



CUSTOMER LOYALTY PROGRAMS IN BANKING-A STUDY

Ramanand.B.Chekkala, Research scholar
Department of Business Management
Osmania University Hyderabad-500007, Telangana

Dr.Sreeramulu, Professor, Professor
Department of Business Management
Osmania University Hyderabad-500007, Telangana

ABSTRACT: *Customer loyalty is a highly valuable asset. Loyalty programs are being used by an increasing number of entrepreneurs and businesses in order to earn the loyalty of current consumers to build attachments and strengthen relationships. The purpose of this article is to provide a theoretical perspective on various approaches to loyalty programs based on a literature study and to identify the characteristics that lead to a company's success. Customer loyalty is when the customers are so delighted with the product or service that they become enthusiastic word-of-mouth advertisers. Loyalty is the willingness of someone a customer, an employee, a friend making an investment or personal sacrifice in order to strengthen a relationship. The role of loyalty in the brand equity process and specifically brand loyalty leads to certain advantages, such as reduced marketing costs, more new customers and greater trade leverage. Loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future leading, to a repetitive same-brand or same-brand-set purchasing, in spite of situational influences and other marketing efforts aimed to achieving a potential switching behavior. Creating loyal customer has been becoming more and more important for business. This is due to the fact that competition is increasing, as never before, which has a great impact on many businesses. To deal with this high concentrated market, businesses are attempting not only to attract and satisfy customers but also to create a long-term relationship with these customers.*

Key words: *loyalty program, customer loyalty.*

INTRODUCTION:

The concept of loyalty is rooted in the past, emphasizing characteristics such as commitment, duty, obligation and devotion. It is totally unrealistic for most commercial businesses to expect their customers to have such feelings towards them. There are different levels of loyalty, from suspects and prospects to advocate, partner. It is their degree of positive commitment to the supplier which characterizes the advocates and partners. Generally, loyalty has been and continues to be defined as repeat purchasing frequency or the relative volume of the same-brand purchasing. Loyal customers not only increase the value of the business, but also enable it to maintain the cost lower than those associated with attracting new customers.



Need of the Study:

Customer loyalty is about retaining our existing customers. According to the late management guru Peter Drucker. "Customers are profitable only from the second year" this is because in the first year, the company spends a lot of money to attract the potential customers and their conversion into customers. So, retaining customers means more and more revenue.

Academics, merchants, and organized retail customers would all benefit from the research. Industry players may attain their aims and objectives in a methodical manner by using improved management methods. Because the focus of this research is to provide a better understanding of customer perceptions of loyalty programs, and the efficacy of such Retailers should have a better grasp of their existing clients' purchasing habits, preferences, optimize it's costs of servicing the clientele, thereby resulting in higher customer satisfaction levels, increased sales and profitability, achieve higher market share and more Cross-sell and upsell opportunities. From a Customer perspective the recalibration of this aspect will lead to increased customer confidence, sociability and most importantly willingness to expand the existing engagement. Academics, retailers, and customers would all benefit from the research.

REVIEW OF LITERATURE

Neringa Vilkaite-Vaitone Ilona Skackauskien. (2020): This study sheds light on customer loyalty based on three groups of factors (customer, service provider, and environment). Noting the diversity of the effects of customer loyalty factors, this research investigates the impact of every factor upon customer loyalty. This paper provides an innovative insight into how a variety of customer loyalty factors might be combined into a single measure of customer loyalty. Finally, this study examines phases of customer loyalty and identifies the factors that prevent a peak of customer loyalty. The factors determining customer loyalty explain why customers move across different loyalty phases over time. The results of the empirical testing confirmed the practical applicability of the suggested approach for evaluating customer loyalty based on these factors. An innovative approach to the evaluation of customer loyalty is essential for marketers because it will help them to evaluate loyalty in cases where data about customer behaviour is not available nor. The findings of the research contribute to a better understanding of those factors which are a viable basis for increasing customer loyalty, specifically in the banking and financial markets, and other guidance to Marketing managers on how to shift customers to more desirable loyalty phases.

Akram Garepasha (2019) The purpose of this paper is to show the dynamics of relationship marketing in e-banking by examining the association between relationship quality and online customer loyalty at different stages of the relationship lifecycle. Design/methodology/approach: A sample of 651 customers of Iranian banks in East Azerbaijan Province who had used online banking services was selected for the study after completing a questionnaire. The research hypotheses were tested using structural equation modelling and the AMOS23 software. Findings: The results showed that the level of the customer relationship determines the effect of relationship quality on customer loyalty in e-banking. Specifically, the effect of online commitment on customer loyalty decreases over time. In addition, as the



relationship develops between the customer and the business, the influence of online trust on loyalty increases. Originality/value: The main contribution of this paper is it enriches the relationship marketing literature with respect to the dynamics of relationships by challenging the effectiveness of relationship marketing, especially the use of the same relational constructs (online satisfaction, trust, and commitment) for customers at different stages of the relationship lifecycle.

TsietsiMmutle Last Shonhe (2017) This paper was to examine the customers' perception of service quality and its impact on a selected hotel's reputation. A qualitative research method was used and data was collected using in-depth semi-structured interviews with both customers and employees as core stakeholders. The findings indicate that service quality has an impact on hotel reputation as poor service provision invariably leads to negative conversations and bad publicity concerning the hotel. It also emerged that the customers and service providers have more or less similar notions of what service quality entails. The hotel departments have mechanisms and strategies for meeting and exceeding customer satisfaction and especially of dealing with customer complaints and these are important when one desires organisational stability.

Jay Kandampully, Tingting Zhang, Anil Bilgihan(2015) This article aims to provide a summary review of what is already known about customer loyalty and identifies some emerging issues that play an important role in it. As a result of dramatic changes in the marketplace and in consumers' connections with the hospitality industry, researchers and practitioners are keen to understand the factors that underpin customer loyalty. Design/methodology/approach By synthesizing extant customer loyalty literature, this article seeks further understanding of loyalty and offers priorities for ongoing loyalty research. Findings Using conceptual models, this study provides a framework designed to extend the understanding of customer loyalty and the impact of the evolving role of engaged customers. Practical implications Companies are advised to create emotionally engaged, loyal brand ambassadors by focusing on emerging areas, such as customer engagement, brand citizenship behaviours, mass personalization, employee engagement, brand ambassadors (both employees and customers), co-creation of value, co-design, co-consumption and rapport between customers and employees. Originality value This article crafts a conceptual framework for customer loyalty and identifies those factors that influence its development in the service industry with a special focus on the hospitality industry.

Ricardo Zanchett' Edson Pacheco Paladini (2019) This study presents a new modality of loyalty program and compares it with traditional approaches. Two commonly used modalities of loyalty programs, namely, individual and coalition, are described here in terms of their main characteristics, advantages, restrictions, market ranges in which they operate, and managerial implications. Then, a new program modality (cluster) is proposed, and practical aspects of its use are provided. The types of loyalty (loyalty to the brand, loyalty to the store, and loyalty to the program) aimed at in the three program modalities are also identified. The participation of partners, accumulation of benefits, options for recovery of benefits, market ranges, program management, and program focus are used to compare the programs. This analysis demonstrated the most appropriate approaches for each type of program.



Customer loyalty: Customer loyalty may be a one-time program or incentive or an ongoing group of programs to entice consumers. Buy-one get-one-free are very popular, as purchases that come with rebates or free gifts. Another good incentive for achieving customer loyalty is offering a risk trial period for a product or service also known as brand name loyalty, these types of incentives are meant to ensure that customers will return, not only to buy the same product again and again, but also to try other products or services offered by the company. Excellent Customer service is another key element in gaining customers loyalty, if a client has a problem, the company should do whatever it takes to make things right, if a product is faulty, it should be replaced or the customer's money should be refunded.

Customer loyalty in retailing: The development of customer loyalty is one of the most important issues today. To deal with this high concentrated market, business is attempting not only to attract and satisfy customers but also to create a long-term relationship with these customers. A retailer has to create the customer relationship that delivers value beyond that provided by the core product. This involves added tangible and intangible elements to the core products, thus creating and enhancing the products surrounding.

WILL CUSTOMERS VALUE THE PROGRAM?

Many of today's reward and loyalty schemes demonstrate a weak knowledge of client demands and preferences. A program's value is determined by five factors from the customer's perspective. Cash value, redemption choices, aspirational value, relevancy, and ease are the factors to consider. Few programs now provide all five, but businesses that wish to participate in the incentives game should make sure their value compares to that of their competitors. The first factor, monetary value, can be measured in a variety of ways. Although the Discover credit card gives a cash refund (up to 1% of all expenditure), most organization's incentives need a different metric, one that analyses the underlying worth of various redemption alternatives. Consider the following basic rule.

Would partnering make the program more competitive?

To make value sharing work, a company's greatest customers must get competitive value across all five dimensions: financial value, choice, ambition, relevance, and ease. Although few businesses have all of those skills in-house, it shouldn't stop them from gaining access to the entire set. Take, for example, the GM card. On its own, General Motors does not appear to be a likely choice for a rewards program. Car businesses are attempting to sway a significant but occasional purchase choice, whereas a conventional loyalty programme rewards clients for regular purchases of a single company's items. However, GM, which is used to delivering expensive rebates as purchase incentives, saw a greater potential to change market share through a rewards program.

Loyalty Programs Based on Equity: New sorts of electronic loyalty programs are described by Altinkemer and Ozcelik (2009). Equity-based loyalty programs, in which consumers become fractional owners, are an alternative to the options discussed above. of the businesses customers



receive shares rather than discounts, however the quantity of stock is little. Around 1% of unit share is typical. However, without this software, it will not be feasible to implement it. The Internet and IT applications Customers are compelled to return to the same company under this approach. following a first buy (Altinkemer&Ozcelik, 2009)

Factors influencing customer loyalty

Market place: It is a key factor in the development of loyalty. If the number of competing suppliers is high and little effort is required to switch, switching is clearly more likely. This is the opposite of case of switching. Most banks enjoy a high level of inertia loyalty simply because its often difficult and time consuming to change to a new bank and transfer direct debits and standing orders.

Satisfaction: Customer satisfaction in banking industry means that the product or service which is offered to the customer makes him or her satisfied and meets his or her expectations. This means that the customer feels good to have the service from that bank another time. In the competitive environment which the competitors are trying to have the others customers, customer satisfaction is based on the evaluation of multiple interactions and is considered as a combination of overall customers attitudes towards the bank that incorporates a number of measures like meeting the expectations and service quality.

Commitment: Customer commitment is important factor that affect loyalty. It is a deeply held commitment to re-buy and re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour.

Retailing is one of the largest business sectors in India and one of the biggest sources of employment in the country. The Indian retail scenario started changing in the nineties. Liberalization of Indian economy led to the dilution of stringent government restrictions and paved the way for the emergence of organized retail sector in India. 18 The organizations selected for the purpose of the research study are from organized retailers. The five major retailers considered are selected based on their geographical location and popularity. The first section of the chapter is dealing with the profile of the organization and the second section the structure of loyalty programs offered by these organized retailers.

The Advantages of Loyalty Programs

Meyer-Waarden (2008) conducted a survey at retail outlets to investigate the impact of loyalty cards on consumer behavior. As a consequence, cardholders made more purchases and were more loyal than the norm across the three-year period. He came to the conclusion that loyalty programs lead customers' price sensitivity to drop, and purchasers are willing to spend more than normal. Furthermore, increased customer loyalty is always accompanied by an increase in the number of transactions made.

Tahal (2014) conducted research on electronic commerce customer loyalty programs. He gathered information on firms that operate e-commerce sites and polled typical online clients for their perspectives.



Limitation of the study:

Because some of the data linked to customer loyalty programs is classified as sensitive information by the merchants, some of it was not provided. As a result, the Bank's information is presumed to be accurate, and its legitimacy has been verified. Not a single question was raised. The research was carried out in Hyderabad, using a predetermined sample size. a representative sample of responses as a result, the information-based analysis is completed. The information supplied by the sample respondents may not be completely accurate, and generalizations based on the study may not be applicable to the entire population that is the largeThe diverse retail banking market's population.

Conclusion

This study takes a theoretical approach to the impact of loyalty programs on consumer loyalty and corporate profitability. Many methods to loyalty programs for managers are included in the literature study. Many authors stress the financial and emotive aspects of loyalty programs. Financial incentives alone aren't enough to keep a customer. Customer incentive programs are a significant source of data and are essential for building customer knowledge databases. The information gathered should be used to design a marketing plan. Customer's privacy must be protected by managers, as customer loyalty is based on the customer's faith in the organization. To summarize, loyalty programs are lucrative because retaining existing consumers is less expensive than attracting new ones. In simple terms, retail is the continuous process of selling consumer goods and or services to customers through multiple channels of distribution with the objective of earning profit. Demand is created through diverse target markets and promotional tactics, satisfying consumer's wants and needs through a lean supply chain. The retail industry in India accounts for over 10 per cent of the nation's GDP and over 8 per cent of the total employment. India with its humongous population has a huge growth potential for the retail banking sector.

REFERENCES:

- 1.The Journal of Consumer Marketing, 23(7), 397-405. doi: <http://dx.doi.org/10.1108/07363760610712939>.
- 2.Meyer-Waarden, L. (2008). The influence of loyalty programme membership on customer purchase behavior. European Journal of marketing, 42(1), 87-114. doi: <http://dx.doi.org/10.1108/03090560810840925>.
- 3.Tabaku, E., &Zerellari, M. (2015). Brand loyalty and loyalty programs; a literature review. Romanian Economic and Business Review, 10(2), 87-102. Retrieved from <http://search.proquest.com/docview/1700066812?accountid=45580>.
- 4.Tahal, R., (2014). Loyalty programs in e-commerce and their perception by the young adult internet population. Central European Business Review, 3(2), 7-13. Retrieved from <http://search.proquest.com/docview/1647600101?accountid=45580>.
- 5.Varela-Neira, C., Vazquez-Casielles, R., & Iglesias, V. (2010). Explaining customer satisfaction with



-
- complaint handling. The International Journal of Bank, 28(2), 88-112. doi: <http://dx.doi.org/10.1108/02652321011018305>.
- 6.Vinod B. (2011). Unleashing the power of loyalty programs – The next 30 years. *Journal of Revenue and Pricing Management*, 10(5), 471-476. doi: <http://dx.doi.org/10.1057/rpm.2011.11>
- 7.Altinkemer, K., & Ozcelik, Y. (2009). Cash-back rewards versus equity-based electronic loyalty programs in e-commerce. *Information Systems and eBusiness Management*, 7(1), 39-55. doi: <http://dx.doi.org/10.1007/s10257-007-0062-0>
- 8.Bose, S., & Rao, V. G. (2011). Perceived benefits of customer loyalty programs: validating the scale in the Indian context. *Management & marketing*, 6(4), 543-560. Retrieved from <http://search.proquest.com/docview/918645127?accountid=45580>
- 9.SahinDölarlan, E., (2014). Assessing the effects of satisfaction and value on customer loyalty behaviors in service environments. High-speed railway in Turkey as a case study. *Management Research Review*, 37(8), 706-727. Retrieved from <http://search.proquest.com/docview/1651370188?accountid=45580>
10. Enzmann, M., & Schneider, M. (2005). Improving Customer Retention in E-commerce through a Secure and Privacy Enhanced Loyalty System.
- 11.Hoffman, J. L., & Lowitt, E. M. (2008). A better way to design loyalty programs. *Strategy & Leadership*, 36(4), 44-47. doi: <http://dx.doi.org/10.1108/10878570810888777>.
12. Khan M. T. (2014). Customer Loyalty Programs – Concept, Types, Goals and Benefits (A Conceptual and Review Paper). *International Journal of Information, Business and Management*, 6(1), 74-93. Retrieved from <http://search.proquest.com/docview/1511381985?accountid=45580>.
13. Ludin, I. H. B.H., & Cheng, B. L. (2014). Factors Influencing Customer Satisfaction and E-Loyalty: Online Shopping Environment among the Young Adults. *Management Dynamics in the Knowledge Economy*, 2(3), 462-471. Retrieved from <http://search.proquest.com/docview/1646545655?accountid=45580>.
- 14.Adeyemi, A. Adekiya (2015) Customer Loyalty among Subscribers in Metropolitan Kano: The Predicting Power of Gender, Age, Income Level and Education, *European Journal of Business and Management* www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.7, No.9, pp45-54
- 15.Aggarwal, Pankaj (2004), The Effects of Brand Relationship Norms on Consumer Attitudes and Behavior, *Journal of Consumer Research* 31, 87–101.
16. Alicia Fiorletta (2013) Retailers Seek to Differentiate, Customize Loyalty Programs, Retail Touch Points, Retrieved online: http://f9e7d91e313f8622e557-24a29c251add4cb0f3d45e39c18c202f.r83.cf1.rackcdn.com/RTP_Feature_Customer_Loyalty_July_2013.pdf
17. Arantola, H. 2003. *Uskollinenasiakas – Kuluttajaasiakkuuksienjohtaminen*. Porvoo: WSOY.
- 18.Avrar, B., 2013. Using the Electronics Development Advantage in Creating a Buzz for the Airline Passengers. *Expert Journal of Marketing*, 1(1), 50-54.
19. Barry Berman, (2006) *Developing an Effective Customer Loyalty Program*, California Management Review, Vol. 49, No. 1, pp. 123-149