make purchases.

2.5 Loyalty program statistics in South Africa

Loyalty program in South Africa have increased significantly over the last decade, with the most amount of growth occurring in the last five years. Currently there well over a hundred loyalty programmes in South Africa (Pedroncelli, 2015). A report by two leading marketing organizations, Truth and WhyFive, lead to the compiling of the 2016 Truth Loyalty Whitepaper. This report highlights customer perceptions towards loyalty programs and their usage across various different loyalty programs (Cromhout, et al., 2016) The report showed that from the Big four Banks, First National Bank's eBucks was the most used bank loyalty program, followed by Standard Banks's Ucount rewards, ABSA rewards and lastly Nedbank Greenbacks respectively. The report also stated that more customers used loyalty programs in 2015 than in 2014 and that 47% of young people do not use loyalty programs (Cromhout, et al., 2016).

2.6 Loyalty points and rewards

The most common loyalty programs are those that offer points or rewards to customers, in return for their consistent purchasing (Kolowich, 2015). Literature shows that there are opposing views on whether customers, aim to achieve the most amount of loyalty points or not.

Loyalty programs will create customer retention, because of the way the human mind is setup and the way in which it can be manipulated psychologically (Markidan, 2015). This is best explained by the endowed progress effect argued by (Nunes & Dreze, 2006). The endowed progress effect explains that customers are more committed to achieving a goal, immediately after they have experienced some form of progress (Nunes & Dreze, 2006). The opposite also holds true, that if a customer is not making progress, he or she will usually retract from achieving the goal. Lastly, (Nunes & Dreze, 2006) argues that when customers are almost achieving their goal their commitment is seen as stronger, so as to reach the end goal.

In customer loyalty programs, customers are enticed into earning points by making frequent purchases, resulting in the customer reaching higher levels of loyalty status, with unique benefits (McDonald, 2016). Getting customers to accumulate points is an effective way of using a loyalty program (McEachern, 2014). With the advancements in technology, it is now easy for customers to share their achievements and loyalty status, with the rest of the world via social media, using cell phone applications that monitor their purchases and loyalty points accumulated (McDonald, 2016). Whilst at these high loyalty levels, customers find it difficult to switch organizations and throw away all of their hard earned efforts, only to start afresh from the bottom if they decided to join a competitor organization (Cromhout, et al., 2016).

Contrary to the above, customers surveyed from an international hotel chain showed that organizations cannot buy their loyalty through the issuing of loyalty points and rewards because loyalty is earned through strong relationships that are built over time (Nishino, 2013). Organizations should “go beyond seeking transactional relationships, which shower customers with points, to a more sustainable relationship that creates an emotional hook” (Nishino, 2013).

Loyalty to an organization or brand can be maximized when personal relationships are conceived between customer and organization (Enrico, 2015). As a result of personal relationship marketing, argued by Enrico (2015) the following takes place

:

1. The organizational brand is seen as the most trusted and reliable brand
2. Greater levels of feedback is gained from customers because they feel free to communicate and make the organization better, rather than switching to another organization.
3. The ability to make a sale is far easier and less costly, because customers will continue to purchase the organizations product.
4. Referrals to friends and family members of the organizations product offering is easily disseminated through patriotic customers.

2.7 Customer retention

Customer retention refers to the ability of an organization to prevent customers from leaving the organization, through strategies that aim to create long term engagement between the customer and the organization (Gee, Coates & Nicholson, 2008). It aims at converting the once-off customer into a frequent consistent customer, while at the same time increasing the number of items being bought each time (Ramshaw, 2016). The positive emotional experiences that customers face together with an organizations reputation is what improves customer retention (Singh & Khan, 2012). These emotional experiences such as great service, politeness of the organizations staff and turnaround time of resolving problems, is essential in building loyal customers (Gee, et al., 2008). In the long term, customer retention brings in positive reputation and goodwill which can be advantage in any industry (Singh & Khan, 2012). In an organization, it is more costly to acquire new customers than it is to retain current ones and therefore a customer retention strategy, should always be a crucial strategic objective of the organization (Singh & Khan, 2012). The aim of customer retention is to simply increase profits for the organization. This is achieved by higher revenues gained per customer, while lowering the cost per customer (Ramshaw, 2016). Both of these are achieved simultaneously through ensuring high levels of customer loyalty (Ramshaw, 2016).

According to Khan, Hussain & Yaqoob (2012) customer satisfaction is important in building long term relationships with customers and those customers who are not satisfied with the organizations service offering will almost certainly switch to another organization within the same competitive business environment. A direct relationship exists between customer satisfaction and customer retention. According to Ranaweera & Prabhu (2003) customer retention in an organization is improved when customer satisfaction is achieved. This is further supported by the argument of Fornell (1992) who argues that, organizations who ensure that their customers are satisfied, achieve greater levels of loyalty from their customers. It is through these satisfied customers that the organization will be able to enjoy competitive advantages in the world of business Patterson, Spreng & Johnson (1996). A study carried out by Magatef & Tomalieh (2015) amongst individuals with diverse

backgrounds, income levels and socio-economic status, showed that all loyalty program initiatives implemented by organizations through the form of tiered rewards and VIP (very important person) benefits, had a positive affect on customer retention.

Customer loyalty programs aim to create emotional bonds between the customer and the organization and it is these emotional bonds that result in greater levels of switching costs (Bolton, Kannan & Bramlett, 2000). Customers who are members of a loyalty program in an organization spend more time aiming to achieve higher reward statuses and points level and as a result, less time is spent comparing similar services offered by other organizations in the same industry (Sharp & Sharp, 1997). In the long run, switching costs rise and indirectly increase customer loyalty, because customers are not willing to give up what they have gathered over a period of time to start afresh (Bolton, et al., 2000).

2.8 Customer switching behavior and switching barriers

Customer switching behavior refers to the inherent need for customers to leave or “switch” from one organization to another, usually as a result of dissatisfaction, poor quality and customer service experienced (Ahmed, Gull & Rafiq 2015). Switching behavior is the situation that occurs when a customer ends one relationship with an organization to begin a similar relationship with another organization, usually due to greater perceived value and incentives (Vyas & Raitani, 2014). When customers decide to switch organizations, they endure the cost of switching and removing themselves from their current organization to join some other competitor organization. According to Keaveney (1995) switching costs may also include psychological exit and emotional costs. Chung & Shin (2009) argue that, in the banking industry, customers switching between banks are exposed to functional risk, social risk, financial risk and time risk :

Functional risk – refers to the risk the customer will face if expectations are not met regarding the new banks service or product being offered.

Social Risk – Refers to the risk of being labelled as a lower class customer, socially, based on the type of package that is offered by the bank.

Financial Risk – The costs incurred in switching from one bank to another. This includes hidden transfer costs and increased bank charges.

Time Risk – refers to the risk associated with losing time spent on setting up new accounts with the new bank as well as the time taken to update banking details linked to all other stakeholders of the customer's bank account (eg. Place of work, Credit agreements at retail stores, internet banking etc)

The above risks associated with switching banks force the customer to re-consider their intentions to switch banks and due to some of the high costs related to switching, customers resort to remaining loyal through the form of repeat purchases at the same organization (Selnes, 2007).

2.9 Drivers of switching behavior

2.9.1 Age

According to Lavingia (2015) customers who fall into the age category of 30-44 are most likely to switch banks. This age group of customers belong to millennial generation, who are quick thinkers and have easy access to information, internet and social networking to keep up with the latest offerings from other banks (Bedgood, 2016). These customers are at a stage in their life where most of them are moving from being single to being married with children and their previous need for just a bank account has now been updated to include the need for a home loan and other high purchases. It is at this point in time, before they make any long term decisions, that a customer finds it easier to switch banks (Lavingia, 2015).

2.9.2 Price

Higher prices of products and services, can make customers switch banks for more favorable price offerings for similar products (Clemes, Gan & Zheng, 2007). A study carried out by (Clemes, et al., 2007) showed that younger people as well as wealthier

customers switch banks more than other groups of people. This is mainly due to younger people being more opinionated and making frequent use of social media to update themselves of latest trends and reviews of various banks. Wealthier people see no need to spend time dwelling on bad service and poor product quality and will instead resort to switching banks, irrespective of the costs involved of transferring accounts and cancelling agreements (Clemes, et al., 2007).

2.9.3 Reputation

Reputation is the result of experiences and opinions gathered over time by customers and includes past and current situations. It is also the key to bringing in new customers (Bennett & Kottasz , 2000). In Asian countries a banks reputation was seen as an important factor in customer switching of banks. Banks with low reputation had an increase of switching behavior, while banks with high reputation had lower levels of customer switching (Gerrard & Cunningham, 2004) Reputation is a powerful tool in creating an advantage of competitors, since it is not easy to copy reputation. Customers who are members of reputable organizations are less susceptible to switching organizations, even if competitors offer better products (Hall, 1993)

2.10 Summary

Customers who are loyal, usually spend more on purchases than those who are not and moreover it is more cost effective to carry out business with existing customers, compared to being able to do business with prospective customers (Artun & Levin, 2015). This chapter aimed at discussing the relevant literature that will be used in this research study. Literature explains that the banking industry in South Africa, is extremely competitive, with a great deal of time and money spent on strategies to retain customers. Customer loyalty programs not only serve this purpose, but also provide useful information to organizations based on customer preferences of their products. In the current financial climate, researchers state that customers moving to a more transactional relationship which is dependent on the discounts and rewards that is being received, instead of emotional relationships which are far greater objectives to seek out.

CHAPTER THREE

Methodology

3.1. Introduction

This chapter provides an overview of the type of methodology used when conducting this research. The chapter begins with understanding the different types of research and sampling techniques. Thereafter the data collection methods used will be explained followed by the location of the study, sample size and the participants that were involved in the study. An overview of the survey instrument together with its reliability and validity will be discussed. Lastly, the chapter will conclude with any shortcomings experienced during the dissemination of the questionnaire used (research instrument).

3.2. Research Design

Research design determines which type of data is needed, the method that will be used for collection and analysis of the data. Thereafter it is these pieces of information that will eventually lead to the effective answering of the research question (Sekaran & Bougie, 2013)

Kothari (2008) argues that the following are different types of research that could be undertaken:

1. Explorative research - is usually carried out for a problem that is not clearly understood. This type of research does not result in final solutions to research problems.
2. Descriptive research - carried out to understand the current characteristics or perceptions of a population without manipulating it in anyway. This type of research is more conclusive compared to exploratory research and through data analysis,

information obtained can be used for statistical inference regarding the study population.

3. Diagnostic research – research carried out to identify the root of the problem. It is aimed at understanding the emergence, diagnosis, solution and suggestion to the problem being faced.
4. Hypothesis testing – Research that tests the relationship between variables. A hypothesis is speculated upon, by the researcher, based on current literature. This hypothesis is then tested.
5. Case study research – Research that involves the exploration of a case or multiple cases over time, using in-depth data collection. Sources of data may include records, laboratory experiments, history, interviews and physical artifacts.

3.2.1 Quantitative research vs Qualitative research

3.2.1.1 Quantitative Research

Quantitative research is used to generate data that can be converted to useful statistics, in order to quantify the problem (Sekaran & Bougie, 2013). Data can be gathered through the use of structured questionnaires, which can be measured and analyzed (Rubin, 2007). This type of research allows for a large scale survey to be carried out with researcher being allowed to generalize the results with regard to the population. Kothari (2008) states that quantitative research may be disadvantageous for the researcher since it provides less detail on the attitudes of the individuals of the sample.

3.2.1.2 Qualitative research

Qualitative research is used to generate information based on individual's emotions, perceptions and opinions regarding a certain topic, usually via an interview or focus group (Sekaran & Bougie, 2013). According to Kothari (2008) the information generated relates to the human side of issue and may be effective in identifying intangible factors such as social norms, resulting in the study being more meaningful. However, it may require more time to carry out an interview or focus group and in some instances, individuals do not

readily have the time to spare to engage with the researcher (Lind, Marchal & Wathen, 2010)

3.2.2 Sampling

Sampling methods can be classified as being part of two categories, namely probability sampling and non-probability sampling.

3.2.2.1 Probability sampling

Probability sampling could be understood as random sampling because every individual in the population has an equal chance of being selected for the study. According to Lind, et al., (2010) since every individual has an equal chance of being selected, results can be generalized back to the entire population. Researchers undertake this type of sampling when a sample has a known probability of being sampled and examples include simple random sampling, stratified sampling, cluster sampling, systematic sampling and multistage sampling (Sekaran & Bougie, 2013). – described below:

Simple random sampling – a sample of individuals is taken from a larger population. Every individual within the population, has an equal chance of being included in this sample.

Stratified random sampling – This type of sampling is used to separate the individuals of the population into groups (also known as strata), based on some factor that may influence the variable that is being measured.

Cluster sampling – The individuals in the population are divided into groups called clusters. A simple random sample is then taken from these clusters and data is then collected based on every sampling unit in each of the randomly selected clusters.

Systematic Sampling – This type of sampling is very similar to random sampling, however some type of order is used to select individuals for the study.

Multistage sampling – This type of sampling involves using a combination of the sampling types above.

3.2.2.2 Non-probability sampling

This type of sampling is carried out when a sample does not have a known probability of being sampled (Saunders, Lewis & Thornhill 2007). Selection of the sample is left to the researcher who may choose a sample that might not represent the entire population and examples include convenience sampling, judgement sampling, quota sampling and snowball sampling.

Convenience sampling – Type of sampling which involves inviting any individual, wherever it is convenient, without any inclusion criteria before selecting these individuals. This type of sampling is usually done in malls or internet polls. Although this type of sampling is simple and convenient, results of the study may not be credible due to biasness (Sekaran & Bougie, 2013).

Judgement sampling – This type of sampling requires the researcher to make a judgement about the correct sample to have in a study. Results of the study may be biased and therefore this type of sampling is not ideal. According to Saunders, et al., (2007) judgment sampling is usually carried out when there is no time to perform a full study and is used as a last resort type of sampling.

Quota sampling - researchers use non-random sampling methods to gather data from one stratum until the required quota fixed by the researcher is fulfilled (Saunders, et al., 2007)

Snow ball sampling – Sampling that relies on word of mouth, where one individual recommends another (Sekaran & Bougie, 2013).

3.3. Location of Study

The study was conducted at the researcher's place of work, a non-profit company based in Durban, Kwa-Zulu Natal. For reasons stated in Chapter 2, it is not possible to sample the entire population of bank customers in South Africa and hence a sample was used by only considering staff of the non-profit company based in Durban, Kwa-Zulu Natal, amongst a diverse group of individuals (employees of the company).

3.4. Population and Sample Size

The individuals at the non-profit company serve as an ideal sample because they are made up of professionals at different levels of work, experience and theoretical knowledge. This will help South African banks to understand whether more emphasis needs to be placed on awareness of customer loyalty programs and also whether to invest more money in constantly having the best perceived loyalty program.

The total number of individuals (population size) was 119. According to Sekaran & Bougie, (2013), for a population size of 120, at confidence interval of 95%, a sample size of 92 is required. This sample size is also confirmed by the sample size table (Appendix 3) A total number of 92 staff members of the non-profit company were invited to take part in the study. From this sample size, there was 57 staff members that answered the questionnaire completely.

According to Sekaran & Bougie (2013) sampling is the process of choosing the correct participants for the study that will resemble the total population in question. For the purpose of this study, the simple random sampling technique was used. Simple random sampling allows for every subset of the sample to have an equal chance of being selected (Sekaran & Bougie, 2013). This allows for unbiasedness and high generalizability (Sekaran & Bougie, 2013).

3.5. Data Collection Strategy

According to Sekaran & Bougie (2013) research can be conducted using different types of approaches such as observation research, case studies, action research, survey research and grounded theory. According to Sekaran & Bougie (2013) primary data, is the data that will be collected in a study which will later be converted to useful information.

For this research, the researcher made use of a quantitative method of survey research.

Reasons for choosing Quantitative method

- It was important to develop a questionnaire that allowed for respondents to answer at their own convenience. This was critical, as not all individuals were available to take part in the study due to busy work schedules
- With the quantitative method being employed, questionnaires could be easily printed and distributed to the various departments and thereafter completed and returned within a stipulated amount of time. A qualitative method would have required more time to be spent with respondents.
- The questionnaire allowed respondents to be re-assured that their anonymity and confidentiality was to remain intact.
- Since the data to be collected would be numerical, statistics can be used to generalize the findings to the population of the study.

3.6 Description of Survey Instrument

The survey instrument used was a questionnaire (Appendix 1). According to Sekaran & Bougie (2013) a questionnaire is made up of a set of questions that is predetermined, where participants of the study will give their answers to. To construct an effective questionnaire the researcher had to ensure that the questions were appropriate and would be easily understood by the respondents as well as number of questions to be answered must not be too many (Kothari, 2008). Personal data such as age, gender, working experience, of respondents was gathered through the biographical questionnaire. Nominal

scales were used to determine the banks and loyalty programs, that respondents were members of. According to Sekaran & Bougie (2013) grouping of respondents can be efficiently done through the use of nominal scales and thereafter analysis can be done on each group.

In Section B of the questionnaire, respondents were given 14 questions to answer, all of which were based on a 5-Point Likert scale ranging from strongly agree, agree, undecided, disagree and strongly disagree respectively. Respondents marked a cross in the appropriate field after answering each question. All questions were shortened to be clear and concise.

3.7 Administration of Survey Questionnaire

Sekaran & Bougie (2013) state that a questionnaire can be distributed through electronically through a mailing system or personally, by hand delivering a hard copy of the questionnaire to participants. In this study the questionnaire was hand delivered to individuals at various departments in the non-profit company. This was in accordance with the stipulations given to the researcher at the time of receiving the gatekeeper's permission to conduct the study.

The researcher approached all departments of the non-profit company and invited individuals to take part in the study. Thereafter, questionnaires were handed out (27 June 2016) to those that were willing to take part in completing it. Participants were given a brief description of what the study was about and were given 2 days in which to complete the questionnaire. The researcher collected the questionnaires on the 29 June 2016.

3.8 Validity, Reliability and Bias

3.8.1 Validity

In research, the results obtained from the study must be conclusive enough to answer the research questions set out in the beginning of the study. Validity refers to how sound the research is in representing what you are trying to measure (Kothari, 2008). According to Sekaran & Bougie (2013) when the results of the study are unable to achieve the aim of the study, it is difficult to then generalize the findings. In order to achieve valid information from the survey, careful consideration was taken when constructing the survey questionnaire. Each question was linked individually to the relevant objective, to ensure that questions were not irrelevant to the study and that information that will be gathered, will easily provide answers to the research questions.

3.8.2 Reliability

According to Sekaran & Bougie (2013) reliability refers to how repeatable the findings are. In research, a set of findings is reliable, if the same results occurred after conducting the study for a second time (Sekaran & Bougie, 2013). In research, a method used by most researchers to determine the reliability of the study is Cronbach's alpha and it is recommended that this measure must be between 0.70 – 0.95, but ideally should not be greater than 0.90 (Tavakol & Dennick, 2011). In this study the Cronbach's alpha measure was 0.834, which indicates that the data was reliable.

3.8.3 Bias

Bias in research refers to systematic errors that has occur as a result of incorrect ways of interviewing or sampling errors, research design etc., that can result in the findings being untrue (Shuttleworth, 2009). Sampling bias occurs when the researcher unknowingly introduces a bias into the study via the methods used to survey potential participants (Shuttleworth, 2009). In this study, the survey was questionnaire was distributed to all available employees of the non-profit company manually without any individual interaction with participants, in order to overcome sampling bias. A brief overview of the study was

given to the various departments of the non-profit company in order to formally invite them to take part in the study. Testing bias was overcome by careful consideration given to the wording and relevance of the survey questionnaire to the research objectives, prior sampling. Analysis bias was overcome by the use of the SP23 program to analyze data without being influenced in any way.

3.9 Ethical Issues and Considerations

Respondents of the questionnaire were informed that their participation in the study would be voluntary, with no financial gain. Respondents were also informed that their participation would be kept anonymous and confidential. Ethical clearance was granted for the study by the University of KwaZulu-Natal Humanities and Social Sciences Research Ethics Committee on the 23rd June 2016 (Protocol Reference Number: HSS/0876/016M) (Appendix 2). The questionnaire was approved by the relevant authorities of the non-profit company and gatekeeper's permission was given to the researcher, to conduct the study amongst staff at the company. Research data will be securely stored by the Graduate school of Business and Leadership Westville.

3.10 Data Analysis

Data were captured, coded, and analyzed using SPP version 23. Descriptive statistics such as mean (standard deviation) was calculated for numerical variable and frequency distribution was conducted for categorical variables. Normality test such as Kolmogorov-Smirnov test or Shapiro-Wilk test was carried out to identify if the overall data were normally distributed or not. Students' t-test or ANOVA test was performed to compare the mean scores where necessary. Pearson's correlation test was carried out to find significant relationship between numerical variables. P-values were considered statistically significant if $p < 0.05$. Bar graphs and pie charts were used to provide a graphical representation of the results.

3.11 Summary

This chapter outlined the methodology that was to be implemented when conducting the survey. A quantitative method was selected by the researcher because this strategy allowed for survey questionnaires to be easily printed and distributed to the various departments and thereafter completed and returned within a stipulated amount of time. This method also allowed for respondents to complete the questionnaire privately at their own convenience, which was advantage due to the busy schedules and availability of employees that could take part in the study. A qualitative method would have required more time to be spent with respondents. The survey questionnaire allowed respondents to be re-assured that their anonymity and confidentiality was to remain intact. A sample size of 92 was used for the study using the simple random sampling method. A survey questionnaire was used in the study, which was carefully linked to the objectives of the study, to ensure that the results obtained were meaningful. Data was captured, coded, and analyzed using SPP version 23 together with other statistical tests to yield meaningful information that would be used to relate back to the literature review. The next chapter will outline the presentation of the results of the study.

CHAPTER FOUR

Presentation and Analysis of Results

4.1. Introduction

Presentation of data in the correct way can lead to valuable information being unlocked. According to Sekaran & Bougie (2013) data is meaningless until it is processed, refined and transformed into information. This chapter will display the analysis and presentation of results that was gained from the research study and will begin with a brief description of the overall participation in the study, followed by biographical information and lastly perceptions on the various questions carried out in the research study.

4.2. Survey Participation Statistics

The survey questionnaire was handed out manually to individuals that were available and willing to take part in the study. Participation statistics are documented in the Table 4 A below

Table 4 A: Showing participation in the questionnaire

	Count
Population Size	119
Sample Size	92
Number of Participants that completed the questionnaire	57
Participation Rate	47.90%
Completion Rate	61.96%

Data were captured, coded, and analyzed using SPP version 23. Descriptive statistics such as mean (standard deviation) was calculated for numerical variable and frequency distribution was conducted for categorical variables. Normality test such as Kolmogorov-Smirnov test or Shapiro-Wilk test was carried out to identify if the overall data were normally distributed or not. Students' t-test or ANOVA test was performed to compare the mean scores where necessary. Pearson's correlation test was carried out to find significant relationship between numerical variables. P-values were considered statistically significant if $p < 0.05$.

A total of 57 participants completed the questionnaire. The reliability analysis indicated that the data were reliable since the Cronbach's Alpha value was found to be 0.834.

Table 4.1: Reliability analysis

1

Reliability Statistics	
Cronbach's Alpha	N of Items
0.834	14

4.3 Socio-demographic information

4.3.1 Gender and age of participants

With regards to participants' socio-demographic variables, it was found that more than half of them (53.6%) were male and 46.4% were female (Figure 4.1). The average age of the participants were 33 years with two-thirds being 36 years or younger (Figure 4.2).

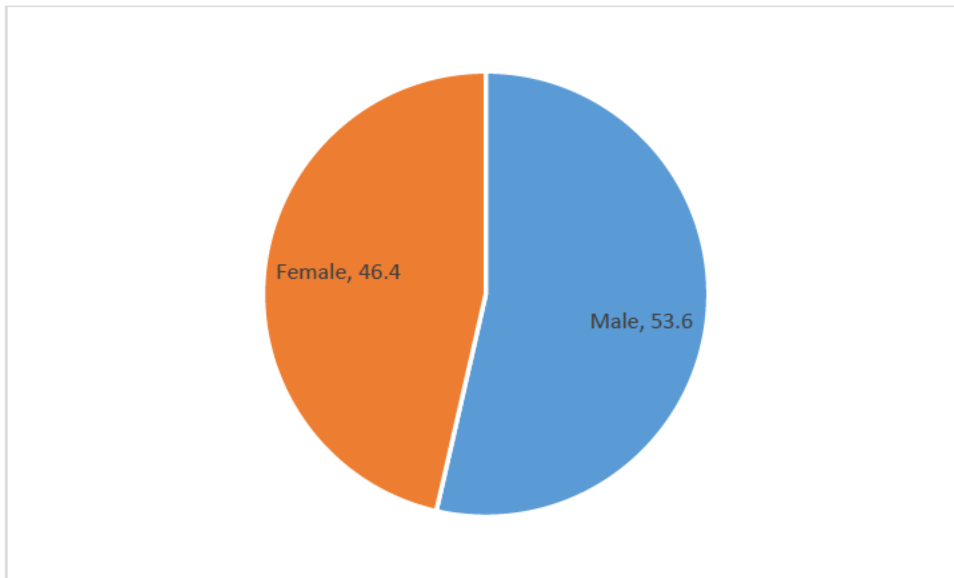


Figure 4.1: Distribution of gender

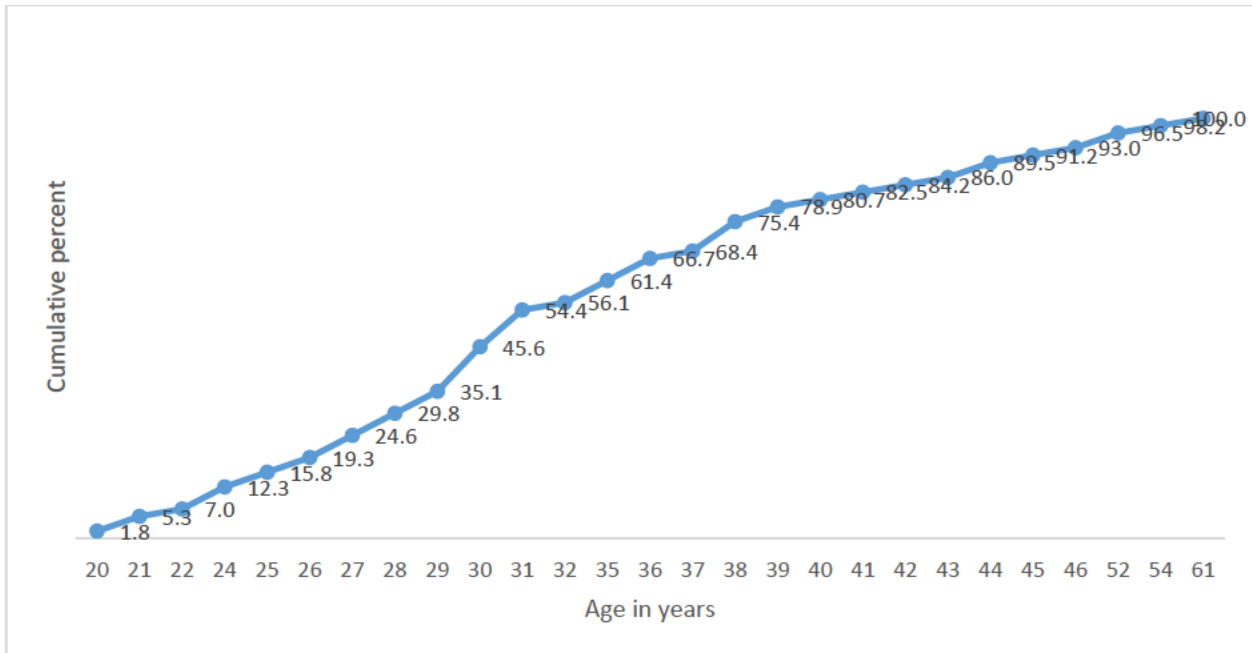


Figure 4.2: Cumulative distribution of age of the participants

4.3.2 Number of years of working experience

The result indicated that about two-thirds of the participants had 10 or less years of experience (Figure 4.3).

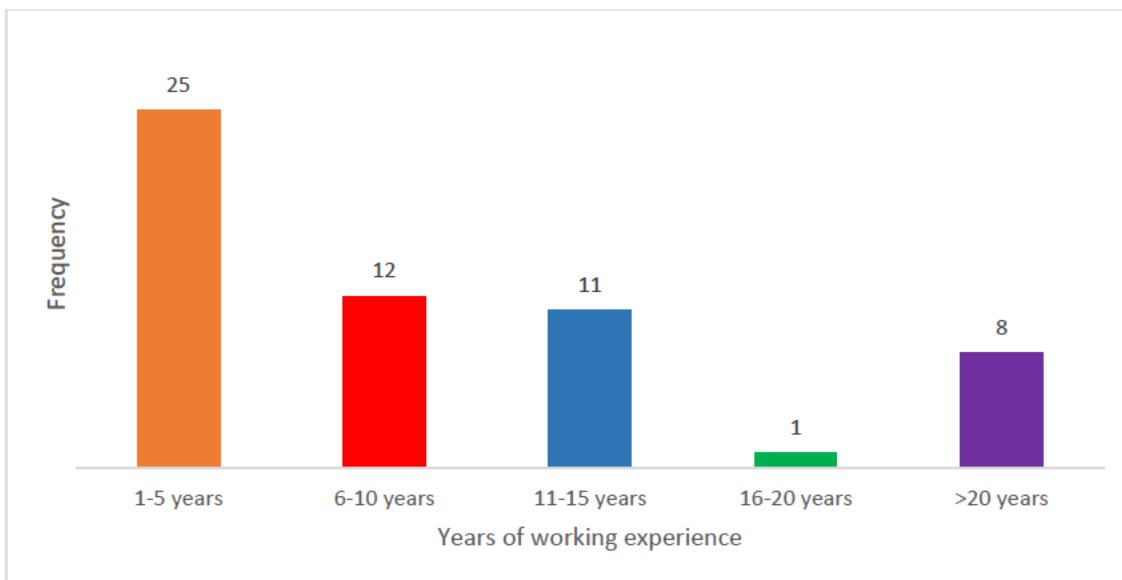


Figure 4.3: Distribution of years of working experience

4.3.3 The major South African banks that participants were members of

According to Figure 4.4, 42% were banking with Standard bank followed by FNB (30%) and Nedbank (16%), ABSA bank (9%) and Capitec (3%) respectively.

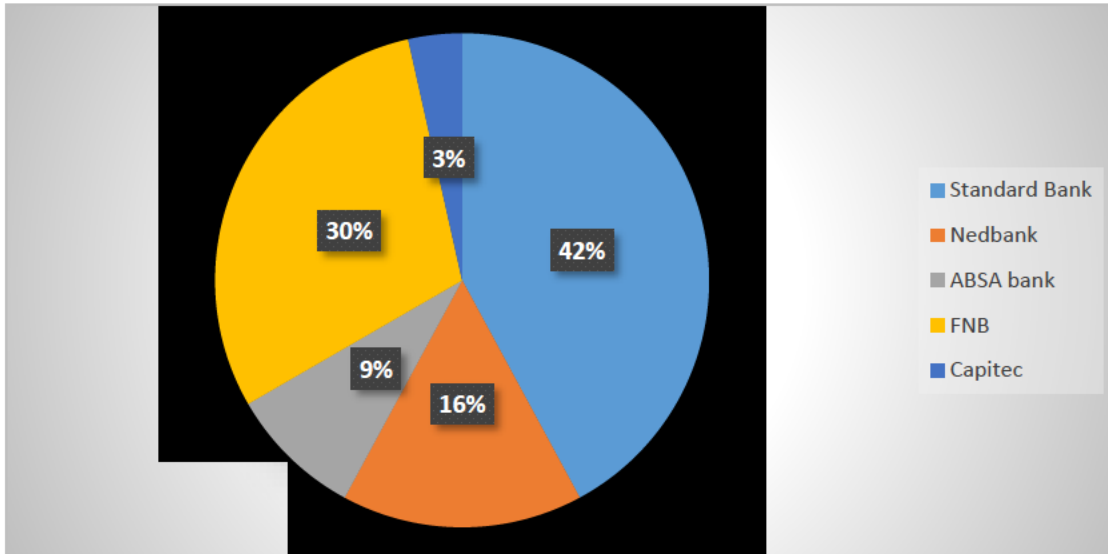


Figure 4.4: Participants currently banking with

It was also found that all the participants were members of loyalty programs for their respective bank except Capitec bank (Table 4.2).

Table 4.2: Member of loyalty program cross tabulation

Currently bank with * Member of loyalty program Cross tabulation						
		Member of loyalty program count				Total
		Standard bank Ucount rewards	ABSA rewards	Nedbank Greenbacks	FNB eBucks	
Currently bank with	Standard Bank	24	0	0	0	24
	Nedbank	0	0	9	0	9
	ABSA bank	0	5	0	0	5
	FNB	0	0	0	17	17
Total		24	5	9	17	55

4.4 Customer perceptions of Section B of the research questionnaire

There were five Likert type statements to determine the awareness and engagement of customers, with loyalty programs of South Africa banks. It was found that most of the participants positively reported that they were fully aware of the customer loyalty programs that is accessible to them by their retail bank (86%) and they were fully aware of the benefits of customer loyalty programs from their retail bank (79%). Less than half of the participants agreed or strongly agreed that they frequently used the points earned from their customer loyalty program to make purchases from their bank's partners (eg, kulula flights, Caltex fuel stations, Pick N Pay etc) (49%) and 40% reported that they kept themselves updated with the latest changes of their bank's customer loyalty program (Figure 4.5).

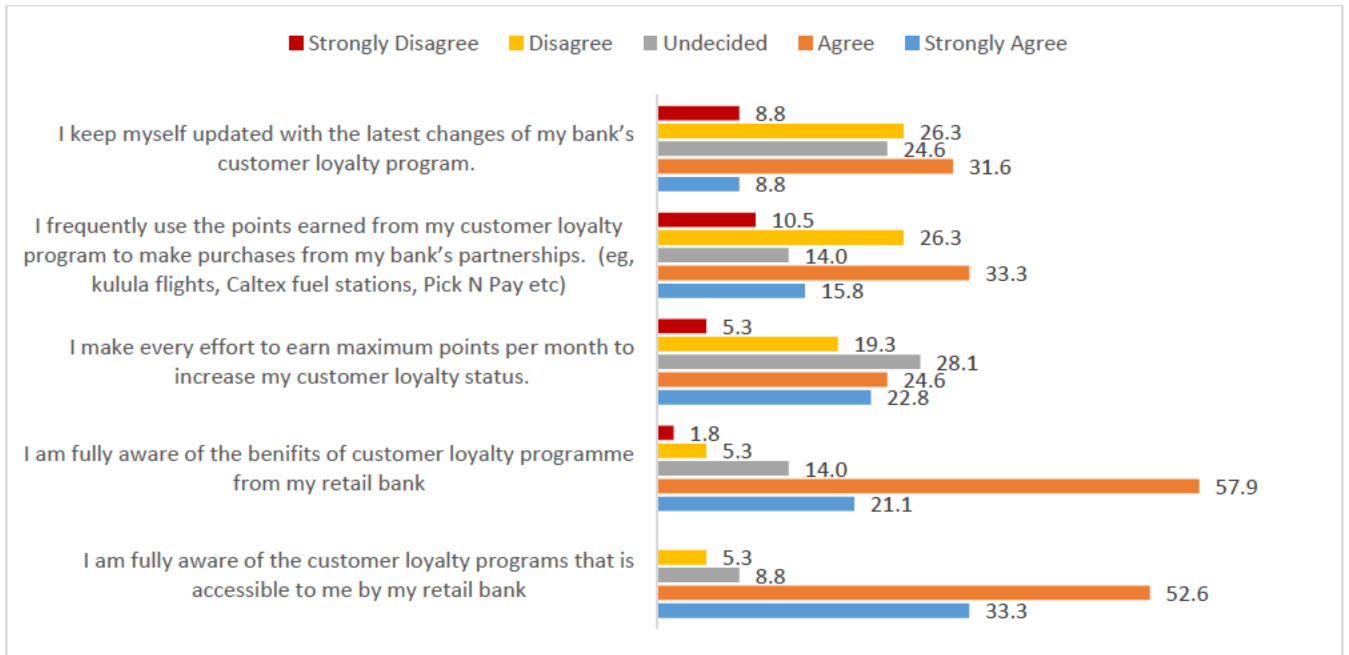


Figure 4.5 Distribution of statements related to objective 1

Figure 4.5: Distribution of statements regarding the awareness and engagement of employees with customer loyalty programs of South African banks

According to figure 4.6, the average scores for all the statements regarding the awareness and engagement of loyalty, were three or less from five points likert type statements. This indicated that more participants answered positively to all the statements. Therefore, it could be concluded that overall, the participants were quite aware of bank loyalty programmes.

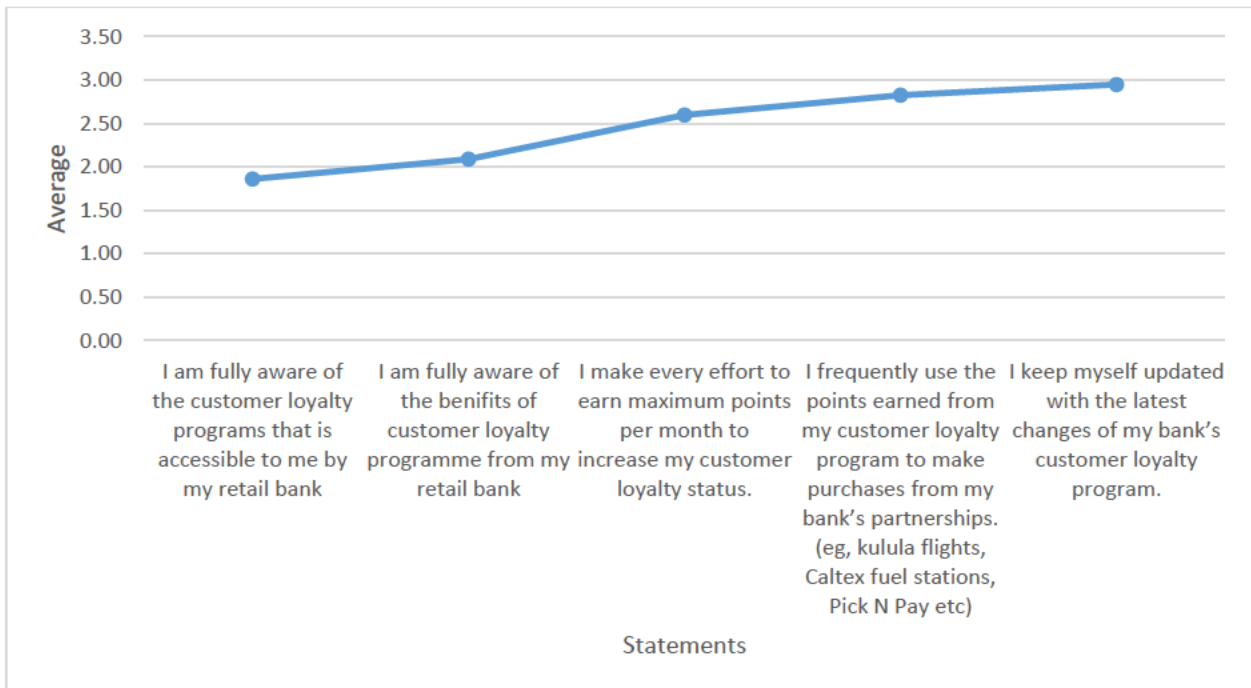


Figure 4.6 Average scores of statements relating to objective 1

Figure 4.6: The average scores for all the statements regarding the awareness and engagement of loyalty

With regards to the effectiveness of the loyalty programme, more participants answered negatively to most of the statements. For example, 60% disagreed that their decision to remain with their bank is influenced by the number of points that they earn from their banks customer loyalty program, and 56% disagreed that they would not be a part of their bank if it did not have a customer loyalty program (Figure 4.7).

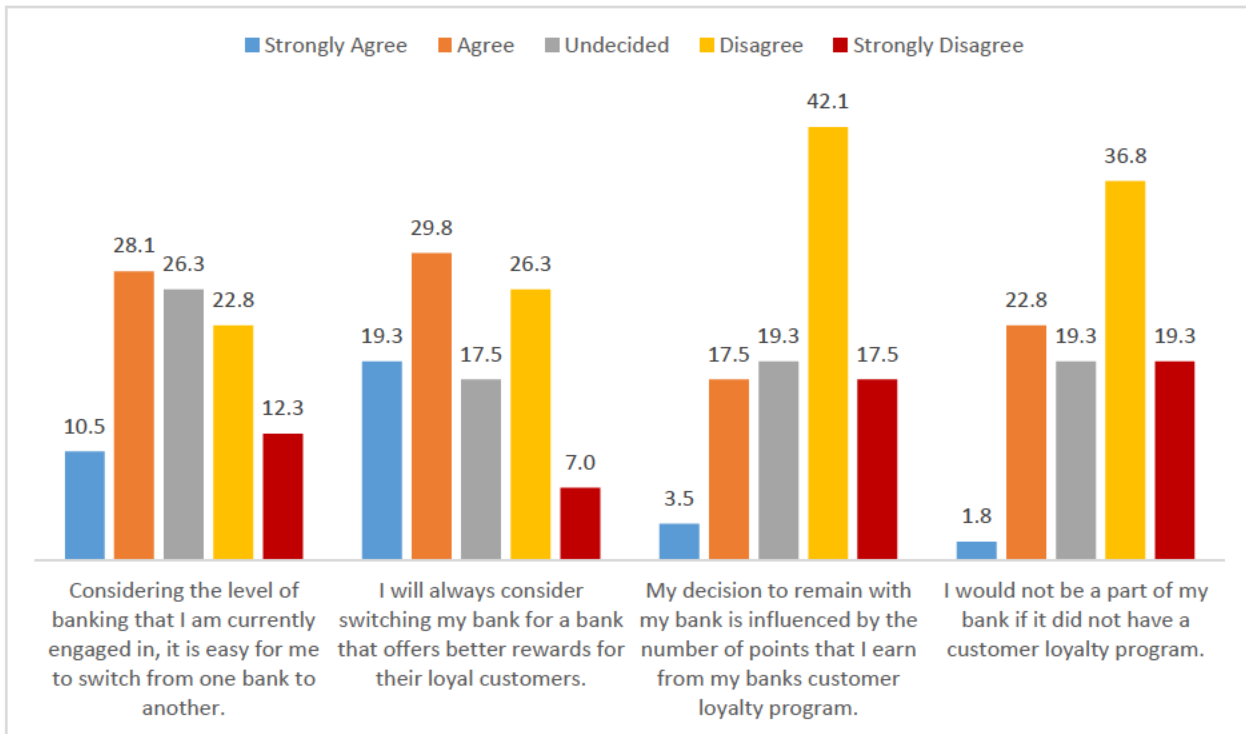


Figure 4.7 Distribution of statements relating to objective 2

Figure 4.7: Distribution of statements regarding effectiveness of loyalty programs

Figure 4.8 shows the distribution of the average score for all the statements regarding effectiveness of the loyalty program. It could be concluded that the loyalty program was not effective as the mean scores were more than three or close to three from 5-points likert type statements.

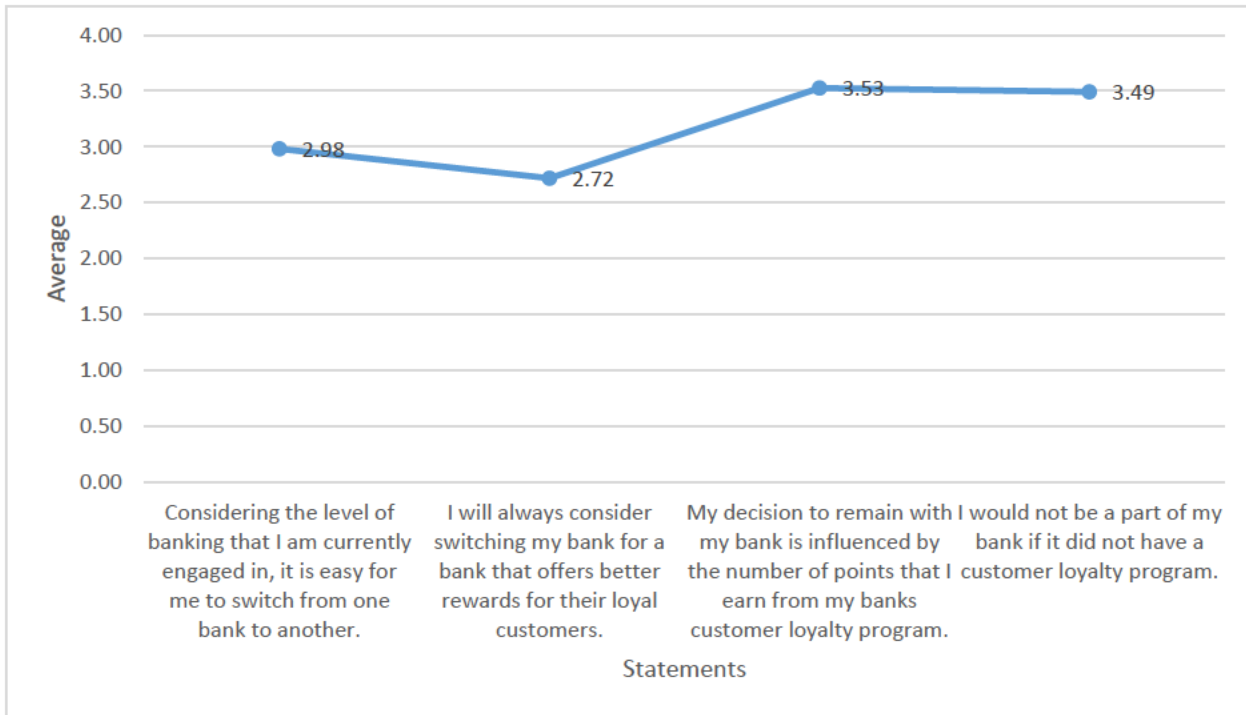


Figure 4.8 Average scores of statements relating to objective 2

Figure 4.8: The average score for statements regarding effectiveness of the loyalty program

The results from the present study found that more participants agreed or strongly agreed to all the statements with respect to creating customer loyalty. For example, 63% positively mentioned that they are currently satisfied with the customer loyalty programs offered by their bank, and 56% indicated that they will continue to use their bank’s customer loyalty program even if a competitor bank offers better value (Figure 4.9).

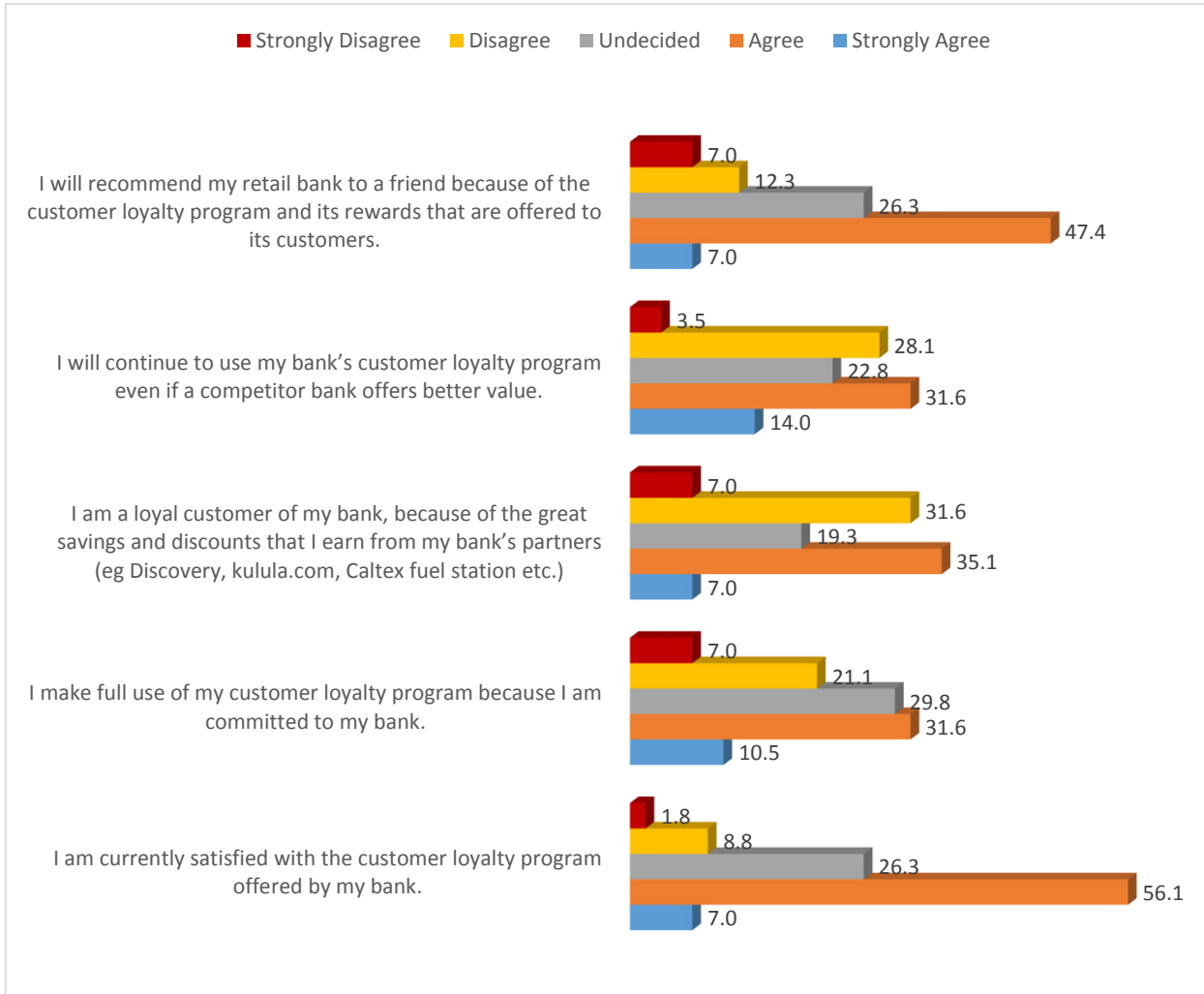


Figure 4.9 Distribution of statements relating to objective 3

Figure 4.9: Statements regarding creating loyalty programme

Looking at the average score for all the statements, it was found that their average scores were less than three which indicated that the loyalty programme created customer loyalty by the banks (figure 4.10).

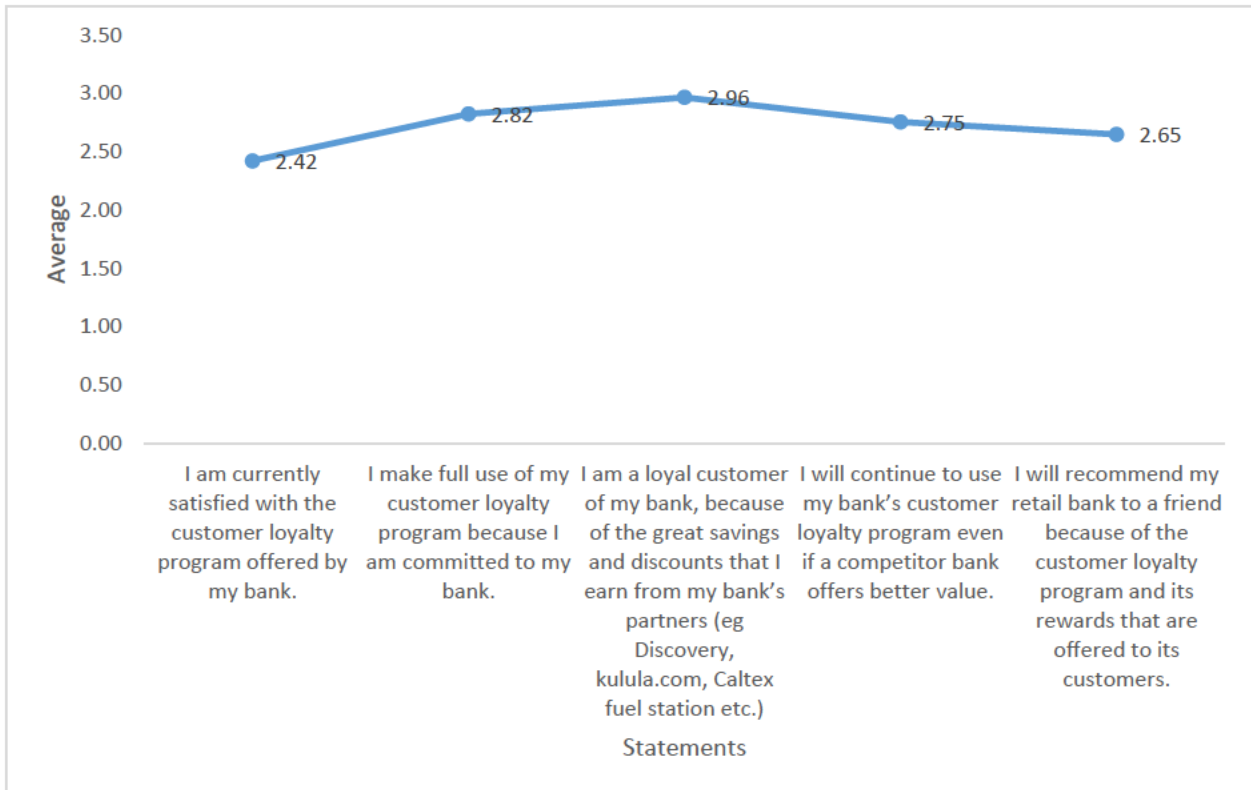


Figure 4.10 Average scores of statements related to objective 3

Figure 4.10: Average scores for creating loyalty programme

Based on the result of the normality test, different statistical tests were carried out. The normality test showed that the data were normally distributed (Table 4.3).

Table 4.3: Normality test output

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
The awareness and engagement	.109	57	.090	.968	57	.142
Effectiveness of customer loyalty programs	.096	57	.200*	.978	57	.381
Creating customer loyalty	.093	57	.200*	.981	57	.498
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

The average scores for all the three constructs were compared. The descriptive analysis showed that female had higher mean scores for the awareness and engagement, and effectiveness of customer loyalty programs (Table 4.4). The students t-test found no significant different of mean scores between male and female participants for all the three constructs ($p > 0.05$) (Table 4.5).

Table 4.4: Descriptive statistics for all the three construct with regards to gender

	Gender	N	Mean	Std. Deviation
The awareness and engagement	Male	30	11.3333	3.45746
	Female	26	13.4615	4.84339
Effectiveness of customer loyalty programs	Male	30	11.7667	3.09263
	Female	26	13.8462	3.15838
Creating customer loyalty	Male	30	12.4000	3.73797
	Female	26	14.8077	3.76318

Table 4.5: Students' t-test to compare the mean scores for the three constructs with regards to gender

	t	df	p-value	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
The awareness and engagement	-1.911	54	.061	-2.12821	-4.36131	.10490
Effectiveness of customer loyalty programs	-2.485	54	.016	-2.07949	-3.75729	-.40168
Creating customer loyalty	-2.396	54	.020	-2.40769	-4.42201	-.39338

The average scores for all the three constructs were compared among participants' years of experience. The descriptive analysis highlighted that those having 6-10 years of experience had the highest mean score for awareness and engagement, >15 years had the highest mean scores for effectiveness of loyalty programme as well as for loyalty programs creating loyalty (Table 4.6). The ANOVA test showed that there was no significant different of mean scores among different years of experience for all the constructs ($p > 0.05$) (Table 4.7).

Table 4.6: Descriptive statistics for all the three construct with regards to years of experience

		N	Mean	Std. Deviation
The awareness and engagement	1-5 years	25	12.2400	4.46542
	6-10 years	12	12.8333	4.01889
	11-15 years	11	11.5455	3.72461
	>15 years	9	12.7778	4.86769
	Total	57	12.3158	4.21798
Effectiveness of customer loyalty programs	1-5 years	25	12.6800	3.40000
	6-10 years	12	12.4167	4.01040
	11-15 years	11	12.4545	2.73363
	>15 years	9	13.5556	2.50555
	Total	57	12.7193	3.23902
Creating customer loyalty	1-5 years	25	13.4000	3.53553
	6-10 years	12	12.3333	3.49892
	11-15 years	11	14.3636	4.45584
	>15 years	9	15.0000	4.89898
	Total	57	13.6140	3.94042

Table 4.7: ANOVA test output to compare the mean scores for the three constructs with regards to years of experience

		Sum of Squares	df	Mean Square	F	Sig.
The awareness and engagement	Between Groups	11.806	3	3.935	.212	.888
	Within Groups	984.509	53	18.576		
	Total	996.316	56			
Effectiveness of customer loyalty programs	Between Groups	8.203	3	2.734	.250	.861
	Within Groups	579.306	53	10.930		
	Total	587.509	56			
Creating customer loyalty	Between Groups	44.297	3	14.766	.948	.424
	Within Groups	825.212	53	15.570		
	Total	869.509	56			

The descriptive analysis showed that participants banking with Capitec bank had the highest mean score for awareness and engagement, participants banking with Nedbank had the highest mean score for effectiveness of loyalty programme, and participants' bank with Capitec bank had the highest mean scores for loyalty programs creating loyalty (Table 4.8). The ANOVA test did not find any significant mean different among the different group of participants who bank with different banks ($p > 0.05$) (Table 4.9).

Table 4.8: Descriptive statistics for all the three construct with regards to participant bank with

		N	Mean	Std. Deviation
The awareness and engagement	Standard Bank	24	12.1250	4.14217
	Nedbank	9	13.6667	4.58258
	ABSA bank	5	12.0000	3.31662
	FNB	17	11.6471	4.55441
	Capitec	2	15.0000	4.24264
	Total	57	12.3158	4.21798
Effectiveness of customer loyalty programs	Standard Bank	24	12.1250	3.04049
	Nedbank	9	14.5556	3.74537
	ABSA bank	5	12.6000	2.88097
	FNB	17	12.8235	3.32106
	Capitec	2	11.0000	2.82843
	Total	57	12.7193	3.23902
Creating customer loyalty	Standard Bank	24	14.1667	4.24947
	Nedbank	9	12.7778	3.23179
	ABSA bank	5	14.8000	4.08656
	FNB	17	12.7647	4.07016
	Capitec	2	15.0000	1.41421
	Total	57	13.6140	3.94042

Table 4.9: ANOVA test output to compare the mean scores for the three constructs with regards to which bank they were part of

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
The awareness and engagement of employees	Between Groups	39.808	4	9.952	.541	.706
	Within Groups	956.507	52	18.394		
	Total	996.316	56			
Effectiveness of customer loyalty programs	Between Groups	44.991	4	11.248	1.078	.377
	Within Groups	542.518	52	10.433		
	Total	587.509	56			
Creating customer loyalty	Between Groups	36.761	4	9.190	.574	.683
	Within Groups	832.748	52	16.014		
	Total	869.509	56			

Finally, Pearson’s correlation test was carried out to identify if there is any relationship among the three constructs. It was found that among the three constructs there were significantly moderately positive relationships exist ($p < 0.05$) (Table 4.10). This means that participants scoring high on one construct will also score high on the other constructs.

Table 4.10: Pearson’s correlation test output

		The awareness and engagement	Effectiveness of customer loyalty programs	Creating customer loyalty
The awareness and engagement	Pearson Correlation	1	.335*	.438**
	Sig. (2-tailed)		.011	.001
	N	57	57	57
Effectiveness of customer loyalty programs	Pearson Correlation	.335*	1	.235
	Sig. (2-tailed)	.011		.079
	N	57	57	57
Creating customer loyalty	Pearson Correlation	.438**	.235	1
	Sig. (2-tailed)	.001	.079	
	N	57	57	57
*. Correlation is significant at the 0.05 level (2-tailed).				
**. Correlation is significant at the 0.01 level (2-tailed).				

4.5 Summary

This chapter began with statistics that highlighted the number of participants that took part in the study by determining the participation and completion rates of the survey questionnaire. Data were captured, coded, and analyzed using SPP version 23. Descriptive statistics such as mean (standard deviation) was calculated for numerical variable and frequency distribution was conducted for categorical variables. Normality test such as Kolmogorov-Smirnov test or Shapiro-Wilk test was carried out to identify if the overall data were normally distributed or not. Students' t-test or ANOVA test was performed to compare the mean scores where necessary. Pearson's correlation test was carried out to find significant relationship between numerical variables. A total of 57 participants completed the questionnaire. The reliability analysis indicated that the data were reliable since the Cronbach's Alpha value was found to be 0.834. The normality test showed that the data were normally distributed. The next chapter will discuss the results in a concise manner that will relate back to the objectives of the study.

CHAPTER FIVE

Discussion of Results

5.1 Introduction

In order for the research objectives to be achieved and the purpose of the study fulfilled, it is important to provide a discussion of the results from the previous chapter. This chapter will begin with an overview of the research objectives. The findings of the study will be discussed in respect of the literature review that was undertaken and thereafter linking the findings to the objectives of the study. At the end of the chapter, a summary of the findings will be highlighted.

5.2 Overview of Research Objectives

The research objectives of this study was to first determine the awareness and engagement, of employees at the non-profit company, with customer loyalty programs of South Africa banks and thereafter determine whether these loyalty programs have an effect on switching behavior and customer retention amongst these employees. Lastly, the main objective of the study was to whether customer loyalty in South African Banks were creating customer loyalty amongst the employees.

5.3 Discussion

The discussion of the results will begin with each group of questions from the survey questionnaire being linked to the relevant objective. This will be done individually, to provide a clear and concise discussion. Relevant literature from chapter two will be used to explain the occurrence of these findings.

Objective 1 : To determine the awareness and engagement, of employees at a non-profit company, with customer loyalty programs of South Africa banks

Survey Questions (SQ) related to the above objective:

1. I am fully aware of the customer loyalty programs that is accessible to me by my retail bank
2. I am fully aware of the benefits of customer loyalty programs from my retail bank
3. I make every effort to earn maximum points per month to increase my customer loyalty status.
4. I frequently use the points earned from my customer loyalty program to make purchases from my bank's partnerships. (eg, kulula flights, Caltex fuel stations, Pick N Pay etc)
5. I keep myself updated with the latest changes of my bank's customer loyalty program.

5.3.1 Discussion of SQ1 and SQ2

It was important for the researcher to understand firstly if employees of the non-profit were full aware of bank loyalty programs and their benefits. Without asking these questions on the onset of the survey, all future questions in the survey would be irrelevant, if customers were not aware of bank loyalty programs. According to the results of this study, it was found that most of the participants positively reported, that they were fully aware of the customer loyalty programs that is accessible to them by their retail bank (86%) and most of the participants were fully aware of the benefits of customer loyalty programs from their retail bank (79%) while the remainder said that they not. This indicates that customers across all of the major banks in South Africa, are being exposed to enough information regarding bank loyalty programs as well as their incentives and benefits. It is evident that the advertising efforts of these loyalty programs have been successful and banks should continue on this path. This correlates to Cromhout, et al., (2016) where results from a study showed that First National bank's eBucks, Standard bank's uCount rewards and ABSA rewards were all amongst the top 10 used loyalty programs in South Africa for 2015.

The advent of an ever progressing technology landscape, has allowed for better engagement between customers and customer loyalty programs (Friend, 2014). Technology allows for more effective advertising, as information can be reached to customers, almost instantaneously through email, cellphone messages and radio advertising.

However it is important to note that, 14% of the employees were not aware of loyalty programs or undecided and 21.1% of employees were not aware of the benefits of their bank loyalty programs or undecided. Although these are not large numbers, South African banks still need to look into reducing these statistics in order to gain more customers onto their loyalty programs. With more customers aware of loyalty programs, banks can increase their profits through increase purchases made by members of the customer loyalty program. According to Sharp & Sharp, (1997) customers who need more reward points to get to the next tier, as well as those who need more reward points to avoid being dropped to a lower tier, will be easily influenced into purchasing more when promotions or incentives are available. Hence banks should strive for maximum awareness of their loyalty programs as it translates to platforms where greater profits can be achieved. According to Magatef & Tomalieh (2015) when customers are members of loyalty programs it is more difficult for them to switch organizations because they do not want to endure losing their loyalty status which they have taken a long time to build up a concept referred to as a sunk cost (McRaney, 2011).

5.3.2 Discussion on SQ3

Results of the study showed that, 47% of the employees of the non-profit company, make every effort to earn maximum points per month to increase their customer loyalty status. This could be explained by McDonald (2016) who states that customers are enticed into earning points regularly, when organizations offer discounts and freebies, resulting in the customer reaching higher levels of loyalty status, with unique benefits for every time the

customer repurchases the brands product. The “endowed progress effect” explained by Nunes & Drèze (2006) shows that customers are more committed to achieving a goal, immediately after they have experienced some form of progress. It is possible that employees of the non-profit company are drawn into increasing their loyalty statuses because of the above. Once again, the comments made by Sharp & Sharp (1997) also supports the results above because customers who need more reward points to get to the next tier as well as those who need more reward points to avoid being dropped to a lower tier, will be easily influenced into purchasing to gain maximum points. This is further confirmed by Ciotti (2013) who states that the human mind is geared towards wanting to keep our status intact and therefore when customers reach a certain level of points they will continue purchasing in order to remain at that points status. The tiered system of loyalty programs which allows for customer to earn points in order to get to higher tiered levels, is incorporated to all of the major banks in South Africa (Mokoena & Govender, 2015).

According to (McEachern , 2014) the tiered system of loyalty programs is the most effective because it motivates customers to challenge for greater customer status’s by achieving higher tiers relative to their friends and family, a concept known as the Local Ladder Effect. The endowed progress effect discussed earlier, also explains that customers are more committed to achieving a goal, immediately after they have experienced some form of progress (Nunes & Dreze, 2006). The literature discussed above supports why 47% of employees of the non-profit company said that they make every effort to earn maximum points from their bank loyalty program.

Contrary to the arguments made by Nunes & Drèze (2006), Nishino (2013) states that organizations cannot buy the loyalty of customers through the issuing of loyalty points and rewards, because loyalty is earned through strong relationships that are built over time. This suggests that customers could be making extreme efforts to earn points merely for discounts and freebies and not entirely due to any loyal relationship that may exist. This could also explain why the remaining 53% of employees said they do not make every effort to earn maximum points.

5.3.3 Discussion on SQ4

Results from the study showed that 49% of the employees of the non-profit company agreed that they frequently use the points earned from their loyalty program to make purchases at their banks partners. The use of points to make purchases at one of the banks partners, allows customers to gain discounts and rewards from organizations such as Caltex fuel stations, kulula flights and Discovery etc. This suggests that these customers are frequently making decisions that lead them to earning incentives and discounts. It also important to note that 51% of the employees are not using their points to make purchases at their banks partners. It is critical for banks to discover why this is so. According to (Lemon & van Wangenheim, 2009) loyalty programs that include partnerships with other organizations, help the organization to retain customers as well as being exposed to their partner's customers, thereby creating a larger customer base from which greater profits can be earned. This is further supported by Johnson, (2013) who states that partnerships in loyalty programs offer a collaborative platform where new ways of communication can be developed to understand customer behavior better. It is clear that partnerships in organizations can create a platform where customer retention is achieved and customers can be better served because of greater amounts of marketing data being available and therefore resulting in customer satisfaction. This is supported by Khan, et al., (2012) who states that customer satisfaction is important in building long term relationships and loyalty. Those customers who are not satisfied with the organizations service offering will almost certainly switch to another organization within the same competitive business environment.

5.3.4 Discussion SQ5

When employees were asked whether they kept themselves updated with the latest changes to their bank loyalty program, 40% of them agreed that they do keep up with the changes being made. However 60% of employees said that they do not keep up with the latest changes or where undecided. Customers who keep up with the changes to their loyalty program is indicative of higher levels of awareness as the customers are going beyond what is required to constantly update his or her knowledge. South African banks

can look to this as a deterrent in their marketing efforts to increase the level of customer loyalty that is created. This could also mean that customers prefer individual attention and that changes to their loyalty programs should be communicated to them by their banks to ensure some form of emotional attachment. According to Baloglu (2002) this indicative of low loyalty which is the lowest levels of emotional attachment and patronage. This is due to customers either not fully understanding the organization or because of their constant search to find cheaper alternatives (Baloglu, 2002). These customers are very easily influenced by competitor organizations and hence organizations need to identify them before they are lost to competitors.

Although there is a clear indication that employees of the non-profit company are aware and engage with bank loyalty programs, banks still need to increase their efforts to promote greater awareness, which in turn will lead to customers such as the employees of the non-profit company, becoming more loyal.

Objective 2: To determine whether customer loyalty programs of South African banks, have an effect on switching behavior and customer retention, amongst employees at a non-profit company

Survey questions (SQ) related to the above objective:

6. Considering the level of banking that I am currently engaged in, it is easy for me to switch from one bank to another.
7. I will always consider switching my bank for a bank that offers better rewards for their loyal customers
8. My decision to remain with my bank is influenced by the number of points that I earn from my banks customer loyalty program.
9. I would not be a part of my bank if it did not have a customer loyalty program.

5.3.5 Discussion on SQ6

Part of the objectives of this study was to determine whether bank customer loyalty programs had an effect on switching behavior and customer retention amongst the employees at the non-profit company. In simple terms, do customer loyalty programs offered by banks influence customers to switch banks for one that offers better loyalty programs and better rewards? Do the customer loyalty programs offered by banks influence customers to remain with their current bank, thereby increasing customer retention?

When employees were asked whether it was easy for them to switch banks, based on the level of banking that they are currently engaged in, 38.6% of employees agreed that it was easy while 61.4% disagreed or were undecided. Demographic data collected from the study showed that the average age of the participants were 33 years old with two-thirds being 36 years or younger (Figure 4.2). These results indicate that more employees of the non-profit company are likely to switch banks in the future. Customer switching behavior refers to the inherent need for customers to leave or “switch” from one organization to another, usually as a result of dissatisfaction, poor quality and customer service experienced (Ahmed, et al., 2015). According to Vyas & Raitani (2014) switching behavior is the situation that occurs when a customer ends one relationship with an organization to begin a similar relationships with another organization, usually due to greater perceived value and incentives.

According to Lavingia (2015) customers who fall into the age category of 30-44 are most likely to switch banks. This age group of customers belong to the Millennial generation, who are quick thinkers and have easy access to information, internet and social networking, to keep up with the latest offerings from other banks (Bedgood, 2016). These customers are at a stage in their life where most of them are moving from being single to being married with children and their previous need for just a bank account has now been updated to include the need for a home loan and other high purchases. It is at this point in time, before they make any long term decisions, that a customer finds it easier to switch

banks (Lavingia, 2015). This could conclude why 38.6% of employees found it easier to switch banks.

Results of the study also showed that 61.4% of employees disagreed or were undecided, implying that based on their level of banking, it is not easy for them to switch banks. The reasons for this could be related to the different risks associated with switching. Chung & Shin (2009) outline the four risks that customers can be exposed to when switching banks and these are functional risk, social risk, financial risk and time risk. Functional risk refers to the risk the customer will face if expectations are not met regarding the new banks service or product being offered. Social risk refers to the risk of being labelled as a lower class customer, socially, based on the type of package that is offered by the bank. Financial risk refers to the costs incurred in switching from one bank to another and includes hidden transfer costs and increased bank charges. Lastly, time risk refers to the risk associated with losing time spent on setting up new accounts with the new bank as well as the time taken to update banking details linked to all other stakeholders of the customer's bank account (eg. Place of work, Credit agreements at retail stores, internet banking etc). Selnes (2007) argues that customers who do not switch organizations because of the risks and associated costs, resort to being loyal to their current organization and enjoying any benefits that come with it, as this seems to be the only reasonable option for them.

5.3.6 Discussion on SQ7, SQ8 and SQ9

When employees were asked to comment on whether they would consider switching banks for a bank that offers better rewards for their loyal customers, 49.1 % of the employees agreed with this statement while 50.9 % of employees either disagreed or were undecided.

When employees were asked to comment on whether their decision to remain with their bank is influenced by the number of points that they earn from their banks customer loyalty program, 60% of employees disagreed and 40% agreed or were undecided. This suggests

that there may be other drivers of retention, which lead to most employees remaining with their bank.

When employees were asked to comment on whether they would be a part of a bank that didn't have a loyalty program, 56% of employees said they won't while 24.6% said they will still remain a part of the bank and the remainder were undecided.

The results indicate that about half of the employees are always on the look out to switch banks because of transactional benefits such as rewards that will be offered at higher levels elsewhere. Ultimately this means that these group of employees see loyalty programs merely as a discount or rewards drivers, who are always looking to save money. This finding is consistent with a generalized study on why customers join loyalty programs by Davis (2011) where the study concluded that 82% of customers either agreed or strongly agreed that they are members of a customer loyalty program because of the discounts that is accessible to them through joining the program. According to Baloglu (2002) these employees can be referred to as "Low Loyalty customers", because they are always searching for discounts and rewards and are very influenced by competitor organizations, selling the same product.

As stated earlier by Chung & Shin (2009) there are many risks associated with switching and these are functional risk, social risk, financial risk and time risk. This could be the reason why such a large amount of employees of the non-profit company said that they would not switch banks for better rewards elsewhere. It is also possible that these employees may be customers exhibiting true loyalty because they are not influenced by better loyalty rewards outside of their current bank (Baloglu, 2002).

There are other arguments that may contradict the above true loyalty statements. According to Howcroft, et al., (2003) customers who are generally lazy or feel that it is inconvenient to switch to a different product, are loyal based on their behavior being expressed, rather than their attitudes. Some customers continuously purchase the same brand or product, because it is not worth their effort and time to search for an alternative

(Uncles, et al., 2003). Alternative products are used only if the customer can identify it as having the same capabilities as that of the intended product (Uncles, et al., 2003).

It can be concluded that there is a mixed opinion regarding whether employees of the non-profit company will switch banks for better rewards.

Objective 3: To determine if customer loyalty programs, offered by South African Banks, creates customer loyalty amongst employees at a non-profit company in Durban KwaZulu-Natal.

Survey questions (SQ) related to the above objective:

10. I am currently satisfied with the customer loyalty program offered by my bank”

11. I make full use of my customer loyalty program because I am committed to my bank”

12. I am a loyal customer of my bank, because of the great savings and discounts that I earn from my bank’s partners (eg Discovery, kulula.com, Caltex fuel station etc.)”

13. I will continue to use my bank’s customer loyalty program even if a competitor bank offers better value

14. “I will recommend my retail bank to a friend because of the customer loyalty program and its rewards that are offered to its customers”

5.3.7 Discussion on SQ10

The results of the study showed that 63% of the employees agreed that they were satisfied with their respective bank customer loyalty program while only 10.6% disagreed and the remainder undecided. According to Mohsan, et al., (2011) customer satisfaction is a key driver of customer loyalty. Satisfaction is defined as the acceptance level of customers towards a product or service being offered and it is influenced by expectations of the product or service as well as quality (Hu, et al., 2009). According to Khan, et al., (2012) customer satisfaction is important in building long term relationships with customers and those customers who are not satisfied with the organizations service offering will almost

certainly switch to another organization within the same competitive business environment. A direct relationship exists between customer satisfaction and customer retention. According to Ranaweera & Prabhu (2003) customer retention in an organization is improved when customer satisfaction is achieved. This is further supported by the argument of Fornell (1992) who suggests that, organizations who ensure that their customers are satisfied, achieve greater levels of loyalty from their customers. Since most of the employees of the study agreed that they were satisfied with their bank loyalty program, it can be concluded that they will also be loyal customers since it is a key driver of customer loyalty (Mohsan, et al., 2011).

5.3.8 Discussion on SQ 11

The results of the study showed that 42.1% of the employees agreed that they made full use of their respective bank loyalty program because they were committed to their bank. However, 28% of employees disagreed with this statement and almost 30% were undecided. Rauyren & Miller (2007) state that commitment refers to attitude that displays continuous engagement in a relationship between an organization and customer. According to (Ju Liang & Wang (2005) high levels of commitment lead to greater levels of repeat patronage (repeat purchase) which in turn will lead to customers being loyal. Balaglu (2002) states that the 42% of employees who agreed to the above statement can be classified as customers who exhibit true loyalty because of the ongoing repeat patronage and continuous use of the loyalty program. It is however important to note that a large percentage of the employees had a different views.

5.3.9 Discussion on SQ12

The results of the study showed that 42% of employees agreed that they are members of their loyalty program because of the discounts gained from their banks partners. This suggests that these employees are very satisfied with the discounts and the type of benefits offered by their banks partners. This concurs with Lemon & van Wangenheim (2009) statement that, loyalty programs help the organization to retain customers as well as being

exposed to their partner's customers, thereby creating a larger customer base from which greater profits can be earned.

It is also important to note that almost 39% of employees of the non-profit company disagreed with the above statement. This is a considerable amount of customers who feel that loyalty towards their banks cannot be as a result of great saving or discounts earned from partners of their banks. This result supports the survey carried out by an international hotel chain which proved that organizations cannot buy their loyalty through the issuing of loyalty points and rewards because loyalty is earned through strong relationships that are built over time (Nishino, 2013). Organizations should “go beyond seeking transactional relationships, which shower customers with points, to a more sustainable relationship that creates an emotional hook” (Nishino, 2013).

An interesting fact is that First National Bank's eBucks program is amongst the most desirable because of its strong affiliation to Discovery (an insurance company) and kulula (a very popular low cost airline) where points earned from the program can be used to make purchases from these partners (Mather, 2013). The eBucks program requires no monthly fee to earn extra points and has a more variety of retail outlets where bank customers can spend rewards, when compared to other bank loyalty programs on offer (Mokoena & Govender, 2015). In this study 30% of the employees at the non-profit company banked with First National Bank. This statistic contributes to the reason why 42% of the employees agreed that they are loyal because of the great discounts earned from their banks partners.

5.3.10 Discussion on SQ 13

Results of the study showed that 46% of the employees agreed they would continue to use their bank loyalty program even if a competitor bank offers better value, while 32% disagreed and 23% were undecided. According to Reichheld & Teal (1996) these customers exhibit attitudinal loyalty. For loyalty to exist a strong positive attitude towards the product or service being offered by the company must be noticed (Reichheld & Teal,

1996). According to Oliver (1997) it is the intensity of these attitudes that will lead customers to re-purchase products. To further support this statement Ahluwalia, et al., (1999) have come to the conclusion that customers with strong positive attitudes will not be phased by better product offerings made by competitor organizations. Customers that exhibit true loyalty are an organizations most desirable customer. They show the highest levels of patronage and emotional attachment to the organization and are not easily influenced by competitor organizations (Baloglu, 2002). Another possible view point that Uncles, et al., (2003) argues is that, customers continuously purchase the same brand or product because it is not worth their effort and time to search for an alternative. Overall, it can be confirmed that most of the employees exhibited true loyalty since 46% of them agreed that will not be lured into purchasing a competitors product, even if the product offers better value.

With regards to the 32% of employees who disagreed with the above statement, Baloglu (2002) refers to them as low loyalty customers that exhibit the lowest levels of emotional intelligence and patronage. This is due to them either not fully understanding the organization or because of their constant search to find cheaper alternatives. These customers are very easily influenced by competitor organizations (Baloglu, 2002)

5.3.11 Discussion SQ 14

The results of the study showed that 54% of the employees at the non-profit company, agreed that they will recommend their retail bank to a friend, because of the customer loyalty program, while 19% disagreed and 26% were undecided. This question (SQ14) was used to determine the level of brand advocacy amongst the employees. Ranade (2012) states that, when a customer has reached brand advocate status, he or she is has been satisfied with the brands service and is willing to spread the awareness of it to others. According to Ranade (2012) loyalty can be measured by the degree to which customers recommend an organizations products to others. These customers are known as brand advocates because they advocate or promote the organization and its product because of

a firm belief in the value of it Lawer & Knox (2006) Brand advocates are customers who do not require any motivation to spread the name and brand of the organization (Tate, 2013). They do so with immense pleasure and satisfaction gained from being customers of the organization and experiencing the benefits received. According to Williams (2015) brand advocates share information about the brand through referrals, social media communication and word of mouth, a statement also fully supported by (Daye, 2013). It is evident from the results that most employee will recommend their retail bank to their friends because of the loyalty program, however there is still a large amount of employees, almost the same amount that will not.

5.4 Summary

Relevant literature was used to explain the findings that was obtained from the study. Most respondents of the study were fully aware of bank loyalty programs and their benefits. A large percentage of the respondents want to increase their customer loyalty status by achieving maximum loyalty points every month but further results show that the loyalty points on its own is not the most influential factor for remaining with a bank. A contrasting view was observed amongst the respondents to weather they found it easy to switch banks. A larger percentage of employees would consider switching their bank for one that offers better rewards. Most respondents said that they made full use of their loyalty program, because they were committed to their bank. Almost equal amounts of respondents agreed and disagreed that they are loyal because of the discounts offered by their banks partners. It was observed that more respondents were likely to recommend their loyalty to program to others and they would also not be affected by products of higher value offered by competitor organizations. The next chapter will conclude the findings of the study and determine the extent to which the research objectives were answered. Recommendations for further study will also be discussed.

CHAPTER SIX

Conclusion and Recommendations

6.1. Introduction

This research study was conducted to provide insight into whether bank customer loyalty programs in South Africa were in fact really creating loyalty or not. The study focused mainly on the loyalty programs offered by the big four banks, namely, Standard Bank, ABSA Bank, First National Bank and Nedbank. Key findings of the research will be discussed. This chapter will once again outline the research questions and whether they were answered or not. This is critical, in order for the aim of the study to be met. This chapter will end with possible recommendations for further study.

6.2 Research problem

It was identified through the research problem that there is insufficient information relating to whether bank loyalty programs were creating loyalty amongst its customers. Key information gathered from the findings of the study have ensured that the research problem was resolved. The findings of the study do not concur with the findings of (Davis, 2011) who stated that loyalty programs in South Africa, do not create true loyalty amongst customers.

6.3 Research Objectives

- 6.3.1 To determine the awareness and engagement, of employees at a non-profit company, with customer loyalty programs of South Africa banks.
- 6.3.2 To determine whether customer loyalty programs of South African banks, have an effect on switching behavior and customer retention, amongst employees at a non-profit company.
- 6.3.3 To determine if customer loyalty programs, offered by South African Banks, creates customer loyalty amongst employees at a non-profit company in Durban KwaZulu-Natal.

6.4 Solutions to research objectives

- 1. To determine the awareness and engagement, of employees at a non-profit company, with customer loyalty programs of South Africa banks**

Research findings showed that most employees of the non-profit company are fully embracing and engaging with customer loyalty programs offered by South African banks. The findings showed that most of the employees are aware of loyalty programs and their benefits. Most employees said they strive to earn maximum points per month in order to reach a higher loyalty status and that they keep up to date with the latest changes made to their bank loyalty program. It is important to note that a significant amount of the employees also were not aware or where undecided with regards to the statements in the survey questionnaire.

- 2. To determine whether customer loyalty programs of South African banks, have an effect on switching behavior and customer retention, amongst employees at a non-profit company.**

Most employees showed that they will not consider switching banks for a bank that offers better rewards for its loyal customers and their decision to remain with the bank is not influenced by the number of points that they earn from their banks customer loyalty

program. Hence customer loyalty programs of South African banks do not have an effect on switching behavior and customer retention amongst employees at the non-profit company.

3. To determine if customer loyalty programs, offered by South African Banks, creates customer loyalty amongst employees at a non-profit company in Durban KwaZulu-Natal.

Loyalty programs in South African banks do create loyalty amongst employees at the non-profit company in Durban KwaZulu-Natal. This is evident since it was observed that that more employees were likely to recommend their loyalty to program to others and they would also not be influenced by products of greater value, offered by competitor organizations.

6.5 Benefits of research

Customer mindsets and decision making is constantly evolving over time. The needs of customers today may be significantly different from those five years ago. This research study would greatly benefit any of the major banks in South Africa as it was focused around their customer loyalty programs. Ongoing information regarding the changing attitudes towards customer loyalty programs is always required to better understand customer decisions. This study specifically adds to the body of knowledge surrounding customer loyalty programs and whether or not they result in creating loyal customers in the banking industry of South Africa.

6.6 Recommendations arising from the study

The following is recommended based on the findings of this research study:

1. The banking industry should continue in their efforts to reward loyal customers as this contributes to the sustainability of business as can be seen by the positive loyalty findings of this study. More attention should be given to why certain groups of customers do not engage with loyalty programs.
2. Loyalty should be measured internally by South African banks as it will be much more efficient to gain customer data through their own databases.
3. South African banks should aim to create customer loyalty strategies that are unique compared to other banks and not just copy each other's strategies. Making the competition irrelevant would lead to greater success.

6.7 Recommendations for future studies

1. This study was focused on bank customers who were employees of a non-profit company. Future studies can include bank customers from different market segments such as schools, universities etc.
2. Lower LSM groups such as blue collar workers could be researched to determine their perceptions of customer loyalty programs. These groups were not included in this study.
3. A broader demographic group of people could be researched to generate more useful information. This study only included age group 30-44.
4. Future studies to include other banks outside of the big four banks in South Africa.

6.8 Limitations of study

- a) A quantitative method was chosen for this study due to time constraints, as it was not possible to get more information from participants using a qualitative method which would have required more time.
- b) It is not possible to sample the entire bank customer population in South Africa and therefore due to convenience the researcher chose to carry out the study amongst bank customers at the researcher's place of work. These bank customers may not represent the total bank customer population of South Africa.
- c) Participants of the study, work in a busy environment and therefore, careful choice over the number of questions that was used in the questionnaire, was taken into account. More questions, revealing more answers to the problem could have been asked to participants, but instead fewer questions, phrased in a clear way were asked to get maximum involvement.

6.9 Conclusion

The banking industry in South Africa is extremely competitive. Over the past two decades, banks that didn't adapt to the evolving business environment, were left for dead. It needs to be continuously stressed that customers are the most important part of a bank. Customer loyalty programs have been implemented in South African banks to attend to this very need – making the customer important by awarding them with benefits and discounts for their continuous patronage. However it is always important for banks to understand whether these costly initiatives are really achieving its desired outcomes

The study aimed at determining whether customer loyalty programs are creating loyal customers, by understanding the perceptions of employees of a non-profit company, with regards to the level of importance given to customer loyalty programs. This aim was achieved with evidence proved by the results of the study. Majority of employees were

aware of customer loyalty programs and their benefits. However not much importance was given to customer loyalty programs, when asked whether it will be a deciding factor for leaving or remaining with their respective bank. There is however clear evidence that employees of the non-profit company do exhibit loyalty or at least tendencies that resemble loyalty. This was evident from the employee's high level of brand advocacy, commitment and patronage to their current bank, while at the same time placing less emphasis on competitor products.

6.10 Summary

This chapter focused on stating the solution to the research problem and the answers to each objective stated individually. Benefits of the research was discussed to state how this study will benefit different stakeholders. Recommendations emerging from the study were highlighted to benefit the big four banks of South Africa. Recommendations for future study were stated to give other researchers a platform on which to begin additional research. Limitations of the study were highlighted to confirm any know shortcomings of the study. The chapter concluded with a brief overview of the results and concluding remarks.

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APPENDIX 1 – Survey Questionnaire

Survey Questionnaire

Introduction

The following survey questionnaire forms part of a research study presented in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of Kwa-Zulu Natal Graduate School of Business and Leadership.

The topic of the study is “Bank customer loyalty programs and its ability in creating loyalty amongst diverse individuals at a non-profit company in Durban, KwaZulu-Natal”.

Customer loyalty programs in banks were introduced to develop a loyal customer base by offering rewards or points in return for continuous banking with their chosen bank. All major retail banks in South Africa, such as Standard Bank, ABSA, Nedbank and First National Bank have incorporated customer loyalty programs into their marketing strategy. In recent years, there has been fierce rivalry amongst South African banks, each using unique customer loyalty strategies to win customers into their system. However due to the current financial climate in South Africa, loyalty programs have showed signs of becoming drivers for discounts, rather than creating loyalty. If this is true, banks need to re-evaluate their customer loyalty strategies on an ongoing basis in order to keep up with their competitors.

The purpose of this study, is to determine whether bank customer loyalty programs, create customer loyalty and the effect it has on customer switching behavior and customer retention, amongst employees at a non-profit company.

Section A of this questionnaire, will aim to collect demographic data from respondents and **Section B** aims at determining the perceptions of participants towards bank customer loyalty programs.

The estimated time to complete the survey questionnaire is 10 minutes. Details of the participants of this study will not be disclosed or published in any manner.

Thank you for your time.

The following **Section A** will be used to generate statistics only. All information that you provide will be treated as confidential.

SECTION A : Biographical Questionnaire

Where applicable, please mark the appropriate box with an 'X'

1. What is your age? _____
2. What is your gender? Male Female
3. What is your Job title? _____

4. What is the total number of years that you have worked in your career?

1-5years

6-10 years

10 –15 years

15 – 20years

20years +

5. Tick the South African retail bank that you are currently with.

Standard Bank

Nedbank

ABSA Bank

First National Bank

Capitec

Other

Name of Bank : _____

6. Tick which of the bank customer loyalty programs you are currently a member of.

Standard Bank U count rewards

ABSA rewards

Nedbank Greenbacks

First National Bank eBucks

Other program

Name of customer loyalty

SECTION B : Bank Customer Loyalty Programs

The following questions will be on a 5 point likert scale - “Strongly Agree”, “Agree”, “Undecided”, “Disagree”, “Strongly Disagree”

Please answer the following questions by marking the appropriate box with an ‘X’

		1	2	3	4	5
No.	Statement	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
1.	I am fully aware of the customer loyalty programs that is accessible to me by my retail bank.					
2.	I am fully aware of the benefits of customer loyalty programs from my retail bank.					
3.	I make every effort to earn maximum points per month to increase my customer loyalty status.					
4.	I frequently use the points earned from my customer loyalty program to make purchases from my bank’s partnerships. (eg, kulula flights, Caltex fuel stations, Pick N Pay etc)					
5.	I keep myself updated with the latest changes of my bank’s customer loyalty program.					
6.	Considering the level of banking that I am currently engaged in, it is easy for me to switch from one bank to another.					

		1	2	3	4	5
No.	Statement	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
7.	I will always consider switching my bank for a bank that offers better rewards for their loyal customers.					
8.	My decision to remain with my bank is influenced by the number of points that I earn from my banks customer loyalty program.					
9.	I would not be a part of my bank if it did not have a customer loyalty program.					
10.	I am currently satisfied with the customer loyalty program offered by my bank.					
11.	I make full use of my customer loyalty program because I am committed to my bank.					
12.	I am a loyal customer of my bank, because of the great savings and discounts that I earn from my bank's partners (eg Discovery, kulula.com, Caltex fuel station etc.)					
13.	I will continue to use my bank's customer loyalty program even if a competitor bank offers better value.					
14.	I will recommend my retail bank to a friend because of the customer loyalty program and its rewards that are offered to its customers.					

End of Questionnaire

APPENDIX 2 – Ethical Clearance Approval



23 June 2016

Mr Luchen Govender (204005807)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Govender,

Protocol reference number: HSS/0876/016M

Project title: Bank customer loyalty programs and its ability in creating loyalty amongst diverse individuals at a non-profit company in Durban, KwaZulu-Natal

Full Approval – Expedited Application

With regards to your application received on 15 June 2016. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully


.....
Dr [Redacted] (Deputy Chair)

/ms

Cc Supervisor: Dr Abdulla Kader
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj

APPENDIX 3 – Required sample size table

Required Sample Size†								
Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

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APPENDIX 4 – Turnitin Report

Turnitin Originality Report

Luchen Govender MBA Dissertaion 2016

by Luchen Govender



From Final Chapter (Dissertation)

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