GLOBAL JOURNAL OF INTERDISCIPLINARY SOCIAL SCIENCES
(*Published By*: Global Institute for Research & Education)
www.gifre.org

Bank Customer Loyalty Programmes - Exploring the Strategies of South Africa's 'Big Four' Retail Banks

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Abstract

This paper explores and compares the loyalty strategies used by the 'Big Four' retail banks in South Africa through an analysis of the relevant documents of the banks. It was ascertained that every loyalty program has its own unique characteristics by way of design and structure, and members are rewarded according to the business and behavioral rules which the program intends to drive. Although the 'earn and spend' strategies are important in that they reflect the purpose and value propositions of the program, all loyalty programmes are not created equally. South African banks should move away from product selling to customer-centric need fulfillment and find ways to make their customer loyalty programs more engaging through product customization and tiering, since transaction-based rewards will encourage greater use of personal accounts, thus driving further loyalty. Furthermore, loyalty programs must be innovative so as to ensure that the multi-channels used by retail banking customers offer high customer experience. Banks also need to effectively use 'big data' to identify who their best customers are and provide them with enhanced offerings that will keep them loyal.

Key Words: customer retention; customer relationship; service quality, loyalty; banks

Introduction

According to Ernest and Young (2013:2), the health of the economy is directly related to the soundness of its banking system. It is a business imperative for the management of the banks to ensure that they establish, develop and improve relationships with their customers (Ravesteyn, 2005:102), and when the economy takes a dip, Lorraine (2013:52) argues that loyalty programmes provide a lifeline to both parties. The financial services industry is widely credited as being among the most adept in using relationship strategies and tactics to improve customer loyalty and profits. According to a report by Applebun (2012:9), all banks attempt to differentiate themselves by using their customer service strategy and giving their customers an exclusive experience with their products and services, with the primary aim of gaining the loyalty of customers. Loyalty programs are used by banks to drive credit or debit card usage and are likely to influence a bank's customer behaviour in offering their card as a payment option, as opposed to cash, electronic funds transfer (EFT) or debit order, as customers then gain the benefit of receiving rewards for a higher monthly spend (Mather, 2013:1).

The retail banking industry in South Africa is a complex and very competitive environment, which is dominated by the so-called four banks, commonly referred to as the 'big four' [1]The market for loyalty programmes has enjoyed astonishing growth in South Africa over the past decade, and from a few loyalty cards offering air miles, there are now more than 80 increasingly ambitious programmes to choose from, and five years ago, about 15 million people belonged to a loyalty scheme (Lorraine, 2013:52). Loyalty programmes deliver immense insights for banking strategists and marketers into what, when, how and how often customers buy, bank, and travel (Lorraine, 2013:54). Banks have run successful rewards programmes for years, because customers have only to use their cards in everyday transactions to earn points, with the cost of the programmes being covered by the banks' transactional charges and annual fees. Customers want to feel rewarded through various incentives for choosing to use a particular bank (Hise, 2013:14). Every year, bank marketers invest billions of rands on loyalty programs to acquire and retain high-value customers, but the question remains: does the money invested deliver the best results? Hise (2013) explains that, although traditionally most reward programs offered by various card issuers have been based on a customer demographic profile and income level, at present, retail banks tend to segment customers on the basis of their purchasing behaviour and lifestyle choices. Recently, the adoption rates of the personalized loyalty programs have increased considerably, as this approach allows banks to target the most profitable clients and reduce the number of programs that are of little value to the overall banking business (Hise, 2013:14). Although the 'Big Four' banks in South Africa have implemented loyalty programmes in order to drive their customer acquisition and retention strategies, the questions remain: is there real value in these programs for the customers, and if so, how much value and traction are the customers gaining, and is it even worth it for them to participate in these programs as programmes are generally linked to credit cards usage. The actual earning rate, which refers to 'how many rands' the customer needs to spend to earn each reward unit, and how much the reward unit is

[1] Although the names of the banks have been intentionally withheld, the authors are cognizant of the fact that the South African readers may be able to identify some of the banks form the name of the programmes.

worth, the number of earning opportunities there are, as well as the extent to which the customer has to engage in new behaviour to earn the rewards, need to be clearly understood by both the customer and the bank. Hise (2013:18) asserts that being able to measure and attach a clear value to a reward makes it more relevant and tangible to consumers. The cost to the customer of the loyalty program participation, for example, the annual fees or linkage fees to belong to the programme, must be assessed. In light of the above, this paper reviews the loyalty programmes of the 'big four' retail banks in South Africa to:

- ascertain the future trajectory of the banking loyalty industry landscape;
- examine the networking strategies and rewards;
- ascertain whether the strategies focus on differentiation and engagement in order to drive longer customer lifetime values; and
- determine the actual value being derived by a loyalty program by customers of the identified banks.

Loyalty and Loyalty Programmes

Loyalty can be characterized as a practical disposition to persist in an intrinsically valued associational attachment that involves a potentially costly commitment to secure or at least not to jeopardize the interests or well-being of the object of loyalty (Kleinig 2007:2). Peterson (2012:2) identified four types of loyalty: inertial, functional, transactional and emotional, each of which reflects a different level of differentiable value and interest. It is however important to consider the idea of a spectrum of loyalty, there are real opportunities to increase programme performance and efficiency by understanding the type of loyalty you want to drive and the levers that drive that kind of loyalty, and as importantly, not spending resources to drive behaviour that's unnecessary or too difficult to achieve. Peterson (2012:3) further argues that, a company should have a holistic vision of loyalty to migrate customers from purely inertial behaviour up to emotional loyalty, measured in terms of new customer referrals and brand advocacy. The aforementioned also alludes to the fact that, while this may be possible, it's a really long haul and it takes a significant investment in the customer to get there, and it's not likely that the return on that investment will justify the effort and, in some cases, it's nearly impossible given the vagaries of customer service at different touch-points and the nature of the customer relationship.

Brian, John, and Martin (2013:1) state that customer loyalty programs go beyond retention, in that they are used by banks to acquire and retain customers, increase customer spend, and influence customer spending habits, and encourage the purchase of additional products. In fact the aforementioned argue that some loyalty programs have become so aligned with company brands that they have become a core product offering. According to Keiningham, Vavra, and Aksoy (2005:1), there are many reasons why businesses embrace loyalty programmes and invest heavily in their implementation and maintenance. The aforementioned point out that customers are affected by "the sunk-cost fallacy," where they continue patronizing a business or loyalty program because they focus on the number of points they have already accumulated. Hence, they become locked into the program and they continue interacting despite the fact that they may not feel truly (attitudinally) loyal. By providing extra incentives, loyalty programs encourage consumers to direct more of their purchases toward a business and less at competitors.

Colloquy (2014) suggests that loyalty program customer relationship management (CRM) systems provide a tool for collecting customer data and tracking behaviour. Using CRM can determine which customers to focus marketing resources on to maximize returns, reduce overall marketing costs, and improve the efficiency and effectiveness of marketing efforts (Colloquy, 2014). Furthermore, by way of a loyalty program's data tracking abilities marketers can determine which customers respond to targeted advertising and in what way, what customers buy and what they might buy, and how they can best be influenced into making additional future purchases. Patankar (2014:1) explains that loyalty program members who redeem points to obtain rewards are more likely to continue or increase their spending and usage of the underlying product or service and stay engaged with the program and brand longer. The objectives of a program should be to achieve the ideal balance between incremental earnings (revenues) and incremental redemptions (costs), with the goal of attracting "profitable" members and generating maximum incremental profits to the program sponsor (Patankar, 2014:2).

McKinsey & Company estimated that a program's first year can cost as much as $30 million, with annual maintenance and marketing costs reaching $5 million to $10 million (CRMTrends, 2014:6). The report argues that if the consumer is loyal to you is s/he frequently buys your product. Loyal behaviour is driven by higher desired behaviour by the customer, and loyal customers satisfy the desired behaviours intended for by the bank and should be rewarded accordingly. The consumer is not necessarily desirable if you have had to subsidize their purchases and if s/he buys your product because of inertia or absence of an alternative.

The operative question for any loyalty program manager is what is the philosophy and strategy behind the program's operation and whether it is being run at a break-even, loss or profit (Bilal, Zia, & Jaweria, 2010:2). The critical question remains as to how much breakage is optimal. If breakage is too low, it could mean that the program lacks relevance, and if the breakage is too high, it could be that the bank is operating an unprofitable program. For retailers, breakage can run approximately 25% (meaning that 75% of all points are redeemed). After all, redemption leads to lower churn redeemers churn 8-20% less than non-redeemers with multiple redeemers having the highest reduction in churn (Bilal, Zia, & Jaweria, 2010:2).

It is critical to understand the impact that the program components have on breakage, and understand the breakage impact of new strategies, as often times breakage can make or break one's marketing campaign and program. It is critical that loyalty practitioners spend some time with their finance partner to truly understand their program's profit and loss (P&L) and the drivers of that P&L (Bilal, Zia, & Jaweria, 2010:2).

Research Methodology

The study applied a qualitative research approach because of the typical flexibility and greater spontaneity it allows in the interactions between the researcher and the study participant (Denzin & Lincoln 2000:4) The form of analysis used was based on the principles espoused by Miles and Huberman (1984:15) and was iterative in nature and help researchers go beyond initial preconceptions and frameworks. The data was collected from the various bank documentations and promotional materials and analysed, such that the themes, patterns and relationships of the various loyalty strategies could be identified. The various source documents and interviews were analysed under the themes of: program objectives, qualifying criteria, program's value proposition, program structure, earn strategy and spend strategy. A corroboration of findings was sought by various forms of triangulation, such as cross-referencing between the loyalty programs, and cross-referencing of the interview data with data obtained from other sources, including publicity material and press reports.

It was however not possible to operationalize the effectiveness of loyalty programme strategies in terms of a simple series of quantifiable metrics as identified in the literature review. In view of the conceptual and practical difficulties of developing quantitative assessment criteria for all loyalty programmes that take into account their differing objectives and lifecycle position, this subjective approach can be justified.

Since there is limited research on customer loyalty in the banking industry in South Africa, an exploratory study about the research problem was conducted as recommended by Labaree (2014). The objectives was to gain insight into and familiarity with the bank customer loyalty landscape through interrogation of the various levers and verticals as applied by the various banks. The research approach applied involved collecting data using document study and analysis and interviews. The study entailed an analysis of the data, selection of relevant data and organising it in a logical and systematic format. The approach taken to data analysis involved the researchers 'immersing themselves in the data.' to bring out the meaning from the narratives. This ended up being a cyclical process through which data collection occurred simultaneously with data analysis meaning analysis started when data collection also began. The process involved reading, rereading, analyzing, synthesizing, and reporting on data. Labaree (2014) asserts that this is sometimes called theoretical sampling, where data is collected until saturation is reached.

Data Collection

The study followed a combination of document studies and interviews to investigate the various loyalty program strategies. Documents that were studied can be divided into two major categories: public records, and personal documents (Guba and Lincoln, 1981:99). In studying and reviewing the available literature, public records were collected from outside (external) or within (internal) the setting in which the evaluation took place. Examples of external records that were studied include newspaper archives, position papers and public records that could assist an evaluator in gathering information about the larger community and relevant trends. As Lincoln and Guba (1985:99) suggest, such materials can be helpful in better understanding the project participants and making comparisons between groups/communities. Internal records were also studied in order to interrogate, evaluate and analyze the subject loyalty programs strategies. The records studied included documents such as the subject bank's websites, the loyalty programs websites and associate platforms, historical recordings, internal publications, institutional mission statements, annual financial reports, institutional histories and various mass media reports and presentations.

The researchers also conducted face-to-face interviews with customer loyalty program managers of each of the banks, mainly for the purpose of understanding the bank's loyalty strategies from an internal management and executive perspective and if possible for harvesting data for the required metrics and measures.

Sample

The bank supervision annual report by the South African Reserve Bank, (2013: 44-49) lists a total of 80 registered banks in South Africa by 2013. Out of these a total of about 30 banks are listed as having retail licences and these will be the total target population for this study. Of the 30 banks, this research focused on the four major banks in South Africa and their loyalty programmes as the accessible population. Each of these banking institution run different loyalty and rewards programmes based on their different strategic intents, and the programs are run as independent business units of the banks. The same target population or sample as defined will apply in the collection of quantitative and qualitative data. The research sample size was the 4 banks out of the South African Reserve Bank, (2013: 44-49) registered list of 30 South African retail banks, since not all banks in South Africa offer a loyalty programme, but these four banks are the biggest in terms of retail customers and assets and should therefore give a good representation and indication of the entire industry as reported by PWC (2013:3). The loyalty programmes will be the subject of the research and therefore the executive managers who have the strategic understanding of these programmes will become part of the sample.

The 'Big Four" South African Banks' Loyalty Programmes

Loyalty programmes are becoming increasingly common in South Africa's financial sector, signalling that banks and other companies realise the importance of moving beyond just offering a service if they are to retain customers and remain competitive (Mather, 2013:1). Encouraging customers to use their cards when making purchases is arguably cheaper for banks and customers as it creates a reduced need to withdraw cash from automated teller machines (ATMs). ATMs are costly as banks have to replenish the machines with cash. Another reason banks offer rewards to their customers is that they are trying to instill good banking habits in their customers (Mather, 2013:1). This reason is why banks rewards their customers for only using electronic means (swiping for eligible purchases and using internet banking) because the cost of you transacting this way is next to nothing (Mather, 2013:1). Further more Mather (2013:1) explains that, it is not just the banks that prefer its customers to only transact electronically, it is also much cheaper for the customers, as all electronic bank transactions are included in their monthly fee meaning that if they become habitual about always swiping for purchases and making use of internet banking, they will save money on transaction fees associated with withdrawing/depositing cash as well as earn rewards points that they can use to buy goods and services (Mather, 2013:1). Below is a review of the loyalty programmes offered by the 'Big Four" banks in South Africa.

Bank A: eBucks

eBucks Rewards which was launched in 2000, is coalition program programme that enables the bank's customers to earn a virtual currency called eBucks when shopping, filling up fuel at specific fuel stations and loading airtime (eBucks, 2014). Mather (2013) explains that eBucks are earned by swiping the bank's credit, debit or cheque card and buying items at designated partners and swiping their card. The eBucks earned can be used to buy necessities, such as petrol or electricity, as well as luxuries, such as gadgets from certain retail outlets or books from kalahari.com (Mather 2013). Customers can also qualify for discounts of up to 40 percent on gift vouchers from prominent brands, as well as flights and gadgets, when paying for these with their eBucks (Mather 2013).

To join the programme, a customer can either sign up on the eBucks website or register at any branch in South Africa when opening a qualifying account. There is no cost to join, but Bank A charges an annual credit card linkage fee of R200 to earn eBucks. People can join the programme via the website without even if they do not have an account at the bank or a Private Bank credit card, but the opportunities to earn eBucks is limited (eBucks, 2014).

The eBucks earned do not expire, and can be transferred or "pooled" between members at no cost, allowing members to save up their eBucks for big-ticket items. However, members have to remain active on their eBucks account, either by earning or spending (eBucks, 2014). Bank A offers 1 eBuck per R100 of spend, but R1 is equivalent to 10 eBucks, so the effective reward is R1 per R1000 of the qualifying spend. Up to 2.5% can be earned back on ordinary shopping when the bank's credit card is swiped, up to 15% on fuel, prepaid electricity and airtime, and up to 15% at certain major retailer supermarkets

According to a report by Mather (2013), eBucks members have earned more than R4 billion and spent over R3.2 billion in eBucks since the programme's inception in October 2000 with members spending an average of R200 million worth of eBucks during the festive seasons. eBucks cannot be earned on smart transfers, traveller's cheques, foreign exchange, EFT's, cash payments or casino gambling transactions. There is no fee for eBucks but to earn extra points, credit and cheque accounts can be linked to the same eBucks account for an annual fee of R200. All eBucks earned have to be spent with partners or on the eBucks website. The benefits of eBucks as described by Mather (2013) are that, eBucks offers a variety of earn options from both the bank and retail and online partners, members earn and spend on fuel and airtime purchases, and offers tiered discounts of up to 40%.The program offers a variety of spend options including an eCommerce shop, a travel desk, spend retail and online partners, investments, and lifestyle.

Bank B: Rewards

Launched in 2009, "Rewards" is a multi-partner programme designed to reward customers who bank with Bank B. Not only does it literally put cash in the customers'/clients' pocket with Cash Rewards, but it also gives them access to savings, discounts, special offers and convenience benefits (Bank B Rewards, 2014). Mather (2013) explains that through the Rewards loyalty scheme, account holders can earn cash rewards by using their credit, cheque or debit cards. To become a member of the "Rewards" programme, one is required to register on their website, at any bank branch or by calling the Rewards Contact Centre. The monthly fee for Rewards is R21 or R252 a year. There are two levels of earnings: the bank returns one percent of spend for using cards in any purchase, while cash rewards partners return up to 10 percent of any amount spent with them – thus encouraging "Rewards" members to channel their spending to partners (Mather 2013). The Rewards program also gives you 5% on fuel purchases at specific service stations.

A customer gets rewarded every time they shop at any of the "Rewards" partners; earn a percentage of their purchases back in cash rewards paid directly into your Rewards account (Bank B Rewards, 2014). The bank's website explains that a customer can redeem their "Rewards" for cash, airtime, shopping vouchers, travel vouchers, an investment in a Money Builder account or even a donation to a charity of their choice. Another dimension of the Rewards scheme is the value-added partners, who offer coupons, vouchers, discounts and special offers, instead of cash rewards (Bank B Rewards, 2014). Qualifying transactions exclude electronic funds transfers, fees and charges, travellers' cheques, foreign exchange, cash withdrawals, garage card transactions and all transactions through registered and unregistered (local, international online) casinos and all transactions at Sasol forecourts and convenience stores, bill payments, pre-paid airtime, electricity and lotto purchases.

Mather (2013) observes that the "Rewards" program member's benefit from cash rewards they are awarded for using their Bank B banking products. Members also benefit from bonus rewards like home assist, dial a discount, healthy lifestyle and lifestyle concierge. The "Rewards" program has cash back and value-add partners and members have the ability to earn 5% in cash rewards simply by swiping any of their Bank B card at partner convenience centres. The drawbacks pointed out by Mather (2013) are that, members may not transfer or sell their cash rewards to any other person; members cannot purchase additional cash rewards, cash Rewards cannot be awarded retrospectively. This program attracts a monthly or annual fee.

Bank B announced in November 2013 that it had registered up 1.2 million "Rewards" customers and paid out over R350 million in cash rewards since the scheme was introduced in 2009 with a year-on-year growth rate of 64 percent and total membership of about 1.35 million members (Bank B Rewards, 2014).

Bank C: Greenbacks

The Greenbacks Programme was launched in 2005, is multi-partner program owned, operated and managed by Bank C. Customers may accumulate "Greenbacks" through eligible spend, and use these Greenbacks to purchase goods and/or service at various spend partners (Bank C Greenbacks, 2014). Members may link up to 10 consumer cards to their Greenbacks account at no additional fee, provided that the card accounts are in your name. The Greenbacks account may never have a debit balance, which means that a member may never spend more Greenbacks than what exists in their Greenbacks account (Bank C Greenbacks, 2014). Greenbacks members can earn credits on all their eligible card spend or swipes, which can then be redeemed for a variety of exciting rewards (Bank C Greenbacks, 2014). The Greenbacks will never expire, but if a member does not earn any Greenbacks for five months, their Greenbacks account will be considered to be dormant, and they will lose all their e-currency (Bank C Greenbacks, 2014).

Mather (2013) explains that a Bank C customer can earn one Greenback for every R5 spent using Bank C's credit or cheque card once it is linked to the Greenbacks loyalty programme. An annual fee of R179 gets you on to the programme (Mather 2013). The good news is that a Bank C customer can link up to 10 credit or cheque cards to the Greenbacks account, at no additional fee. Spending Greenbacks is a simple matter of choosing from the products and services displayed on the website, which include flights from one of Bank C's airline partners, weekends away, electronic gadgets, shopping vouchers, car rental, or donations to charity (Bank C Greenbacks, 2014). Eligible spend excludes cash withdrawals, casino chip purchases, fuel purchases, finance and other card charges, fees or taxes levied by Bank C or the government, the purchase of travellers cheques or other negotiable instruments, garage card transactions, budget account instalments and interest, insurance premiums and internet transfers/payments (Bank C Greenbacks, 2014). The Greenbacks benefits observed by Mather (2013) includes the fact that the Greenbacks programme allows members to top up their accounts with additional Greenbacks at a cost of 4c per Greenback, members can transfer their Greenbacks to another Greenbacks account and they can link up to 10 credit or cheque cards to their Greenbacks account, at no additional fee and earn Greenbacks on the accumulated spend on all your cards. The other benefit is that the American Express select programme also offer Greenback members special discounts from local and international merchants when they use their Greenbacks American Express Credit Card. The drawbacks pointed out in Mather's (2013) report are that, eligible spend excludes fuel transactions, members are charged an annual fee of R179 to maintain their Greenbacks rewards account, and if members do not spend on their bank card for a period of five months, the member's Greenbacks account will be considered dormant and they will lose all their Greenbacks. For a period of three months after that members can however apply to reopen their Greenbacks account, in which case the bank will reinstate the forfeited Greenbacks in full.

Bank D: UCount Rewards

UCount Rewards is Bank D's coalition rewards program launched in 2012 to give customers a chance to collect rewards points every time they shop with their Standard Bank debit, cheque or credit card (UCount, 2014). There are four reward tiers and the number of rewards points that can be collected depending on their reward tier collection rate. This is calculated based on your banking activity and the number of Bank D products and services the member makes use of every month. The programme is available to all Bank D's customers who have a personal transactional debit, cheque and/or credit card account which is in good standing. Minors are eligible to register for the programme, however this can only be fulfilled at the nearest branch and parent or guardian consent will be required. Business customers are not eligible for the UCount Rewards programme (UCount, 2014). Customers can register by calling the UCount Rewards Contact Centre, by visiting any Bank D branch, or online.

Rewards points are allocated retrospectively and credited to your rewards account at the end of each month. 10 rewards points = R1. All rewards points collected are valid for five years from the date of issue. If you do not redeem your rewards points before this time, they will expire (UCount, 2014). Customers can collect up to 10 % in rewards points on all their grocery purchases and up to 1.5% in rewards points on all your other purchases. Every time a customer uses their card they will collect rewards points which they can redeem for a variety of items – including fuel from Caltex forecourts. They also get great benefits, discounts and special offers simply for banking with Standard bank (UCount, 2014). Collecting rewards points from participating grocery retailers is limited to 20% of your total qualifying monthly card spend. This means that the bank adds all purchases made on your Standard Bank cards together each month except for non-Caltex fuel, toll and casino purchases. Purchases exceeding 20% of your total qualifying monthly spend will not qualify for the up to 10% in rewards points on your groceries, however, you will still collect up to 1.5% in rewards points on these remaining qualifying grocery purchases (UCount, 2014).

Points cannot be earned on gambling, toll gates, cash advances, electronic funds transfers, inter-account transfers and payments, cash withdrawals, foreign exchange purchases, cheques issued, stop and debit orders, fuel purchase and garage card purchases. The UCount (2014) website shows that the benefits of UCount to members includes earn between 1.5% and 10% back on all qualifying purchases and get R1 back per litre of petrol purchased at Caltex garages for the highest tier classification. Members do not need a card to earn points, card only needed when making a purchase. There is an annual fee of R240 to participate in the UCount Rewards program, reward points expire after 5 years and business customers are not allowed to participate in the program (Ucount, 2014).

Analysis of the Findings

It became evident that all the programmes are transactional and probably lack emotional loyalty which doesn't require rewarding transactions. The literature states that emotional loyalty would help banks create high differentiable value which would result in high product/service interest thereby recreating brand advocacy (Mather (2013). In terms of the purpose of the various programmes, the common strategy is that the banks are trying to drive more acquisition of customers, longer retention of resident customers, up-selling of additional products, cross-selling other products to customers and reducing the cost of service and products to customers.

The loyalty programs use coalition and multi-partner schemes, with coalition schemes like eBucks, where the brand is almost neutral, and it involves a number of partners across retail sectors. Multi-partner schemes like Greenbacks offer members the benefit of accelerated earnings because they can earn from more than one partner with a single purchase. The findings identify the loyalty strategies and mechanisms employed by the programs as being the cash-back and hybrid rewards strategies. Cash-back programmes such as "Rewards" allow participants to accrue financial benefits from purchases that are saved up and redeemed after a set threshold or time period. The hybrid programmes such as eBucks, UCount and Greenbacks, the literature explains that these offer a combination of rewards currency, discounts, and cash-back and soft benefits (Macdonald, 2012) .

The findings also revealed customer programme levers such as the "Earn" and "Redemption" options. It became evident that each program has a differentiated "earn and spend" strategy aligned to its strategic objectives. The literature describes this as the "breakage", which simply is the difference between points issued (earn) and points redeemed (send) and is the biggest driver of profit for a loyalty program, hence the importance and emphasis on earn and spend strategies in the findings. With respect to the study objectives, it became apparent that every one of the programmes has its own unique characteristics in the way that they are designed and structured. Members are rewarded according to the product business and behavioural rules that the bank wants to drive. Because of this, the strategies applied by each program vary; for example, one of the programmes use a cash-back strategy whilst the rest use hybrid rewards strategies that combines points, reward currencies, discounts and soft benefits. Each bank has developed differentiated capabilities with clearly defined strategies and customer value propositions.

The next objective was to. It was evident that the banks' consumer base is expanding with the help of loyalty programmes, which addresses the second research objective which was to analyze the current environment, and ascertain the future trajectory of the banking loyalty industry landscape. Through an analysis of the 'earn and spend' strategies of each loyalty program and an analysis of all the individual strategies used by the banks it became evident that banking loyalty programmes use associated affiliate and coalition networking strategy because they are able to stretch their value proposition by opening up more opportunities to' earn more and spend more' on a wider variety of products or services. The aforementioned addresses which was to ascertain whether the strategies focus on differentiation and engagement in order to drive longer customer lifetime values.

Furthermore, it was ascertained that all banks offered different value propositions that are meant to engage their members and differentiate their programme offering from the other banks' offerings, thereby driving more acquisition and retention for themselves. This implies that the banking loyalty strategies focus on differentiation and engagement in order to drive longer customer lifetime values, which addresses the fourth objective. The research also aimed at determining the 'earn and spend' metrics, applicable measures and models being applied by each bank in the order to gain more loyal and profitable customers. It was apparent that the way the 'earn and spend' strategy is structured will determine the value the programme gives back to the member, the program and its partners.

With respect to the final objective which was to determine the actual value being derived from a loyalty program by customers of the identified banks, it was ascertained that the loyalty rewards metrics and analysis managed to show how the loyalty programmes are creating value for their members through their various rewarding products. Although not all loyalty programmes are created equal, the strategies that support the 'earn and spend' opportunities have a great impact on how much value a loyalty programme has created for its members and other stakeholders.

Conclusions

It can be concluded that loyalty programmes help create extra loyalty beyond which is derived from the relative value of the product or service, but the value of a loyalty program to a customer or member is only derived after the cost of membership and the cost of the banking product have been covered. Most programs charge membership fees and members have to spend more than the membership fees to earn the fee equivalent in rewards. The only competitive exception is the Greenbacks programme offered on the American Express credit and cheque cards. This is because these products reward double the amount spent, thereby, compensating for the fees.

Banking loyalty program strategies do create and present a lot of value to the customers, but this value varies from one loyalty program to the next. The strategy used by the bank does matter as this is what creates the value perceived by the customer. Coalition loyalty programs work better as they present more flexibility in 'earn and spend' opportunity designs and innovations.

Recommendations

Although loyalty programs are important tools which marketers could use to connect with customers on both an emotional and rational level, they require a good deal of creativity and innovation to make sure they stay relevant and are in sync with consumer behaviour and the market. Thus, for increased chance of success, in a very competitive market, the programs must enhance the overall value of the product or service, and motivate loyal customers to make their next purchase.

South African banks should focus more on customer service, and shift from product selling to customer-centric need fulfilment through integrating emotional loyalty into their strategic programme designs. Proper staff training and advanced analytics will be necessary to enable banks to boost their reputation by providing individualized service and an improved loyalty experience. Since banks have access to a number of online and offline channels that provide a lot data that can be used to provide customers with instant and personalised rewards, 'Big Data' and predictive analytics should be used to attain this objective. Banks must also be able to assess which loyalty programmes are really effective, since there is no point in continuing to promote offers people aren't interested in or that don't drive sales. There are several analytics shops that can effectively measure the ROI of marketing programs across all channels, both online and offline, and to a great level of detail— ad impressions, page views, clicks, leads, sales, opportunities, closed deals and revenue.

Limitations

Requests for interviews with senior managers from two of the four banks were not successful in that the senior managers were reluctant and even refused to discuss strategic information, as they believed that this would expose their internal trade secrets. Furthermore, two of the loyalty programs were still in the process of changing their business rules on the 'earn and spend' value propositions, and they therefore did not want to discuss strategies that might be obsolete soon. Thus, the general performance metrics like the customer retention rate, the churn rates, the net promoter score and the customer lifetime value which the study had set out to measure and compare across the various offerings could not be done. Obtaining large-scale comparative data from organisations operating loyalty programmes posed practical problems, as such the data is usually regarded as highly confidential.

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