The Impact of Loyalty Programmes on Customer Retention in the Nigerian Banking Sector

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Declaration

No proportion of the work referred to in this thesis has been submitted in support of another application for another degree or qualification of this or any other University of institution of learning.

Signed

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ABSTRACT

The key contributions of this research span across academic literature, research methodology and professional practice. Literature on loyalty programmes indicate that the practice is common in organisations that are desirous of reducing customer attrition with the ultimate goal of improving business performance and maximizing profits. It is argued that loyalty programmes positively affect sales, engenders satisfaction and helps to retain customers. This notwithstanding, there has been debates as to whether customer loyalty programmes leads to retention and profitability.

In recent time, loyalty programmes have become a popular exercise in the Nigerian banking sector as evidenced by its frequency in that sector of the economy. However, although empirical work exist on their impact, limited research work has been done on the programme with specific reference to the Nigerian banking sector.

Bearing this in mind, this study explores *The Impact of Customer Loyalty Programmes on Customer Retention in Nigerian Banks*. Use is made of both loyalty programmes literatures and empirical research to understand this impact with the ultimate aim of developing guidelines for its application in banks.

The study was undertaken from an interpretivist stance and employed an exploratory approach. In this research, one hundred and fifty questionnaires were received back as valid from a total of one hundred and eighty given out to respondents (customers) from five banks. The result was instructive and formed the basis for interviews conducted afterwards. Fifteen semi structured interviews were conducted comprising of ten bank executives at strategic management level (two each from the five banks) and five bank customers (one each from the five banks), The interviews focused on elements of loyalty, satisfaction, retention and competition. The research findings reveal to a large extent that customers are satisfied with their banks' loyalty programmes and are at ease continuing patronage with them, thereby reducing attrition. The key contribution is using the findings to develop model guidelines for establishing and deploying loyalty programmes in Nigerian banks. It is concluded from this study that loyalty programmes in banks are profitable and may engender satisfaction. This is in addition to helping to reduce customer attrition when carefully planned and executed, bearing in mind the developed guidelines.

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CHAPTER 1

INTRODUCTION

1.1. CHAPTER OVERVIEW

This research explores the impact of loyalty programmes in promoting the retention of individual customers in Nigerian banks. Following an interpretivist paradigm, the study employed a two-staged method, the first being a scoping study and the second a qualitative method using interviews. The research finds that loyalty programmes promotes retention of individual customers in banks. It also suggests a model guideline for the practice of loyalty programmes and make recommendations for banks on how to attract and retain customers through the use of their loyalty programmes. This chapter outlines the purpose of the study, the research's aim and objectives, context of loyalty and banking in Africa. In addition, it introduced the contexts in which the research takes place.

1.2. PURPOSE OF THE STUDY

Loyalty programmes are used in Nigeria by organisations to drive sales growth. Following global practices, organisations in Nigeria ranging from airlines, telecommunications companies, hospitality businesses, restaurants, fast moving consumer goods (FMCG) companies have over the years employed loyalty programmes. In the last decade, banks in Nigeria also started using loyalty programmes to drive sales, retention and revenue growth. Commentaries suggest that the frequency of the programmes and capital investment deployed by Nigerian banks to these programmes are huge (This Day, 2017; Vanguard, 2017). This is in support of studies carried out by various scholars on the huge capital investments needed to execute loyalty programmes (Crowell, 2010; Ferguson & Hlavinka, 2007). Despite this development, there is little empirical evidence on the effectiveness of these programmes in Nigerian banks.

While research exists on the effect of loyalty programmes in other industries, a study with focus on the Nigerian banking sector is necessary. Loyalty programmes differ across customer segments and markets (Dorotic et.al, 2012), so a focused study will provide contextualised insights into this particular area and customer base. The study will enable the researcher to examine and know if the capital invested by Nigerian banks is worth them exploring loyalty programmes as a means of satisfying customers and retaining them. This study will focus on individual customers only (i.e business to consumer). The rationale for this is that loyalty programmes practiced by banks in Nigeria focus on individual customers and not businesses.

1.3. AIM AND OBJECTIVES OF THE RESEARCH

The aim of the research is to evaluate the impact of loyalty programmes on customer retention in the Nigerian banking sector.

The research explores the views of both customers and bank executives on the effectiveness of loyalty programmes on the retention of individual customers. The study was bound within four key objectives.

1. To conduct a critical literature review on the topics of loyalty, customer retention and loyalty programmes
2. To explore managers' and customers' perception of the relationship between loyalty programmes and customer retention
3. To determine the key factors influencing how this relationship may impact on the success of loyalty programmes
4. To develop model guidelines for the application of loyalty schemes in banks

Loyalty Programmes

Customer loyalty is necessary for business sustenance, growth and profitability. Many authors argue that competition among organisations is a pointer to the importance of customer loyalty (Prentice and Correia 2017; Picon-Berjoyo et.al 2016; Cossío-Silva, Revilla-Camacho & Palacios-Florencio, 2016). Bearing this in mind, it is safe to suggest that without customer patronage of business products and services, enterprises would find it difficult to survive. Therefore, to gain customers' loyalty, companies must continuously seek ways to satisfy them in order to retain them. The strategies employed may vary from competitive pricing, excellent quality of service, ease of doing repeat purchase, loyalty programs etc. This engagement may be interpreted as a "firm's deliberate effort to motivate, empower, and measure a customer's voluntary contribution to its marketing functions, beyond a core, economic transaction" (Harmeling, Moffett, Arnold & Carlson, 2017, p. 312).

Loyalty programmes are a common form of engagement strategy used by organisations. They are marketing tools aimed at collecting customers' data, enhancing retention, encouraging repeat purchases and reinforcing commitment to the organisation (Kang, Alejandro & Groza, 2015; Meyer-Waarden & Benavent, 2009). The commitment created on the part of the organisation and same if adopted by the customer creates an opportunity for repeat patronage and this may lead to loyalty for the brand or organisation and its products and/or services. The programmes are not industry-specific, and have been used in hospitality, airline, retail business, restaurants, grocery shops, bookshops etc.

Also, the impact of these reward programmes have been researched in various industries and markets including but not limited to the health industry (Dale,et al, 2019), sports (Monteiro, Dias & Carlos, 2019), Young adults repeat purchase (Dlamini & Chinje, 2019), the airline industry (Sandada and Matibiri, 2015; Wang et.al. 2015; Prentice & Correira, 2017), the retail industry (Gomez *et al.*, 2006; Lacey, 2009), the restaurant industry (Jang & Mattila, 2005), the hotel industry (Pimpao et.al, 2014; Xiong et.al, 2014; Hansen *et al.*, 2010), grocery outlets (Meyer-Waarden & Benavent, 2009), and book-shops (Wendlandt & Schrader, 2007) and others.

Banking in Africa

To gain and maintain wallet share of businesses and compete effectively, it has become imperative that banks put in place strategies that will help achieve sustenance and profitability. The loyalty program is one of the avenue by which banks have been seeking to retain their customers in order to improve their revenue.

The banking sector’s contribution to the economy of any nation cannot be undermined. Therefore the safety, survival and sustenance of the sector is important. Banks have the responsibility to make available varied products and services to customers. These products range from liability products (which include savings accounts and fixed deposits), risk asset products (loans, credit cards and contingent liabilities), alternate channels of transaction (which include but are not limited to mobile and internet banking platforms, automated teller machines, unstructured supplementary service data (USSD) etc. These services are available to business and individual customers of banks. A bank’s individual customer refers to a person who opens and operate an account in his individual capacity. Such type of accounts are maintained and operated upon only by the person who has opened the account. On the other hand, business customers are those who operate registered business and non-individual accounts such as sole-proprietorship account, partnership account, public limited companies account, trust account, etc. All commercial and retail banks globally offer similar generic products and services. The products range from checking account, savings account, fixed deposit accounts, loan products (including but not limited to overdrafts, working capital, mortgages, import loans, etc.). On the other hand, the services are tools for managing finances and building assets. They include financial advisory services, funds remittance overseas, pension plan, insurance services etc. Alternate channels for transactions such as use of online banking services are also categorized as services. As a result of these similarities in product and service offerings, the differentiating factor among banks lie in benefits gained by customers and their perception of their banks’ relationship with them.

Various researchers from different regions of the world have conducted research on the reason for customers’ choice, and loyalty to a particular bank and patronage for its products and services (Singh & Mangla, 2015; Chavan & Ahmad, 2013; Mandal & Bhattacharya, 2013; Bright & Petershie 2013). As a result of increased competition among banks, it has become imperative for increased customer engagement and fashioning out of strategies by banks to gain new customers while retaining the existing ones. According to Pansari & Kumar (2017), a consequence of this engagement is customer loyalty. This may be defined in terms of repeat purchase behaviour, an attitude to an organisation or its products (Kamran et al., 2017; Kumar et al., 2013).

Banks across the African continent have developed from manual banking systems in the 1980s to digital services today. They have spent the last decade investing in banking infrastructure including online banking and electronic transactions systems. Such use of digital infrastructures have not only allowed domestic banks to efficiently reach higher number of customers and compete with large foreign competitors, but also improved banks' margins by reducing operations cost.

According to a survey by PricewaterhouseCoopers (2016), technological developments are the real game-changer in Africa's banking industry. *'FinTech start-ups and large technology-driven entrants such as Apple, Amazon, Alibaba and Google, pushed by shifting customer behaviours, are bringing innovative products and services to a conservative industry'* (p.6).The survey projected that by 2020, banks must in addition to counting on brand loyalty, pay attention to the digital natives who will have at their disposal information, analytical tools and buying choices.

In addition, the introduction of non-banking services such as insurance, asset management and advisory services by banks to customers across Africa are developments that will shape the continent's banking future. However, these introductions are subject to the banking regulations in the countries where they are proposed or practiced. Also, in African banks, there is a growing evidence that suggest that private owned banks are better efficiently run than their public counterparts and banks can save 20%-30% of their total cost if they were operating efficiently (Chen, 2009). However, it is worthy of note that each country in Africa has its peculiarity. While some African countries have both privately owned and public owned banks providing services to customers, some others have regulations in place that allows only public ownership of banks in their countries (Figueira et al, 2006).

This development notwithstanding, intense competition exist among banks. For example in Ethiopia, *'customers perceive very little difference in the banking products offered by banks dealing in services as any new offering is quickly matched by competitors'* (Shanka, 2012, p2). In Ghana, while previously foreign affiliated banks such as Standard Chartered Bank and Barclays bank dominated the landscape, the entry of new banks have raised the bar of competition (Narteh, 2013). In a bid to gain market share and increase patronage and loyalty, loyalty programmes is one of the strategies employed by banks.

In general, some researchers have found positive effects of loyalty programmes through their studies. There are body of work that reveal positive effect of loyalty programmes on customer retention (Leenheer & Bijmolt, 2008; Bolton et. al, 2000) They posited that these programs strengthen customers' perception of the value proposition and cause them to discount their evaluation of the company vis-à-vis competitors in making a patronage decision.

1.4. THE NIGERIAN BANKING SECTOR CONTEXT

Dauda and Makinde (2014) stress the importance of the banking sector as an accelerator to economic growth. Yahaya et al, (2015) corroborate this by arguing that sound financial systems are essential for macro-economic stability, as demonstrated by the global financial crisis. It is also true that vibrant financial markets also play a critical role in channelling resources into productive investment and fostering economic growth. The performance of the economy has become *sine qua non* with global influence and competitive advantage. This aligns with Kalu and Mgbemena's (2015) argument that a well-developed banking sector contributes to economic growth by mobilizing savings and efficiently allocating them among the competing investment projects and other demands for funds.

The Nigeria banking sector has undergone remarkable changes since inception in 1892, when the African Banking Corporation (ABC) was set up to today's era of Consolidation. The aim of the various changes since inception was the need for a sound banking industry, globalization of operations, technological innovation and adoption of supervisory and prudential requirements that conform to international standards.(Emernini and Ugwoke, 2015; Umoren and Olokoyo, 2007)

1.5. EVOLUTION OF THE NIGERIAN BANKING SECTOR

Oluduro (2015) posited that the history of banking in Nigeria be divided into three phases which are 1892-1952, 1952-1985, and 1986-date. A brief description of each phase is given below.

1.5.1. Era of free banking (1892 – 1952)

According to Oluduro (2015), the history of banking in Nigeria dates back to 1892 when the African Banking Corporation (ABC), commenced the activities of banking in Lagos. Acording to him, The ABC was a South African based bank which came to Nigeria and took over business from the Elder Dempster Merchants, which hitherto had been carrying on quasi banking business before then. Closely on the heels of this is the British Bank of West Africa (BBWA), which started as a Trust Fund in 1893 by Sir Alfred Jones.

Adeyemi (2011), in agreement submitted that Nigeria's modern banking started in 1892 when South African founded the African Banking Corporation (ABC), now First Bank of Nigeria PLC with an office in Lagos. He further submitted that the free banking era ended when the Banking Ordinance of 1952 was promulgated.

The period 1892 - 1952, there was an enquiry by the then colonial administration to investigate banking practice in Nigeria. The G. D. Paton Report which emanated from the enquiry was the basis for the first Banking Ordinance of 1952. The ordinance was designed to ensure orderly commercial banking and to prevent the establishment of unviable banks (cited in Central bank of Nigeria's website).

According to Oluduro (2015), in 1948, the Paton's Commission of Enquiry was released, which revealed a number of factors for the high bank mortality, as between 1949 and 1952, well over ten banks sprang up, most of which were mushroom in nature, but which also did not survive for long. He submitted that among the reasons identified by the Commission were: inadequate capital base, lack of banking regulation and acceptable prudential guidelines, unskilled or poor management, illiquidity, inexperienced staffing, fraudulent directors/operators, reckless and rapid expansion of branch network, and inability to meet the demands of new government regulations.

Interestingly bank failures are not region specific. The adoption of free banking in the United States of America in 1837 where banks were not subject to any special regulation other than those applicable to all business enterprises resulted in bank failures with casualties mostly visible in cities such as New York, Indiana and Minnesota. This resulted in various measures being put in place by the American government and this set the pace on how the nineteenth century American economy monetized (Bodenhorn, 2008).

1.5.2 Era of consolidated growth (1952 – 1985)

According to Oluduro (2015), many banks were registered and started operations between 1952 and 1985. However, considering the failures experienced during the free banking era, laid down regulations such as the 1952 Banking Ordinance, and the Banking Amendment Act were enacted. The objective was to ensure orderly and regulated commercial banking. He stated that this period witnessed the establishment of specialised banks such as Development Banks and Merchant Banks. He further submitted that in 1970, there were a total of 14 commercial banks which rose to 29 in 1980.

1.5.3 Era of massive growth, recapitalization and prunning (1986 – Date)

The banking sector experienced massive growth post 1985. By the turn of 1991, the country had over one hundred and twenty-one commercial and merchant banks made up of sixty-six commercial and fifty-five merchant banks. Twenty new banks were licensed in 1991 alone, arising from the deregulation of the economy by the federal government, which brought an enhanced free-market enterprise and the liberalization of the banking licensing scheme (Oluduro, 2015).

By 2005, the number of banks in Nigeria reduced drastically. This was necessitated by the Central Bank of Nigeria’s desire to maintain healthy and stable banks in the country. According to Odeleye (2014), The Central Bank of Nigeria’s (CBN) reform to consolidate the banking sector through drastic increase to N25billion as minimum capital base of any bank led to a remarkable reduction in the number of banks from 89 to 24 in 2005.

1.6. STRUCTURE OF THE NIGERIAN BANKING SECTOR

The Nigerian financial system comprises the money market, the capital market, and the institutions and channels that facilitate the smooth intermediation of financial transactions in the economy. The financial services sector is made up of the banking system, other financial institutions, and the securities, insurance and pension sub-sectors.

The players in the banking system are

- Regulators (The Central Bank of Nigeria, Nigeria Deposit Insurance Corporation); Professional bodies; Industry players (Commercial Banks, Developmental finance, Merchant/ Islamic banks, Finance companies, Primary mortgages, Micro finance banks); Customers.

1.7. ISSUES AND CHALLENGES IN NIGERIAN THE BANKING SECTOR

As noticeable in business entities and sectors, the Nigerian banking sector has had its fair share of issues and challenges from inception till date.

Anyanwu (2010) argues that five distinct banking sector reforms are easily discernible in Nigeria. The first occurred during 1986 to 1993, when the banking industry was deregulated in order to allow for substantial private sector participation. Hitherto, the landscape was dominated by banks that emerged from the indigenization program of the 1970s, which left the Federal and state governments with majority stakes. The second was the re-regulation era of 1993-1998, following the deep financial distress. The third phase was initiated in 1999 with the return of liberalization and the adoption of the universal banking model. The fourth phase commenced in 2004 with banking sector consolidation as a major component and was meant to correct the structural and operational weaknesses that constrained the banks from efficiently playing the catalytic role of financial intermediation. Following from the exercise, the aggregate capital of the consolidated banks rose by 439.4 per cent between 2003 and 2009, while deposit level rose by 241.8 percent. However, this was not reflected in the flow of credit to the real economy, as the growth rate of credit fell during this period, while actual credit did not reflect the proportionate contribution of the sector to the GDP. The fifth phase, was triggered by the need to address the combined effects of the global financial and economic crises, as well as the banks' huge exposures to oil/gas and margin loans, which were largely non-performing; and corporate mis-governance and outright corruption, among operators in the system. (Cited in Anyanwu 2010)

According to Ernest (2012), the major problems identified with Nigerian banks in the pre consolidation period include

1. Weak corporate governance, evidenced by high turnover in the Board and management staff, inaccurate reporting and non-compliance with regulatory requirements, falling ethics and unprofessional discrediting of other banks in the industry
2. Late or non-publication of annual accounts that obviates the impact of market discipline in ensuring banking soundness
3. Gross insider abuses, resulting in huge nonperforming insider related credits
4. Insolvency, as evidenced by negative capital adequacy ratios and shareholders' funds that had been completely eroded by operating losses
5. Over dependency on public sector deposits, and neglect of small and medium class savers

Interestingly other scholars agree that these identified problems have continued to be at the heart of the problems plaguing the banking sector in Nigeria.

1.8. ISSUES FOR MANAGERS

The issues for managers stem from the issues and challenges in the sector. It is safe to submit that adequate attention should be given to this issue for a sustainable banking sector in Nigeria.

1.8.1. Effective risk management and corporate governance

It is imperative to adhere to strict risk management (operational, credit, interest rates, liquidity, foreign exchange risks) and corporate governance practices while penetrating new segments of market, especially riskier segments such as the mass market and Micro, Small and Medium Enterprises (MSMEs). Banks will also need to continually train their staff on leading risk management practices

1.8.2. Product and channel innovation

There is the need to continue to improve on products offering in addition to taking advantage of innovative technologies (mobile and internet banking, agency banking etc) to drive market penetration in order to stay ahead of competition.

1.8.3. Superior customer service

Banks that are able to address the most pressing needs of their customers are far more likely to succeed in this competitive and highly regulated sector. The top three factors most likely to encourage the unbanked to open an account include being employed/having regular income, convenience and proximity of the bank to home/work, and understanding the benefits of being banked. The last two factors are strongly within the banks' influence.

1.9. THE RESEARCHER

The researcher has worked within the banking sector for close to two decades first as a customer service executive and later as a sales executive. In the past ten years, he has moved into the role of products developments and management and in recent times he has been involved with developing products and giving strategic direction to small and medium businesses in the organisation I work. The competitiveness of the sector has been responsible for banks' continuously seeking ways to gain increased wallet share. In recent times, the researcher has been involved with planning loyalty programmes, which are commonplace in the banking sector. He was therefore drawn to seek deeper insight and proven research knowledge into the effectiveness of loyalty programmes. Suffice to say, his career influenced his research topic as well as his philosophical stance, which was interpretivist in nature.

The goal for exploring the interpretivist paradigm is to 'know' and 'understand'. In order words, the intent is to understand what drives decision making of customers to patronize banks and their products based on available loyalty programmes. Secondly is to understand what will drive continuity of patronage. This enquiry is evidenced in the research questions. Cohen, Manion, and Morrison (2007) stated that the role of the scientist in the interpretivist paradigm is to, "understand, explain, and demystify social reality through the eyes of different participants.

1.10. FOCUS BANKS

In this study, attention will be given to indigenous banks that offer generic services to customers. Excluded are banks that offer non-interest banking products and services and foreign banks with offices in Nigeria. This decision was taken based on information that banks that offer non interest banking in Nigeria are adverse to profit and reward based programmes. Also, foreign banks with offices in Nigeria are excluded because of the peculiar nature of their practice, which is determined by their parent home headquarters. This development is responsible for their insignificant use of loyalty programmes. The indigenous banks that participated in the study are those who positively responded to our request to conduct the study with their customers and bank executives.

1.11. STRUCTURE OF THE THESIS

This thesis consists of six chapters with supporting materials in a series of appendices. Having provided the introduction in this chapter with the topic, aim and objectives clearly identified the thesis then follows the following structure:

Chapter 1 provides an introduction to the thesis topic, overview of the banking sector and the researcher’s own interest in the area.

Chapter 2 reviews various literatures on the components of loyalty, satisfaction, customer relationship management, retention and customer loyalty programmes. It also summarises some previous work done in the area of interest.

Chapter 3: Considers the research methodology, the research design, data collection as well as ethical considerations. Careful thought and consideration was given to the ontological, epistemological and axiological positions adopted by me. The researcher adopted the exploratory interpreitivism approach where the quantitative data collected informed the qualitative data collection by way of semi-structured interviews. The ethical issues for this study were identified and addressed. Additionally, the pilot study and the data analysis technique are described.

Chapter 4: Presents the findings from the data collection and considers the emerging themes from the data analysis. From the findings, a conceptual model was developed and is presented

Chapter 5: Discusses the key findings in relation to the main literatures and presents a conceptual model.

Chapter 6: Considers the extent to which the aim and objectives have been achieved, considers the limitations of this project and makes recommendations for both future study and practice.

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter presents the review of related literatures on customer loyalty programmes and retention. This is done at the conceptual, theoretical and empirical levels. It also summarises the reviewed literature and presents the gap in knowledge.

Customer loyalty is a key ingredient needed for the sustenance and survival of enterprises. Organisations must therefore seek continually for ways to retain its customers (Prentice & Correia 2017; Picon-Berjoyo et al 2016; Cossío-Silva, Revilla-Camacho & Palacios-Florencio, 2016). Similar to the growing use of loyalty programmes by various industries the world over, as discussed in Chapter 1, the banking sector also now increasingly use this strategy. In Nigeria, there has been an increase in the employment of loyalty programmes aimed towards customer satisfaction and retention. There is the need to also explore its effect.

2.1.1 Chapter Objectives

The chapter examines the existing empirical literatures on loyalty programmes and draws from Social Exchange Theory (SET) and Expectancy Disconfirmation Theory (EDT). It also provides justification for the use of Social Exchange Theory as the theoretical underpinning for the study. Consideration is also given to the major components of loyalty programmes with reference to these theories. In addition to this, the concepts of customer loyalty, satisfaction and retention, dimensions of loyalty, loyalty programmes, types and benefits of loyalty programmes and the relationships between loyalty programmes, satisfaction, retention and loyalty are also considered.

2.1.2. Chapter Structure

The rest of the sections of this chapter are structured as follows: In section 2.2, the researcher explores the Social Exchange Theory and its application. In section 2.3, the other theories are considered. In Sections 2.4, 2.5 and 2.6, literature on the concept of customer loyalty, the factors influencing customer loyalty and the dimensions of customer loyalty are reviewed. In sections 2.7, 2.8, 2.9 and 2.10, loyalty programmes, rewards and perceived benefits, benefits of loyalty programmes and types of loyalty programmes are discussed. In section 2.11, the concept of customer satisfaction is reviewed. In section 2.12, the concept of customer retention is looked at. Section 2.13 explores the relationship between customer loyalty programme, customer satisfaction, customer retention and loyalty. Section 2.14 examines empirical evidences on the effect of loyalty programmes. Finally, section 2.15 gives a summary of the reviewed literatures. The outline of the chapter is diagrammatically depicted below.

2.2. SOCIAL EXCHANGE THEORY

Social Exchange Theory (SET) is one of the most prominent theoretical perspectives in management, sociology and social psychology (Levine et.al, 2010; Osborne, 2012; Cropanzano & Mitchelle, 2005). It proposes that social behaviour is the result of an exchange process aimed at maximising benefits and minimising costs. Many scholars (Blau, 1964; Homans, 1958; Thibaut & Kelley, 1959, Emerson, 1976) have been involved in the development of SET, each emphasizing concepts that best fit their application. SET draws from a variety of theories. Better put, it serves as a frame of reference on which other theories (micro/macro) speak to one another either in argument of mutual support. As a result, it has found its application in many types of social situation ranging from organizational management to behavioural economics, consumer buying decisions, politics, marriage, etc. Homans' (1950, 1958, 1961) original proposition focussed on interaction as an exchange, which follows certain basic economic principles that revolve around rewards and costs. Some of these principles are:

1. Social behaviour is explained in terms of costs, rewards, and exchanges;
2. People seek to maximize rewards and minimize costs in order to make profit;
3. Social interaction involves two parties, each exchanging a reward needed by the other party. In the event that the interaction does not provide a

reward or when it does, the reward does not match (equity) or exceed cost (profit), one is likely to end it.

With regards to cost and benefit, Blau (1964) argues that social exchange involves unspecified obligations where one party trusts another and that interpersonal interactions are determined from a cost–benefit perspective. He further elaborates that humans expect reciprocal benefits, such as personal affection, trust, gratitude, and economic return, in the process of an exchange. He argues that in general, the parties are concerned with getting from the relationship something that is of greater value to them than the cost they incur. Blau (1964) notes however that social exchanges differ from economic exchanges in that it is not spelt out but left to the discretion of the participant. Thibaut & Kelley (1959) studied the psychology underlying behaviour in small groups, ranging from group formation, control, deciding group rules, goal achievement etc. They focussed on interpersonal relationships and dyads and examined the impact of costs and rewards. They developed matrices that reflected various decision outcomes. Examples of such matrices are:

- A choice leading to both parties getting a moderate reward with little cost.
- A choice leading the decision maker receiving a significant reward and the other party incurring significant costs.

The body of their research served as a foundation for later scholars interested in how people weigh costs and rewards when making decisions. Emerson (1976) supports this work by pointing out that individuals exchange resources based on their perception of the benefits accruable during the process of exchange.

Social Exchange Theory holds that interdependence is necessary and must be mutual for parties involved to benefit. Dependence (based on another’s effort) and independence (based on one’s solo effort) decreases satisfaction. However, where exchange is strong, it increases satisfaction (Witt & Broach, 1993).

The components of the Social Exchange Theory are

1. Trust
2. Reward and value of reward
3. Cost

4. Equity and distributive justice

Trust

Trust has become a central construct in SET (Dwyer, Schurr & Oh, 1987). It is often the most valuable asset any business cherishes (Blau, 1964). It is also the foundation on which businesses are built (Zucker, 1986). From a socio-political perspective, SET suggests that exchange parties evaluate relationships in a behavioural context. Exchange partners look beyond short-run inequities or risks and concentrate on long-run mutual gains (Blau, 1964). Trust is a key variable in long-term relationships (Matzler, Grabner-KrAeuter, & Bidmon, 2008). It is the feeling of security that a customer has due to interaction with an organisation and this is based on perceptions that the brand is reliable and responsible for the interest of its customers (Huang, 2017; Kabiraj & Shanmugan, 2010). Trust in relationship and exchange stimulates cooperation (Song, 2008; Morgan & Hunt, 1994) and promotes goodwill that helps preserve the relationship (Cesarini et al., 2008) and decreases fear and greed (Hwang & Bergers, 1997; Kumar, 1996). It stimulates satisfaction [Anderson & Narus, 1990) and commitment (Morgan & Hunt, 1994). According to SET, current behaviours and social cues can help customers build trust in future rewards by showing one's trustworthiness and commitment to the social exchange (Dwyer, Schurr & Oh, 1987; Doney & Canon, 1997).

Zucker (1986) suggests three types of trust production mechanisms. These are characteristic-based, process-based, and institutional-based trust. *Character-based trust* is specific to the person or group, focusing on defining characteristics such as ethnicity or family background. Characteristic-based trust focuses on individual commonalties and may be relatively general (e.g., sex, ethnicity, and nationality) or specific (e.g., kinship and clan membership). In this mechanism, similarity of kinship and gender indicates similar cultural values, which then serves as a platform for creating trust. *Process-based trust* refers to the type of trust produced from past exchange or expected future exchange. Examples would include repeated purchases or gift exchange. Unlike characteristic-based trust, process-based trust builds on reputation, gift giving, and brand names. A key factor in this type of trust is satisfaction with previous interactions and buying experience (Ganesan, 1994). *Institution-based trust* is tied to formal societal structures. This type of trust depends either on firm specific attributes (e.g., certification as an accountant) or on an intermediary mechanism.

In order to ensure a continuous relational exchange, and drawing from the Commitment-Trust Theory (Morgan & Hunt, 1994), trust and commitment are important in social exchanges. They do this by developing a cooperative environment between parties involved in a relationship. This cooperation is a tool to resisting short-term alternatives. In the body of their work on online knowledge sharing, Hsu, Liu and Lee (2010) state that satisfied individuals continue participation after their experience (trustworthiness, fairness) with other participants. When they sense opportunism on the part of one party, their reluctance to continue grows (Yen, 2009).

In the bank-customer relationship, trust plays a significant role. This is so because one party may receive its portion of value earlier than the other. It becomes necessary for the other party to trust the relationship and wait for its own future reward (Loureiro et al., 2014; Palmatier et al., 2006). A typical example is the point-based loyalty programmes as practiced by banks in Nigeria. In this instance, customers accumulate ‘points’ from patronising their banks and increasing this patronage based on the terms and conditions of the programme. The accumulated points are usually redeemable on a future date based on the agreed terms. The customers therefore must trust their bank and wait for this future reciprocation while the bank enjoys the present patronage. In the same vein, the bank may also have to wait for a future value to be credited to it while the customer enjoys its own value in the present. A typical example is interest bonuses paid by banks to customers in anticipation of increased patronage from them.

In both instances, one party in the relationship has to exhibit trust for the exchange to be successful.

Rewards and Value of a Reward.

Reward is also a central construct of SET. Homans (1958) drew upon economics in developing his theory. He concluded that rewards may have a different value from one participant to another and are not static but may vary from time to time.

Homans (1961) writes:

> *"A man emits a unit of activity, however that unit be defined, and this unit is either reinforced or punished by one or more units of activity he receives from another man or by something he receives from the non-human environment (p. 39)."*

People have a tendency to act in ways that increase positively valued resources and decrease negatively valued resources (Mitchell, Cropanzano, & Quisenberry, 2012). This is in agreement with the theory of planned behaviour (Ajzen, 1991). The theory argues that one's intention to engage in specific behaviours is driven by three elements namely the attitude toward the behaviour, subjective norm (which is *"the perceived social pressure to perform or not to perform the behavior"* in question (Ajzen, 1991, p. 188), and perceived behavioural control. In summary, individuals consider rewards accruable from an exchange. However, they also consider the value that this reward provides for them in comparison with the cost expended to get the reward.

In relation to banks, these benefits could include the revenue from new acquisitions and the cash volume growth from customers, the new acquisition from customer referrals as well as the increase in top-of-mind awareness by prospective customers as a result of customer effort.

On the part of bank customers, the benefits include the rewards from participation in loyalty programmes and the satisfaction derivable from this participation and indeed patronage of the particular bank in question. In essence, customer loyalty is only guaranteed wherever their interest is protected or where they achieve satisfaction.

Costs

Cost is a value that is given up in exchange for a service or product (Homans, 1961). Costs, like rewards, vary in their value. Blau (1964) applied this in human relationships by observing that individuals forfeit the opportunity of one relationship by spending time with another. According to SET, the cost expended on one relationship has bearing on the reward hence profit. The greater the reward, the lesser the cost and higher the profit. In same vein, the higher the value of cost, the lesser the reward and invariably loss. This equation holds for economic activities.

On the bank's part, the costs include but are not limited to the service cost of acquiring and maintaining customers' account in its data base, the cost of advertisements and promotions, the cost of sales and marketing as well as the cost of running a loyalty programme. When these costs are placed side by side with the benefits derivable from the relationship with the customer and running a loyalty programme, there should exist an equilibrium.

On the part of the customer, a consideration also becomes necessary to look at the cost and benefits accruable. The cost of patronage varies from switching cost, the cost of risk (this involves the risks associated with patronising a particular bank), the cost of bias (this implies commitment to a particular bank in spite of other offers available) and also the cost of participating in a loyalty programme which speaks to benefits accruable from competition's alternative offerings. When these costs are placed side-by-side with the benefits accruable from participation in a loyalty programme, an equilibrium must result for continued patronage.

Below is a simple illustration of the SET concept using the Bank-Customer relationship.

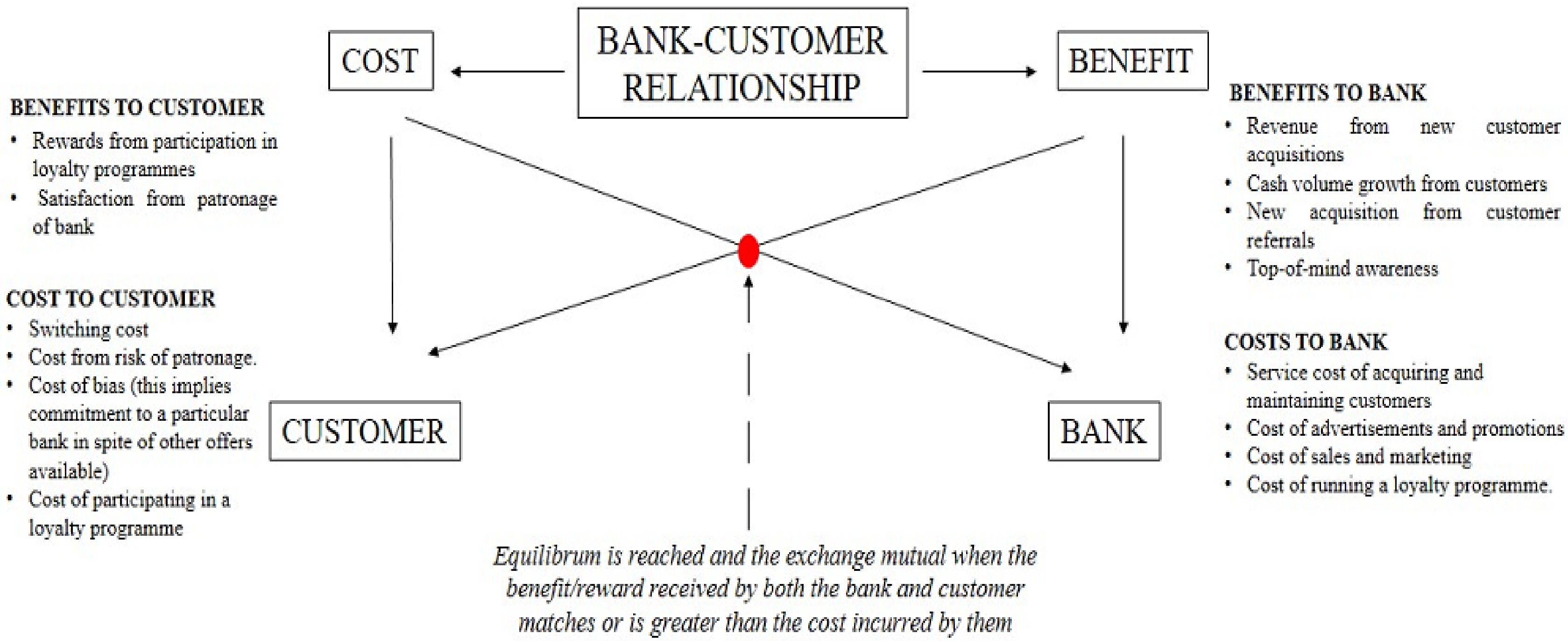


Figure 2.1 A simple illustration of the SET concept using the Bank-Customer relationship

Equity and Distributive Justice

Another central construct of SET is equity and distributive justice. In economic activity, these are concerned with the degree of proportionality between cost and reward. There is an expectation that an increase in cost should result in an increase in reward (Adams, 1963). Guerrero, La Valley, & Farinelli (2008) find that inequity negatively affects satisfaction. A relevant theory with similar propositions is the Equity Theory, which focuses on determining the fairness of resource distribution between partners and measured by comparing the ratio of costs and rewards for them (Adams, 1965). Applying this to marketing, inequalities in relationships results in dissatisfaction, which may result in loss of patronage.

In the field of business, SET at various times serves as a theoretical foundation for the explanation of various business situations. It has significant contribution in relationship marketing. This is so because relationship marketing involves an exchange and emphasise customer retention and satisfaction (Berry, 2002). Also, the investment model is expounded by the SET. This model is significant and applicable to relationship stabilisation. It argues that the greater the non-transferable investments someone has in relationship, the less likelihood of disintegration of the relationship (Rusbult, 1983). The application of the investment model can be traceable to relationship marketing.

Expectancy disconfirmation theory (EDT), discussed below, is also validated by SET. According to a study conducted by Lambe, Wittmann, & Spekman (2001) organisations evaluate economic and social outcomes from their interaction and transaction with another and compares them with their initial expectation to arrive at a decision. EDT looks at post-purchase or post-adoption satisfaction as a function of expectations, perceived performance and disconfirmation of beliefs (Oliver, 1980). Customer's satisfaction is measured via his/her expectation pre engagement with an organisation (e.g., banks) with actual performance. If the perceived performance is higher than the actual performance, dissatisfaction results, otherwise it leads to satisfaction.

When bank customers engage in loyalty programmes and become dissatisfied, this may lead to them discontinuing the programme. Customers may or may not seek for services elsewhere when dissatisfied. A reason for continued patronage is the high barrier to exit (Verhoef, 2003). However, it is imperative that banks pay attention to customers' needs when setting up a loyalty programme. Pizam (2015) noted that organisations should be objective when setting up their customer loyalty programmes by ensuring they develop efficient and workable frameworks.

Critique of Social Exchange Theory

Despite the continued and widespread use of SET in a variety of fields, multiple authors have highlighted the limits of the theory and its use. Cropanzano, et al (2017) suggest that scholars who apply SET are able to explain many social phenomena after an event but are limited in being predictive before an event especially with regards to behaviour i.e., theoretical imprecise behavioural predictions. However, the aim of this research is not behavioural prediction but an exploration of the role of loyalty programmes at retaining individual customers of banks. Duck and Ants (1983) argue that the theory focuses on the individual perspective and gives no consideration for the social parts of a relationship, such as interest in shared values, events and communication. Similarly, Moghaddam (1998) suggests that economic theories are only reliable and logically applied to Western, individualistic cultures where the welfare of an individual is paramount as opposed to cultures that are collectivist in nature which are culturally biased.

Mitchell (1978) argues that SET ignores pre-existing properties of macro phenomena relative to individual units and their actions in the quality of utilitarian rationalities by concluding that individuals are motivated by rewards and cost alone.

Justification for the use of Social Exchange Theory

SET is an important theory that has been applied in many types of social situation ranging from organizational management to behavioural economics, consumer buying decisions, politics, marriage, etc. Many authors have applied the theory across various fields such as health management (Lin et al, 2019), travels (Matikiti et al, 2016), organisations' intellectual competence (Soma & Reynolds, 2015, Yin, 2018), online shopping habits (Chou & Hsu, 2016) etc.

As outlined in the next section, there are other theories that could possibly have been used to investigate the role of loyalty programmes in customer retention within Nigerian banks.

However, SET is best suited for this study for a number of reasons explored below.

First, SET is apt for this study because of the predominance of its economic and behavioural models that are often combined (Cook 2000). In essence, SET uses both economic and behavioural theories and by so doing, these add validity and credibility to each other. At its core, SET uses basic, well established behavioural assumptions of psychology and utility theory in economics regarding utility maximization, rationality, satisfaction and deprivation (Baron and Hannan, 1994). In essence, the economic exchange focuses on transactions and extrinsic rewards, especially material gains which is spelt out as revenue or profit. In this instance, the cost of setting up a loyalty programme and the benefit gained by the bank describes its economic reward. The same is applicable to the bank customer who gives up costs such as switching cost, cost of participation in the programme through patronage to gain a benefit which may be in form of points earned (and redeemable on a future date), gifts, status loyalty cards, bonuses etc.. In this bank-customer relationship, both parties seek to gain economic values that are higher than the economic cost they incur. The economic exchange suggests that both parties are at liberty to consider the value of rewards and associated cost from loyalty programmes and make decisions on continuing or terminating the programme or relationship. The value of rewards and costs in this relationship are dependent on the needs of both parties. The customer has its own economic needs and motives, including cost minimization, the ease of doing business and the availability of banking platforms to transact through, the accessibility to customer service department in banks for swift resolution of issues and requests, profit maximization etc. The bank's needs are summed up in profit maximization. On the other hand, the behavioural assumptions are intrinsic and based on trust and commitment of both parties. While trust presupposes that both the bank and its customers are confident that their relationship will not result in one party (the bank or its customers) gaining undue advantage over the other, commitment presuppose that both are willing to pursue and maintain a valued partnership. The behavoural paradigm is created by reciprocal benefits while the economic assumption rely on formal relationship, rewards and legal regulations.

The bank and its customers in this exchange seek fairness (distributive justice) in having their needs met. This theory submits there must exist interdependence between both parties for an effective exchange to take place. This suggests that either party cannot be reliant or dependent on the other party without reciprocation on the part of the other. For example, if the bank is dependent on its customer for its reward (profit), the process on how loyalty programmes is designed by the bank will be influenced by the customer's expectation with little consideration for the bank, thereby giving the customer an edge. In the same vein, dependence on the bank by its customers may lead to inequity. When this occurs, the exchange may become short lived and the programme abandoned.

Although Expectancy Disconfirmation Theory and Cognitive Dissonance Theory (below) were also considered, they both consider post-purchase satisfaction as a function of expectation. Their emphasis is on behavioural paradigms such as decision making and rational choice.

To summarise, there are a number of reasons that make the Social Exchange Theory suitable for this study on loyalty programmes. These are:

1. SET is appropriate because it focuses on an ongoing relationship and the costs/rewards associated – the bank-customer relationship is also ongoing and costs/rewards are a particular factor of loyalty programmes and the bank-customer relationship.
2. SET is appropriate because it focuses on both the economic and behavioural aspects of a relationship – the bank-customer relationship has at its core economic incentives but psychological/behavioural aspects are also implicated;
3. SET argues the value of trust in an ongoing relationship. This is especially true for a bank-customer relationship because of the trust involved in giving someone a precious asset (money) to store for them.
4. SET is also appropriate because of its focus on interdependence between the bank and its customers. This interdependence suggests that there is reciprocation between both parties with neither taking undue economic advantage on the other. The bank making good its promise of redemption of reward and the customer's continued patronage to the bank.

5. SET is appropriate because its components of trust and commitment are basic underpinnings of relationship marketing which is targeted at engendering customer loyalty and long term engagement.
6. SET is appropriate for the study because it suggests reinforcement on the part of both the bank and its customers. This is so because customers' receipt of promise (reward) engenders satisfaction and reinforces trust in the bank and its offerings. The bank on the other hand may be encouraged to sustain the programme through continuity. In addition to this, SET is appropriate because of the two-way relationship that exists in the study (the bank and customers), which must be mutually beneficial for a successful programme to be achieved. While other theories considered (Expectancy disconfirmation theory and cognitive dissonance theory) considers the recipient or customer alone in the relationship, SET gives consideration to both parties in the exchange.

2.3. CONSIDERATION OF OTHER THEORIES

Prior to adoption of the Social Exchange theory, other theories were considered. These are Expectancy Disconfirmation Theory (EDT) and Cognitive Dissonance Theory (CDT).

Expectancy Disconfirmation Theory (EDT) as a model looks at post purchase or post-adoption satisfaction as a function of expectations, perceived performance and disconfirmation of beliefs (Oliver, 1980). It lays emphasis on behavioural paradigms such as decision-making and rational choice.

The theory seeks to explain post-purchase or post-adoption satisfaction as a function of expectations, perceived performance and disconfirmation of beliefs. This theory has four components

1. Expectations
2. Perceived performance
3. Disconfirmation of beliefs
4. Satisfaction.

Expectations

This characteristic depicts that a person or in this research's case, a customer has an anticipation about a product or service. This expectation is prior to the usage of the product and or service. According to Minnema, Bijolt & Gensler (2016), customers' decisions to purchase and return a product are based on their level of expectations about the product's performance and the uncertainty surrounding these expectations. It is therefore important for service providers to consider the determinants of expectations in order to fulfil customer satisfaction (Hsieh, Yuan & Liu, 2014)

Perceived performance

Perceived performance refers to a person's perceptions of the actual performance of a product, service, or technology. According to expectation confirmation theory, perceptions of performance are directly influenced by pre-purchase or pre-adoption expectations, and in turn directly influence disconfirmation of beliefs and post-purchase or post-adoption satisfaction.

Disconfirmation of beliefs

Disconfirmation of beliefs is a person's evaluation after using a product or service. When expectation is less than the experience from products or services, disconfirmation is said to be positive. Oliver (1980) argues that when this happens, satisfaction is increased. In the same vein, if the experience from usage of products or services is below customer's expectation, the disconfirmation is negative. This results in increase in post purchase dissatisfaction.

Satisfaction

Post-purchase or post-adoption *satisfaction* refers to the extent to which a person is content with a product or service after usage.

Cognitive Dissonance Theory (CDT) is as action-opinion theory that proposes that actions can influence subsequent beliefs and attitudes (Festinger, 1957). The theory suggests counter-intuition considering the fact that actions are meant to be the result of beliefs or attitudes, not the cause of them as in the case of CDT. However, cognitive dissonance addresses the pervasive human tendency to rationalize (Brehm, 2007). Although early work done on the theory was in the field of social psychology, it has also been found useful in management research (Festinger & Carlsmith, 1959). Its application has in some way been used to understand important workplace issues related to organizational behaviour (Bhave & Glomb, 2016), human resource management (Shipp, Furst-Holloway, Harris, & Rosen, 2014), strategy (Westphal & Bednar, 2008) and entrepreneurship (Ambos & Birkinshaw, 2010).

The theory is based on three fundamental assumptions. These are;

1. Humans are sensitive to inconsistencies between actions and beliefs.
2. Recognition of this inconsistency will cause dissonance that motivates an individual to resolve the dissonance.
3. The greater the dissonance, the more an individual is motivated to resolve it

While this theory may suggest eliminating dissonance or disharmony after a customer uses a product or service or in this case participate in a bank loyalty programme, it presupposes that action (participation in loyalty programme) is established first before evaluation with harmony or disagreement with our beliefs, attitudes etc.

The limitation of CDT lies in its inability to allow exploration of different variations of interactions between context and cognition and places action ahead of reasoning. In relation to customer loyalty programme, this may be challenging as the exchange between the bank and its customer may tilt favourably to either side. Although, recent studies have sought for ways of overcoming this limitation by combining CDT with other contextually specific theories such as the Study of Fit (Hinojosa, Walker & Payne, 2015; Dineen et al, 2002) and Leader-Member Exchange Theory (Bernerth, Walker & Haris, 2016), the researcher does not consider this theory fit for the bank-customer relationship as it pertains to loyalty programmes.

Applications of Social Exchange Theory

Various studies have been carried out using the Social Exchange Theory as their foundation. Lin et al (2019) applied SET in their study of the effect of behavioural intention in people undertaking health examinations. Matikiti et al (2016) applied SET in customers using social networking sites for travel arrangements. Oparaoche (2016) applied SET in geographically dispersed organisations. Soma & Reynolds (2015) applied SET in their work on intellectual competence in organisations. Some researchers also explored the theory in their study on how trust influence knowledge sharing in organisations (Wang et al, 2015; Park et al, 2015). Chou & Hsu (2016) used the theory to examine the online shopping habits of consumer while Yin (2018) applied the theory in job engagement and rewards. Social Exchange theory has also been used as underpinnings in the studies of loyalty programmes (Esmark et al, 2016; Lacey & Sneath, 2006)

2.4. THE CONCEPT OF CUSTOMER LOYALTY.

Customer's loyalty is an intangible asset needed by organisations to succeed companies (Jiang and Zhang, 2016). According to Chen & Hu (2010), customer loyalty is significant because it is a building block towards revenue generation of business entities and its ability to remain in operation. Casidy and Wymer (2016) define customer loyalty as "one's feelings of devoted attachment to the loyalty object, rather than repeated commercial transactions" (p.196). By their definition, devotion supersedes commercial gain. They submitted that loyalty is not complete without devotion irrespective of financial gain. Kandampully et al., (2015) suggested that there are two types of customers' loyalty – active loyalty and passive loyalty. These classifications take into account both attitudinal and behavioural dimensions of loyalty (Bowen and McCain, 2015). It is safe to say loyalty is a driver of the increases or decreases in a firm's market share (Ehrenberg, Goodhardt and Barwise, 1990) or increases in the degree of insensitivity customers have towards competing offers (Sharp and Sharp, 1997)

Various researchers and scholars have lent credence to the study of customer loyalty. While their perception varies, there is a general consensus of its components. Researchers have studied the impacts of several factors on customer's loyalty such as brands (Nisar and Whitehead, 2016), positive emotions (Bilgihan et al., 2016), experiential satisfaction (Wu and Ai, 2016), emotional commitment (Heo and Lee, 2016), customer commitment (Thaichon and Jebarajakirthy, 2016), customer engagement (Thakur, 2016), and experiential quality (Wu and Ai, 2016).

There are a large number of definitions of customer loyalty, highlighting different aspects and nuances of the concept. Neal (1999) argues that loyalty may be defined as the frequency at which a customer chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category, under the condition that other acceptable products or services are conveniently available in that category. Dick and Basu (1994) developed an approach that viewed customer loyalty as the strength of the relationship between an individual's relative attitude and repeat patronage. This definition described customer loyalty as a psychological action, indicated by his/ her attitude. In a similar vein, Oliver (1997) describes loyalty as a deep commitment held by a customer to rebuy their favourite product or service in the future, in spite of situational influences and marketing efforts that can modify the experience. This detailed description of what customer loyalty is shows the willingness of customers to play a vital role in the chain of events considering that they are willing to maintain their relations with a particular firm or service or product.

This in in addition to customers' commitment to continue dealing with a particular firm, buying their products and services and referring the firm to others (Kim & Yoon, 2003; Mcllroy & Barnett, (2000). Similarly, Rauyruen & Miller (2007) explain customer loyalty as a merged concept of behavioral loyalty and attitudinal loyalty. The customers that exhibit behavioural loyalty buy from the same place regularly while the ones that exhibit attitudinal loyalty not only buy from the same place but also advocate for the brand and are ambassadors who propagate the product(s). By implication, they argue that in reality, consumers usually exhibit both the behavioural and attitudinal stance, i.e. the willingness of a customer to continually use a product or service and advocate it to others. Zeithaml, Berry & Parasuramann (1996) regard customer loyalty as customers' affinity towards an organisation and the customers' predictability and intentions to do business with a firm.

Oliver (1999) argue that loyalty is the customer's overall behaviour regarding a product, service or any other aspect of the organization in which customers are involved. According to him, customer loyalty is *"a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour"* (p.34). Molina & Suara (2008) suggest that customer loyalty is defined first as an attitude that involves relationships with the brand and secondly, exposes behaviours though repeated purchase in term of a positive attitude.

Based on these varied yet similar definitions, one can argue that customer loyalty is not just built on customers' needs being met and satisfied. There are also financial, interpersonal and emotional elements that play a big role in customers' decision to maintain patronage or switch to a competitor. It may also be safe to argue that when barriers to switching are high, customers may be unwilling to go through the rigours of moving elsewhere. Also, in the event that the barriers to switching are low, there may be the tendency to patronize competition offering similar services (and products) in order to maximize benefits derivable from service/ products.

It may be safe to state that the financial, interpersonal and emotion components associated with customer loyalty (the latter two being intangible) may account for its lack of standardization. This is because it is based on trust, which comes by building and maintaining a positive customer relationship. Loyalty could be described as the biased response that is bound by period measured by decision taking to purchase a particular product or service against similar ones. Hence, it is both a significantly psychological decision and evaluative processes that result in the commitment to a firm and it is a positive relationship between attitude and loyalty in retailing. Consequently, Bolton, Kannan & Bramlett (2000) suggest that in determining the long-term efficacy of a loyalty rewards programmes, a company must quantify its influence on future purchase such as usage levels. This usage level in part explains customer loyalty programmes as a focal point for numerous business organizations' profit and sustainability (Vesel & Zabkar, 2009; Gerpott, Rams & Schindler, 2001). Kim & Yoon (2004) and Auh & Johnson (2005) assert that customer loyalty can be measured by the intention of repurchase, recommending the product/services to others and patience towards price change.

This review of various articles suggests that there are four primary factors in developing and enhancing customer loyalty. These are satisfaction (Casidy & Wymer, 2016; Jiang & Zhang, 2016; Kim et al., 2016) perceived quality (Ansari & Riasi, 2016), perceived value (e.g. Ansari & Riasi, 2016; Campón-Cerro et al., 2016; Han et al., 2017), and trust (Castaldo et al., 2016; Heo & Lee, 2016). These factors will be discussed in the analysis of the collected data in Chapter Four.

2.4.1. Factors influencing Customers' Loyalty

According to Musalem & Joshi (2009), customers are the live wire of businesses, may be expensive to acquire, and keeping them loyal therefore provides the advantage of amortizing their acquisition cost. Some attributes of a loyal customer may include but not limited to the following:

- Likelihood to recommend company products and services to others.
- Likelihood to continue purchasing the company products and services, at minimum, at the same level.
- Likelihood of purchasing other products and services the company offer.
- Believing company products and services are superior to competitors.
- Not actively seeking alternative service providers.
- Providing the company with opportunities to correct problems and not using these as a basis for compromising the relationship.

Customer satisfaction, trust and commitment play important roles in loyalty.

Satisfaction is viewed as a customer's perception of a reward acquired from a purchase (Zhou, Kautonen, & Wei, 2015; Wang & Juan, 2016). Barrett et al. (2015) and Lusch & Nambisan (2015) view customer satisfaction in terms of evaluating profit earned as well as cost incurred or effort expended in a transaction. Kunttu & Torkkeli (2015) suggest an explanation for it from an emotional point of view maintaining that it is the emotional reaction to an object. Ebrahimi et al. (2016) point out that customer satisfaction relates to the total attitudes of a customer after purchasing a product or using a service, which includes consistency between post-purchase satisfaction and pre-purchase expectations.

Roberts-Lombard (2009) defines customer satisfaction as the degree to which a business's product or service performance matches up to the expectation of the customer. If the performance matches or exceeds the expectations, then the customer is satisfied, if performance is below then the customer is dissatisfied. Customer satisfaction is influenced by expectations, perceived service and perceived quality (Hu, Kandampully & Juwaheer 2009). Expectations influence total satisfaction when the customer evaluates a product or service. Satisfaction is a customer's emotional response when evaluating the discrepancy between expectations regarding the service and the perception of actual performance. This perception of performance is gained through the physical interaction with the business and the product and services of the business (Salami 2005). Perceived quality is measured through recent service experiences that consist of two components, namely perceived product quality and perceived service quality. There is a direct link between perceived quality and total satisfaction (Balaji 2009). The customer first forms expectations based on needs, values, past experiences and extrinsic cues about the product.

The perceived quality is based on those first expectations, and the choice that the customer made is then evaluated to determine satisfaction (Grounaris, Tzempelikos & Chatzipanagiotou, 2007). Perceived value is the customer's overall assessment of the quality of a product based on the perception of what is received compared with customer satisfaction, trust and commitment as predictors of customer loyalty what is provided (Yu, Wu, Chiao & Tai 2005). High levels of service quality may lead to increased customer loyalty, higher profitability, increased market share and lower employee turnover. If a customer feels that he has a satisfying relationship with the business, he may perceive the business to have a high level of service (Rootman, 2006).

Trust

Thomas (2009) defines trust as an expectancy of positive outcomes, outcomes that one can receive based on the expected action of another party. A key aspect that is reflected in this definition of trust is credibility. This is so because a customer will desire a relationship if he/she perceives that benefits derivable from such a relationship is equal to or exceed efforts extended by him to obtain it (Chen & Xie, 2007). Trust helps to reduce uncertainty and makes the customer trust an organisation especially in a situation where they are exposed to vulnerability (Aydin & Ozer 2005).

Commitment

Rauyruen & Miller (2007) define commitment as a psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed. Relationships are built on the foundation of mutual commitment, and the commitment level has been found to be the strongest predictor of the voluntary decision to pursue a relationship. This is in addition to the submission that committed customers form positive impressions about a product or organisation regardless of favourable or unfavourable circumstance (Ibrahim & Najjar 2008; David-Sramek, et.al, 2008). Liang & Wang (2005) posited that commitment is a requisite for repeat purchase.

2.4.2. Dimensions of Customer Loyalty

Bobalca (2013) identifies three main approaches of customer loyalty. These are:

(a) Uni-dimensional approach;

(b) Bi-dimensional approach;

(c) Multi-dimensional approach.

Uni-dimensional approach.

This approach explains brand loyalty only in terms of repeated purchase with no reason given for this decision or action. Jacoby & Kyner (1973) defined loyalty as a repeated non-random acquisition of a brand from a set of alternative brands, as a result of a deliberate evaluation process (Cited in Bobalca, 2013, p.105). Bobalca (2013) explained that the limitation of this approach stems from the fact that the definition had no justification for consumers' acquisitions. He further suggested that prior to 1970, loyalty was not investigated as a construct but as a simple variable measuring the frequency of customer purchase.

Bi-dimensional approach.

Under this approach, loyalty is considered as a relationship between attitude and behaviour. In addition to this, consideration is given to different customer segments based on their level of patronage. Under this construct, marketing strategies for acquiring specific customers segments are designed (Baloglu,2002). Donio, Massari & Passiante (2006), assert that it is important to include customers' attitude in the definition of customer loyalty in order to make a distinction between the customers with attitudinal loyalty and the one who are not loyal at the attitudinal level so as to identify customers that are most vulnerable to change their behaviour. In addition to this, they posit that a simple behavioural definition does not explain the causes of this process. According to Thomas & Housden (2002), loyalty though measured by behaviour, in reality it is about attitude. Without a continuous relationship with the client and without a direct feedback, his needs, his attitudes, his intensions cannot be understood (cited in Bobalca, 2013, p.105). Too, Souchon & Thirkell (2001) describe loyalty as both psychological and behavioural process.

A. *The attitudinal perspective*

   Attitudinal loyalty which shows the mental state of the customer is investigated in terms of attitudes, preferences, commitment and intentions and is defined as a consumer's desire to continue his relationship with a company or its products. This is regardless of competitions' offerings and lower prices. It also shows customer's willingness to recommend same to others. Furthermore, the strength of attitudinal variable resides in its ability to predict customers' future behaviour. (Ramaseshan et.al, 2017; Walter et.al, 2017; Maity & Gupta, 2016). According to Torres-Moraga, Va´squez-Parraga & Zamora-Gonzalez (2008) attitudinal loyalty reflects cognitive, affective and conative predispositions of the individual to continue the relationship with a company or a brand. Babolca (2013) added that other variables such as trust and commitment to brand comes result from customer satisfaction. The intensity of a customer's trust in, commitment to and involvement with a brand is a key predictor of repeating the purchase. Donio, Massari & Passiante, (2006) are of the opinion that customer with attitudinal loyalty are less capable of spreading negative information about their preferred brand. To effectively measure attitudes, customers' feelings for a brand or company has to be measured. This is in addition to taking into cognizance the intentions for buying and recommending same to others. This invariably means that the starting point to understanding the loyalty phenomenon is the act of buying itself.

B. *The behavioural perspective*

The behavioural loyalty involves elements such as the frequency of calls, the level of cross selling buying and the length of the relationship. In order words, behavioural intentions are affected by repeated events of positive emotions toward a brand. (Hinson et.al, 2016). According to Filip & Anghel, (2009), the behavioural dimension of loyalty is often based on quantitative indices: the number of purchases from one company, the buying frequency, retention level, the amount spent for the products of one specific company, the client share, the number of clients who have chosen to buy from competition etc. However, Donio Massari & Passiante (2006) argue that loyalty should be defined based on the history of buying pattern and not motivations for buying or commitment to the brand. However, in situations where there are no competing products or available substitutes for a particular product, customers may be left with the option of purchasing the available products thereby giving a huge volume in patronage. In the body of work done by Shukla (2009) he identified a strong connection between contextual factors (family, friends, life style, self-esteem, the image of the product) and behavioural loyalty, measured by the decision of buying and switching the brand.

C. *Multi-dimensional approach.*

Over the years, loyalty approach has progressed from bi-dimensional view to multi-dimensional view: cognitive, affective, conative and behavioural loyalty. Jacoby & Chestnut (1978) suggested that, in order to analyse loyalty, the structure of the consumer's beliefs, affect and intentions must be examined (Cited in Odin et.al, 2001). Based on Vroom (1964) expectancy- value theory, the authors

> recommended including the three stages in the study of loyalty. They make a distinction between true brand loyalty, multi-brand loyalty, repeated purchase, false loyalty and casual purchase. The initial model of loyalty involves the following aspects: (a) information possessed by the consumer must highlight the advantage of one brand over another brand – cognitive dimension; (b) consumers must love the brand – affective dimension; (c) consumer must consider buying a specific brand and not another one – the intention.

In the same vein, Oliver (1997) suggests that different aspects of loyalty manifest not simultaneous but sequentially. Consumers become loyal first at a cognitive level, then affective and conative and this sequence must be considered for studying the causes of customers' defecting level. In the first stage, loyalty is based on available information for selecting the favourite offer, having as choosing criteria: costs, benefits and quality. The next level incorporates affective aspects. Attitudes are formed based on the cognitive elements. It is hard to influence loyalty because it is based not only by cognitive aspects (what the customer knows about the products, brands, company) but by affective factors (satisfaction, involvement, preferences, desires). The third stage involves conative loyalty (intention or the commitment to have certain behavior). Oliver considers that motivation or the desire to act manifest in this stage. According to Evanschitzky & Wunderlich, (2006), conative loyalty is more powerful than affective loyalty but it is still vulnerable and can be affected by repeated discontents about the company or the products. They suggest that the first three steps can be as a result the consumer's consent to act (to buy, to search the favourite offer).

Akerlund (2004), is of the view that the fourth stage is building behavioural loyalty, the concrete manifestation of loyalty as a result of former steps. Akerlund, (2004) concludes that the consumers develop a habit or a routine answer behavior and acts on his own (cited in Olkkonen & Tuominen, 2006). Sivadas & Baker-Prewitt (2000) in a phone survey found that cognitive loyalty is a good predictor of affective loyalty which in turn predicts conative loyalty. Lu & Lu, (2009) described customer loyalty as customers' adherence to certain brands in the service industry. According to them, the degree of customer loyalty to certain service companies varies with the services they accept, which is embodied as a series of different purchase attitudes or behaviours in market. Hence, Lu & Lu (2009) proposed that a categorisation of service industry into continuous and intermittent ones is necessary to understand the specific relationship between customers and service providers on the issue of customer loyalty. To them, continuous service refers to those services in which service providers maintain long-term relationship with their customers, such as banking, insurance and telecommunication industries. In contrast, intermittent service refers to those services in which service providers only maintain short-termed interaction with their customers, such as catering, hotel or hairdressing businesses. Due to these differences in the nature of service, in comparison with continuous service industry, intermittent service industry tends to have more difficulties in maintaining long term relationship with its customers.

Megatef & Tomalieh (2015) advocates the behaviour approach and contend that customer loyalty to a brand is manifested as repeat purchase behaviour. Affection approach argue that purchase behaviour cannot distinguish real loyalty from fake ones. However, an important factor is the emotional bond between customers and the service-providing firms.

Jones & Sasser (1995) advocated the Behaviour-affection approach and pointed out that customer loyalty can be measured by comprehensively investigating customers' repeat purchase behaviours and their emotional preference to a firm. This approach explained customer loyalty as a sense of belonging or affection that customers hold toward certain firm's staff, products, or services. Lu & Tang, (2001) pointed out the cognition-affection-behaviour approach which says customer loyalty should be measured simultaneously from the three levels of customer cognition, affection and behaviours. Oliver, (1999) advocated the cognition-affection-conation-behaviour approach which explained customer loyalty as consisting of cognitive loyalty, affective loyalty, conative loyalty and behavioral loyalty This approach is by far the most comprehensive depiction of customer loyalty. However, Lu & Lu (2009) adopted three-dimensional model of cognition-affection-behaviour for its operationability and its ability to distinguish between customer affection dimension and conation dimension in practical measurement.

In conclusion, it may be safe to submit that customer loyalty reduces marketing costs, increases profit margin, enhances value and ensures positive word of mouth. Loyal customers perceive low risks in trying new products/services and make useful suggestions to improve the service (Wallace, Giese & Johson, 2004; Bugel, Verhoel & Buunk, 2011).

2.5. LOYALTY PROGRAMMES

With an increased competition among firms in a bid to gain market share, it has become necessary for them to strategise and come up with ways, means and innovation that can assist them stay ahead of competition. Hence loyalty programs. According to Dorotic (2019), loyalty programmes have been a prominent business trend across various markets over the last two decades. They have found their usage not only in their traditional sectors (airlines, hospitality, grocery retailers), but have now become common in "non-profit organizations like museums, charities and sport clubs, among online and offline services, and even among utility providers and business-to-business markets'' (p.25).

A customer loyalty programme is a marketing strategy designed to reward customers in order to reinforce the continued marketing exchanges with the them and get their allegiance (Evanschitzky et al., 2012; Agudo, Crespo & Del Bosque 2012; Gómez, Arranz, & Cillán, 2006; Lacey & Sneath 2006). It encourages repeat purchase which is a precursor to customer retention (Lewis 2004). Gable, Fiorito & Topol (2008) defined loyalty programmes as marketing actions and communications that aim to increase loyalty, repeat buying, and switching costs by providing economical, hedonist, informational, functional, and sociological or relational benefits. Bagchi & Li (2011) suggested that the perceived benefit created by loyalty programme is determined by the perceived costs of receiving these benefits and represents a positive emotional response such as subjective feelings of pleasure or hedonic enjoyment. It is also a source of satisfaction and motivation because the rewards fulfil a desire. An important objective of customer loyalty programs is to satisfy, retain and drive value for customers (Beneke, Blampied, Cumming & Parkfelt, 2015; Noble, Esmark & Noble, 2014). The success of a loyalty program is dependent on customers' perception and benefits (or rewards) to them. Also, establishment of clear organisation goals which includes implementation and measurement of the programme is important (Lee et al., 2015).

According to Lacey (2009), loyalty programs date back to 1896 when the green post stamps were introduced by the US Company 'Sperry & Hutchinson'. In the 1960s the aforementioned company introduced a rewards catalogue and issued three times as many stamps as the U.S. Postal Service. Berman (2006) opined that *'The most current form of customer loyalty programs started in the 1980s with the introduction of frequent flier programs by airlines. After the Airline Deregulation Act of 1978, many airlines struggled to obtain a competitive advantage. In 1981, American Airlines introduced the first frequent flier airline program—AAdvantage, which sought to reward loyal customers through utilizing the airline's excess capacity'* (p.123).

In the modern customer-centric marketing, loyalty program is viewed as a strategic weapon in developing valuable customer relationships and promoting customer loyalty. It has increasingly attracted interests in both marketing academics and practitioners (Sharp & Sharp, 1997; Yi & Jeon, 2003; Leenheer & Bijmolt 2008).

It is expected that loyalty programs will help build customer loyalty and hence revenue generation. However, this may not always be the case based on various studies by researchers.

While various researchers have worked on loyalty programs, some have found that they have positive impact on share of purchase, purchase amount, revenue and orders of customers (Lewis, 2004; Taylor & Neslin, 2005). On the other hand, other scholars argued loyalty programs did not have any impact on market share, repeat purchase rate (Sharp & Sharp, 1997; Meyer-Waarden, 2007), purchase volume, total purchase expenditure (Benavent et al., 2000), and purchase timing (Meyer-Waarden, 2007). Daryanto et al.2010; concluded that loyalty programs' financial performance rarely meets expectations; Nunes & Drèze (2006), stated that this situation often results in their termination.

Dauksevicìute, et.al. (2011) compiled various definitions for loyalty programs by researchers and authors

Table 2.1: *Loyalty Program definitions*

AUTHOR(S)	**DEFINITION**
B. G. Gomez (2006)	Reward based marketing strategy, which ensures consumers' loyalty to the

	organisation
R. Lacey, J. Z. Sneath (2006), R. Lacey (2009, p. 393), R. Lacey, R. M. Morgan (2009, p. 3)	Coordinated, membership based marketing actions aimed at strengthening close co-operation based relations between consumers and products offered by the program owner.
J. Leenheer *et al*. (2006); L. Bagdonienė, R. Jakštaitė (2007, p.58)	Marketing integrated actions intended to strengthen loyalty of the program participants
Y. Liu (2007, p. 20)	Program offering added value to consumers at repeated purchasing
B. Sharp, A. Sharp (1997, p. 474)	Marketing efforts that reward and encourage loyal consumers' behaviour to increase profitability
N. A. Omar *et al.* (2007, p. 356), A. Omar, R. Musa (2009, p. 258), N. E. Omar (2010, p. 7)	Processes designed to identify and retain best consumers and to increase their share through interactive, value increasing relations
M. Gable *et al.* (2008, p. 33)	A barrier that prevents consumers from leaving and 'running away' to competitors
S. Ha, L. Stoel (2008, p. 216)	Marketing practice that creates and maintains relations between the organisation and the consumer, and offers added value to the consumer
Y. Liu, R. Yang (2009)	Long-term program enabling the consumers to accumulate money in a particular form which maybe used in the future
` L. Meyer-Waarden, C. Benavent (2009)	Integrated system of individualised marketing actions aimed at developing consumer loyalty through individualised connections and promoted purchases

Source: Daukseviciute, I et.al. (2011).

2.5.1. Loyalty programmes, rewards and perceived benefits

Loyalty programmes offer rewards or benefits to customers based on evidence of loyalty (Baloglu et al, 2017; Gable, Fiorito & Topol (2008). This evidence may be defined by repeat purchase, volume or any other means as set by the organisation. The perceived benefit created by loyalty programme rewards is the relationship between the consumer's perceived benefits in relation to the perceived costs of receiving these benefits, and represents a positive emotional response such as subjective feelings of pleasure or hedonic enjoyment and a source of satisfaction and motivation, because the rewards fulfil a desire (Bagchi & Li, 2011). Categorisation of the different types of rewards enable us an understanding of what motivates usage of the programmes by customers. For example, utilitarian rewards tend to encompass three fields (Frisou & Yildiz, 2011):

1. *Economical rewards and monetary savings*: This corresponds to an economic purchase motivation (e.g. price reductions, purchase vouchers (Gable et al., 2008);
2. *Convenience*: In this case, they satisfy commodity motivations (e.g. facilitate purchase, reduce purchasing time (Kwong et al., 2011); or
3. *Informational rewards*: These are similar to exploration (Chitturi, Raghunathan & Mahajan, 2008; Dre `ze & Nunes, 2011).

In contrast, hedonistic rewards have more emotional benefits (Chitturi et al., 2008; Dagger & O'Brien, 2010) and correspond to motivations associated with giving or receiving pleasure and entertainment such as games, sweepstakes (Mimouni-Chaabane & Volle, 2010). Recognition and social-relational rewards enable people to gain status, be identified with a privileged group, or establish a firm relationship, which makes their interactions more interpersonal and helps the firm satisfy their needs better (Dre `ze & Nunes, 2009; Lacey, 2009; Zhang & Wedel, 2009; Morrisson & Huppertz, 2010).

2.5.2. Benefits of Customer loyalty Programmes

A key benefit that arises from loyalty programmes is a motivation towards continued patronage (Beneke, Blampied, Cumming & Parkfelt, 2015; Noble, Esmark & Noble, 2014). Meyer-Waarden et al. (2013) propose that retailers should offer rewards according to the customers' motivation and shopping preferences. Mulhern & Duffy (2004) divided the benefits of customer loyalty programmes into two namely hard and soft benefits. According to them, the hard benefits are the monetary benefits accruable to customers from loyalty programmes in the forms of rebates, special discounts, coupons etc. The soft benefits are the non-monetary benefits. These may include but not limited to access to facilities such as lounges at the airport, complementary tickets, etc. Some benefits of customer loyalty are:

Loyalty Programme Enhances Value

Yi & Jeon, (2003) affirms that loyalty programmes are value-sharing instruments and enhances consumers' perceptions of what a firm has to offer. The value enhancement function of customer loyalty programme is its ability to provide exclusive benefits or value which is instrumental to customer relationship initiation and retention. Value enhancement perception is a necessary condition for the loyalty program's success (Mimouni-Chaabane & Volle, 2010; Demoulin & Zidda, 2009; Gable,Fiorito & Topol, 2008; Vessel & Zabkar, 2009).

Loyalty programmes provide value to consumers in two stages. In the first stage, programme points are issued to consumers at the time of purchase. Although these points have no practical value until they are redeemed, recent studies show that they have important psychological meaning to consumers (Van Osselaer, Alba, & Manchanda 2004). The psychological benefit increases the transaction utility of a purchase and subsequently, the overall value perception of doing business with the firm. Point accumulation creates an anticipation of positive future events. When customers know they can later redeem points for free rewards, this increases the likelihood of staying in the relationship (Lijia & Chin-Chien, 2014; McCall & Voorhees, 2010; Hoffman & Lowitt, 2008). In the redemption stage, consumers receive both psychological and economic value from a loyalty program. The free reward functions as a positive reinforcement of consumers' purchase behavior and conditions them to continue doing business with the firm (Voorhees et.al, 2015; Sharma & Bhardwaj, 2015). Psychologically, giving free rewards to customers shows the firm's appreciation and personal recognition of its customers. This sense of being important can enhance consumers' overall sense of well-being and deepen their relationship with the firm. Lu (2007) affirms that these psychological and economic benefits translate into an attractive value proposition from the firm**.**

Loyalty Programme and Customers Commitment

Various studies have been conducted on the impact of loyalty programmes on customer commitment with finding suggesting positive effects on customers' retention in industries with high exit barriers such as the financial services (Verhoef 2003) or non-contractual settings such as grocery and general retailing (Meyer-Waarden 2007). According to Liu (2007), loyalty programs create a symbiotic relationship between the firm and its customers. This is so because it does not only build customer commitment but also demonstrates a firm's commitment. His submission is based on the premise that while on one hand it is costly to initiate and maintain the programmes, terminating them may put the firm at the risk of losing consumers' goodwill.

Repeat purchase is at the core of customers' benefitting from loyalty programmes. As a result of this, they focus their purchases in one programme in order to maximize the benefits accruable from it (Dolnicar et.al, 2011; Dorotic, Bijmolt & Verhoef, 2012; Hess, Adler & Polak, 2007). Such vested interests in a programme may pose difficulty to competitors'enticing customers away from a firm. Using game-theoretic models, Byung-Do, Shi & Srinivasan (2001) demonstrated that such a competitive barrier benefits the firm and results in higher prices in the marketplace. This is especially true for high variety-seeking products and services (Zhang, Krishna & Dhar 2000).

Loyalty Programme Impacts on Firm's Profits

Rauyruen & Miller, (2007) assert that firms use loyalty programme as vehicle to maximize profit by providing safe and sound products and services to their loyal customers.

This is because the success of company sales is ensured by customer loyalty, which can be influenced by management action (Gerpott, Rams & Schindler, 2001). In emerging business competitions the loyalty of customers is a driver of continued competitive advantage (Lin & Wang, 2006). Customer respect oriented business organization will attract and develop loyal customers and is a vital element for the continued existence and operating of firms business (Chen & Hu, 2010). Kang, Alejandro, & Groza (2015) suggested that loyal customers may enable firms to generate more profit over time. This is achieved through increased purchases, reduced operating costs and hence increased profit However, this effect may be cancelled out if customers are beneficiaries from loyalty programmes of competition (Magi, 2003).

Loyalty Programme Impacts on Operating Cost

Megatef & Tomalieh (2015) are of the view that retaining customers is less costly to serve because they know the product and require less information. According to Keylock & Faulds (2012), these retained customers may become advocates for the brand and make recommendations of the products to their peers, family members and friends. They are also willing to share reviews and information of the products on various social sites which in part become responsible for the purchase decision of others. Thus, they become information source for prospective customers.

2.5.3. Types of Loyalty programme

García-Gómez, Gutiérrez-Arranz & Gutiérrez-Cillán (2012) posited that grocery retailers have a range of loyalty programs, with the most common ones being reward programs. Loyalty cards and VIP programs. The reward program is based on point which depends on spend over a period of time and redeemable via vouchers or other means for gifts items as specified in the terms and condition for the program. Loyalty cards offer two types of rewards- tangible and intangible. The tangible rewards allows discounts on future patronage while the intangible ones grants preferential treatment granted to holders. VIP programs are exclusive to a select group whose purchase volume ranks top in profit for the organisation. (Kim et al. 2009).

Shugan, (2005) corroborated this and identified two distinct forms of loyalty programmes: frequency reward and customer tier. Frequency reward programmes are typically of the form, "*Buy X times, get* one free." These are the original trading stamp and frequent flier programmes. Customer tier programs are of the form, once a customer qualifies for a particular tier e.g. gold tier, he will be provided with special services. Both programmes usually rely on accumulated customer sales to determine which customers get rewarded with what rewards.

However, they differ in two crucial respects: First, is the nature of the reward. With frequency reward programs, the reward is meaningful but ephemeral – a free flight, a rebate, a free turkey for Thanksgiving and the customer tier programmes which offers extended period of time, a bundle of enhanced services such as dedicated phone lines, faster check-in service, automatic upgrades etc. Second is the means to obtain the reward. Frequency reward programs typically require customers to proactively trade in their points in order to receive the reward. Customer tier programs dispense their reward automatically. Once customers qualify for a certain tier, they are notified and are treated according to their tier status. Shugan (2005) argues that customer tier programs have more potential to build customer loyalty than frequency reward programmes.

Shugan, (2005), proposed that in order to fully gauge the impact of loyalty programmes on customer behaviour, it is imperative to understand both frequency reward and customer tier components. This requires incorporation of the following phenomena:

- *Forward-Looking Customers*: Both forms of loyalty programmes encourage customers to consider the future ramifications of their current choices, because these choices bring them closer to receiving a reward, be it the short-term free product or the chance to be a "valuable" customer.
- *Value of the Reward*: the value placed on the reward by the customer affects and influences their behaviour.
- *Obtaining the Reward*: For the frequency reward program, this requires a deliberate decision to "cash-in." The reward is automatically delivered for customer tier programs.
- *Points Pressure*: This is a direct outcome of forward-looking behavior. Here, customers are expected to increase purchase frequency as they get closer to the reward.
- Rewarded Behaviour: This is relevant for frequency reward programs. The reward is short-term, but customer affect created by the reward can translate into an increase in loyalty.

Table 2.2: A typology of Loyalty program

Program Type	Characteristics of program	Example
Type 1: Members receive additional discount at register •	-Membership open to all customers -Clerk will swipe discount card if member forgets or does not have card -Each member receives the same discount regardless of purchase history -Firm has no information base on	Supermarket program

	customer name, demographics, or purchase history -There is no targeted communications directed at members	
Type 2: Members receive 1 free when they purchase n units	-Membership open to all customers -Firm does not maintain a customer database linking purchases to specific customers	Local car wash, nail salon, Super Cuts, Airport Fast Park, PETCO
Type 3: Members receive rebates or points based on cumulative purchases	-Seeks to get members to spend enough to receive qualifying discount	Airlines, hotels, credit card programs, Staples, Office Depot
Type 4: Members receive targeted offers and mailings	-Members are divided into segments based on their purchase history -Requires a comprehensive customer database of customer demographics and purchase history	Tesco, Dorothy Lane Markets, Wakefern's ShopRite, Giant Eagle Supermarkets, Harris Teeter, Winn-Dixie, Harrah's, Hallmark

Source: Berman, B. (2006, p.125).

2.6. THE CONCEPT OF CUSTOMERS' SATISFACTION

Evanschitzky, Sharma & Catja (2012) suggested that a company's performance is derived from customer satisfaction and hence enhancing customer satisfaction is critical for survival. Marketing literature focus on improvement of customer satisfaction. Satisfaction is defined by different scholars in different ways. A positive relationship exists between customer satisfaction and loyalty (Chang & Hung 2013; Nesset & Helgesen 2014; Akamavi et al. 2015) and the results of some empirical analyses show that customer satisfaction has strong effects on the behavioural loyalty (Rajaguru 2016; Koklic et al. 2017; Shahid Iqbal et al. 2018). Satisfaction also enhances commitment. According to Gerpott, Rams & Schindler, (2001) satisfaction can be obtained because of what was expected. If the supply of a firm were according to expectations of customers, they would be satisfied. The amount of satisfaction depends upon the level of supply that meets the level of expectation or fall below expectation. Guo, Xiao & Tang, (2009); Lin & Wu (2011) describe customer satisfaction as the necessary foundation for a company to retain the existing customers. This submission stems from the logic that customers who are unsatisfied with the received services may not have long run relationships with the company. This may imply that poor services can also cause dissatisfaction. Auh & Johnson (2005) assert that variation in the quality and value of products and services provided to customer creates variation in customer satisfaction and customer loyalty. In a similar manner, Ganguli & Roy, 2011; Gil, Berenguer & Cervera, 2008 submitted that customer satisfaction is an important element in determining the quality of service that is delivered to customers and the survival of an organisation may directly or indirectly be hinged.

Several scholars have advocated that a relationship exist between customer satisfaction and customer loyalty (Jana, 2014; Abu-ELSamen, 2011; Auh & Johnson,2005). Lin, 2013; Bodet, 2008; Kim, Jeong, Park, Park, Kim & Kim, 2007 stated customer satisfaction has impact on customer loyalty and confirm the direct relationship between customer satisfaction and customer loyalty. Vesel & Zabkar (2009) affirm that customer satisfaction is one of the significant determinants of customer loyalty. The ability of an organization to satisfy customers is vital for a number of reasons. For example, it has been shown that dissatisfied customers tend to complain to the company and in some cases seek redress from them more often to relieve cognitive dissonance and bad consumption experiences (Oliver, 1997; Nyer, 2000). If service providers fail to properly address such behaviour, it can have serious adverse effect. In extreme cases of dissatisfaction, customers may resort to negative word-of-mouth as a means of getting back to the company. Unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere or because the switching cost is high. Additionally, satisfied customers may seek for competitors because they believe they might receive better service elsewhere (Ocloo & tsetse, 2013; Mill, 2011; Khan, 2012; Cengiz, 2010;). Bei and Chiao, (2001) consider customer satisfaction to be the best indicator of a company's future profit and competitiveness and that the outcomes of customer satisfaction include customer loyalty. They submitted that it is an important goal for corporate and consumer servicing entities.

In the context of relationship marketing, customer satisfaction is the way that leads to long term customer retention because unsatisfied customers have very high switching rate. (Lin & Wu, 2011). If product or service fulfils the needs and demand of the customer, it may be safe to submit that such a customer will graduate from patronage to loyalty thereby increasing the company's base of customers and hence company profitability. Ganguli & Roy (2011) posited that a company's profitability is not only depicted in its balance sheet but also measured on basis of its sound customer base and lifetime value. Oliver, (1997) suggest that customer satisfaction is the core philosophy of marketing strategy of any organization and plays a key role in an organization success.

Bodies of work carried out by various researchers suggests that customer satisfaction holds significant importance in a firm. This construct is based on the premise that satisfaction may boost customer relationship. By implication, satisfied customers have the likelihood of recommending products and/or services to others as well as repurchase. (Jana, 2014; Basuroy et.al, 2014; Arshad et.al, 201; Lervik Olsen et.al, 2014).

Jana (2014) emphasized service quality as an important indicator of customer satisfaction that is, consumers may be loyal to a firm if it is viewed as generating satisfaction among other consumers, particularly in credence products and services. This alone may create an amount of unwillingness to switch. By implication, unsatisfied customers through words of the mouth may convey their negative impression of a product or service to other customers. The resultant effect of this may be low patronage and hence low or no loyalty. This is in agreement with Oliver's (1997) affirmation that a product or service that brings pleasure to the customer is linked with fulfilment or satisfaction, hence slogans such as *Our focus is customer satisfaction*, or *The customer is a king*; *Customer is our reason for being in business* by many businesses or organisations.

It is safe to then say that customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience of a product or service. This is in addition to the customer's intent to derive greater benefit than their cost of purchase (Liu et.al, 2010). According to Kotler (2006), customer satisfaction plays an important role in total quality management. In comparison with other traditional performance measures, customer satisfaction is probably less sensitive to seasonal fluctuations, changes in costs, or changes in accounting principles and practices

Customer satisfaction in a cumulative evaluation fashion that requires summing the satisfaction associated with specific products and various facets of the firm. Satisfied customers tend to have a higher usage level of a service than those who are not satisfied (Liu et.al, 2010). They have the possibility of a more likelihood for repurchase intentions and recommendation of goods and services to other users. (Jana, 2014). Various body of works have also revealed and opined that because customer satisfaction positively affect loyalty, it is an important variable in fostering customer retention as it can affect a buyer's decision to continue a relationship with the organisation (Dorotic et.al, 2012; Gil, Hudson & Quintana, 2006).

2.7. THE CONCEPT OF CUSTOMER RETENTION

Customer retention strategy is gaining its footage among retailers as a survival kit. Various researches have shown that its more costly to gain a new customer than to retain one (Jyh-Fu & Bailey, 2012; Manoj & Sunil, 2011). In the retention of customer, it is important for firms to know how to serve their customers. Post sales services are the important drivers for customer retentions (Saeed, Grover & Hwang, 2005). It is important for product/service provider to emphasis on the quality of product and service. According to Lin and Wu (2011), there is a statistically significant relationship between quality commitment, trust and satisfaction, customer retention and future use of product, and retention is influenced by future use of product. Customer retention may also be influenced by other factors. These may include perceived value (Chen & Hu, 2010), customer engagement (Doorn et.al, 2010; Prasad & Jha, 2014), brand image (Wang, 2010), Trust (Choi & La, 2013) and brand experience (Iglesias et.al, 2011).

Lin & Wu (2011) and Jones et.al, 2015 suggests that retention and attraction of new customer are used as drivers for increase in market share and revenues. Verhoef (2003) examined monetary compensation impact on loyalty and submits that emotional commitment and loyalty programme that gives financial incentives have positive impacts on customer retention.

Different studies have examine the relationship of customer retention and customer loyalty in different context some have studied it and found there a positive relationship, other have studied that they have negative relation, while evidence exist that there is no relation between them. Zablah et.al (2004) suggests that customer retention (and hence profitability) is best achieved through a focus on relationship building and maintenance. In the same vein, there are body of work that reveal positive effect of loyalty programs on customer retention (Leenheer & Bijmolt, 2008; Lacey, 2009; Kopalle et.al, 2003). Wong, Chan, Ngai & Oswald (2009) submitted that good relation with customer have significant impact on customer loyalty.

2.7.1. Reasons for customer retention

Customer retention management's importance cannot be undermined owing in part to its impact on the customer lifetime value and hence profitability for the firm (Rust & Chung, 2006; Wright & Riebe, 2010; Nitzan & Libai, 2011). As a result of intense competition, customers now have options to choose from thereby making retention an uphill task for firm and an increased commitment by them towards relationship management of their customers (Sen & Sinha, 2011; Demoulin & Zidda, 2009; Leenheer & Bijmolt, 2008). Kotler (1997) posited that the cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy. This stand has been buttressed by other researchers (Taiwo & Olorunleke,2013; Ndubisi et.al, 2009; Reichheld & Sasser, 1990). In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Also, they are less prone to competitive marketing action (Richards & Jones, 2008).

Various factors have been proposed by researchers as key factors that influence customers' selection of banks. While there are varying factors from the body of work variously done, there has been a recurring of certain factors. These are quality of service and efficiency (Worimegbe, Abosede & Worimegbe, 2018; Moorthi & Mohan, 2017; Karray & Chichti, 2013), Customers' age demography and sector of employment (Maiyaki and Mokhtar, 2010), customer's occupation and income band (Ashima, 2016), bank image and reputation (Al-Tamimi et.al, 2009); bank location and security of deposit and customer information

(Guruswamy). For retention to take place one or a combination of some of these factors are important. The responsibility therefore lies on banks to through research and development, customer relationship management (i.e creating and maintaining positive customer relationships) and other viable strategies and innovation, seek to meet customers' needs that will help reduce the churn rate.

2.8. RELATIONSHIP BETWEEN CUSTOMER LOYALTY PROGRAMMES, CUSTOMER SATISFACTION, RETENTION AND LOYALTY

Several literature have investigated the existing relationship between customer loyalty programmes, customer satisfaction, retention and loyalty in the organisation (Stathopoulou & Balabanis, 2016; Magatef & Tomalieh, 2015; Beneke, Blampied, Cumming, & Parkfelt, 2015; Ukenna et al, 2012; Leenheer, Heerde, Bijmolt, and Smidts, 2007; Liu, 2007). Majority of the studies found positive relationship between loyalty programmes and customer satisfaction, retention and loyalty. For instance, the study by Stathopoulou and Balabanis (2016) examined the benefits of customer loyalty programmes on three variables vis-à-vis customer satisfaction, customer trust in loyalty programmes, and customer loyalty to the organisation. Using data from US loyalty programmes subscribers and multiple regression analysis, it was discovered that loyalty programmes in the form of benefits (freebies, gift) are more important to high-end customers leading to their satisfaction while utilitarian benefit like quality of service, customer care, and efficient facilities are more satisfactory to low-end customers. Lastly, hedonic benefits were discovered to increase customer satisfaction and trust in both type of customers. It was equally discovered that either of the benefits increase customer trust on the loyalty programmes while customer trust and satisfaction induce customer loyalty to the organisation. This assertion supported the earlier findings and assertion of Kang, Alejandro & Groza, (2015) who maintained that customer loyalty programmes is an effective marketing tools employed by organisation to collect necessary information and market the product of the organisation. The authors maintained that customer loyalty programmes are effective in customer satisfaction, retention and loyalty.

Basera (2014) equally investigated the extent customer loyalty programmes influence customer satisfaction and customer retention Zimbabwe. The researcher employed a descriptive survey in data gathering and analysis, using a structured questionnaire administered directly by the researcher to the respondents. It was discovered that customer loyalty programmes plays prominent roles in customer satisfaction and retention. The study recommended that organisation should incorporates customer loyalty programmes as part of their marketing strategies. The study however failed to mention whether the loyalty programmes influence customer retention or other services rendered by the organisation. A similar stance was shared by O'Malley (1998) when the author investigated the effectiveness of customer loyalty programmes on customer loyalty. The author discovered that among the leading reason for customer loyalty programmes include the need to gain more satisfaction through selling and cross selling, diverting customer attention from purchasing competitive brands, providing platform through which the customer sees themselves as part of the company thereby engaging more on the word of mouth marketing viral. It was further discovered that loyalty programmes when effectively carried out achieve customer loyalty. The researcher failed to explain how an effective customer loyalty programmes is measured anyway.

Beneke, Blampied, Cumming & Parkfelt (2015) investigated two category of customer loyalty programmes on customer satisfaction and retention using explorative survey. The study found that organisation major objectives of employing customer loyalty programmes is to increase the value received by the customer thereby increasing their satisfaction with the organisation products and services with the overall intention of achieving customer retention over time. It was established from the study that customer loyalty programmes especially coupon and gift items are more effective in customer satisfaction and retention than point based system. The argument is that point based system are often neglected by customer because it is not create immediate satisfaction. This assertion was shared by Leenheer & Bigmolt (2008) when they found that customers often want immediate rewards like gift, freebies, interest, and improved service among other than benefits in the form of accumulated point over time. The authors further argued that customer satisfaction have direct relationship with customer loyalty programmes.

Wijaya (2005) on the existing relationship between customer loyalty programmes and customer satisfaction maintained that loyalty programmes have a way of spurring customer satisfaction with the organisation services especially retail and service firms thereby inducing the customer to become brand loyalty. The author maintained that what differentiate loyalty programmes among organisation is the moderating role of organisation customer care. The argument is that organisation who have strong customer relationship management boost the activities and efficacy of the customer loyalty programmes that are often point and value based. Of course, Leenheer & Bigmolt (2008) noted that loyalty programmes create incentives for additional purchases by the customers which often spur loyalty to the product or services. As customer struggles to accumulate more point to gain a higher value or freebies from the organisation they purchase more, become more familiar with products and services which is good for the organisation profitability. Keh & Lee (2006) investigated whether loyalty programmes build loyalty among customers. It was discovered using descriptive design that loyalty programmes have correlation with customer loyalty, though, the authors were quick to point out that the relationship is weak (See also Sandada & Matibiri, 2015; Stourm, Bradlow & Fader, 2013).

Kamau (2017) focused on how loyalty programmes influences customer retention in Kenya. The study breakdown customer loyalty programmes into point system (where customer accumulates points as they transact with the organisation), smart cards operation, and gift and coupon on customer retention. The study revealed that gift and freebies item related are more potent to other customer loyalty programmes strategies employed by the organisation. It was equally revealed that customers that shop with smart cards like visa, master card and Euro card tends to shop more than those shopping with cash. The study uniqueness stem from the fact that it was discovered that the application of smart card promotes more purchases from the customers which is an indication that smart card exert more influence on customers purchases than the point system often employed by series of other customer loyalty programmes. This is one approach this present study tends to validate or invalidate. Studies like Zhang & Breugelmans (2012) noted that loyalty programmes that are point based tends to be more effective in achieving customer satisfaction and retention. The argument from their findings is that as customers' aims to accumulate points to the point of redemption they tends to shop more and transact more. This is a clear derailment from the findings of Balishev (2012) and Soman (2003) who individually maintained that smart card operation in customer loyalty programmes achieve more customer retention and loyalty than the point system. The argument is that smart banking operation through the application of smart card leads to more purchases, leads to more confidence in the operation since the process of transaction is secure and flexible. Specifically, Balishev (2012) noted that flexibility of the process of transaction tends to play significant role in the customer satisfaction and even retention.

There exists empirical findings on the effects of continuous loyalty programs across time. Various studies reveal its effect. Sharma and Bhardwaj (2015) in their study of perceived benefits of loyalty programmes and their impact on purchase intentions revealed that perceived benefits of loyalty programs have significant influence on customers' purchase intention. Lewis (2004) submitted that customers' expectation play a vital role in running a successful loyalty program and submits that where a customer does not feel a need for it, the impact is not positive. In the body of work by Omar et.al (2013), they suggested that for loyalty programs to be successful, the providers of the program must ensure that the terms and conditions for the loyalty program are transparent and can be easily comprehended (i.e the ease of use/convenience and the perceived likelihood of achieving rewards are important). According to the work done on the impact of loyalty programs in the world's safest banks, Daukseviciute et.al (2011) concluded that loyalty programs have a positive impact on patronage and should be considered as a significant marketing effort beneficial to banks and bank customers. Lewis (2004) in a study of loyalty programme on online retailer found that the level of reward received in a prior period positively affects the probability of making larger-sized transactions in the current period.

However, Dowling (2002) suggests that loyalty programs do not foster loyalty and are not cost effective and that the proliferation of loyalty programs is a hype.

Liu (2007) submits that there exists limitation in giving attention to only post reward effects. First, it creates a recursive relationship because the level of reward a consumer receives in one period is itself contingent on the consumer's behaviour change. As a result, a higher-level purchase in subsequent periods may simply be a continuation of the previous positive reaction to the loyalty program rather than a result of higher-level rewards received in prior periods. Second, post reward effects capture only one type of loyalty program effects

Lin & Wang, (2006) found that satisfaction have significant and positive impact on loyalty. Kim & Yoon (2004) in a similar study established that the source of customer loyalty is customer satisfaction. Yen & Gwinner (2003) find that satisfaction has positive and significant effect on customer loyalty**.** Lin, 2013; Bodet, 2008; Kim, Jeong, Park, Park, Kim & Kim, 2007 stated customer satisfaction has impact on customer loyalty and confirm the direct relationship between customer satisfaction and customer loyalty. Vesel & Zabkar (2009) affirm that customer satisfaction is one of the significant determinants of customer loyalty.

Similarly, Hafeez & Muhammad (2012) in a study titled the impact of service quality, customer satisfaction and loyalty programs on customer's loyalty: evidence from the banking sector of Pakistan found a positive and significant relationship between loyalty programs and customer's loyalty in banking sector of Pakistan. This support the finding of Hallowell, (1996). Khan, (2012) in a study on the impact of customers' satisfaction and customers' retention on customer loyalty also confirmed that customer satisfaction has significant impact on customer loyalty**.**

2.9. Gaps in literature

The reviewed literature suggests that various studies have been carried out on customer loyalty programmes and their impact on loyalty, retention, satisfaction and revenue generation in various industries including but not limited to airlines, hospitality, sports, health, food, telecommunications etc. However, there are gaps in the literature that are being addressed in this study.

Studies exist (in part or whole) on loyalty programmes in the banking industry (Hasim et.al, 2015; Daukseviciute et al. 2011; Hafeez & Muhammad, 2012; Kemp et al, 2008). However, to the best of the researcher's knowledge, the available literature is limited in relation to Nigeria. While these existing researches consider factors such as repeat purchase, redemption of points and consistency of programmes, none addressed the practice in

Nigeria. It is therefore instructive to consider SET in the bank-customer relationship. Its application is relevant due to the peculiar nature of the country's diverse cultures as it relates to daily living, religion and other socio economic endevours. These characteristics, in part, influence decisions and actions by the citizens. The culture in northern Nigeria is different from the reality in the southern part. First, academic and formal education has higher acceptability in the south compared with the north. Secondly, the north is more financially excluded than the southern part of the country. In addition, the country's major religions, Christianity and Islam, influence behaviour. While the former has no reservation for rewards such as interests from financial transactions, the latter is cautious about profits, interests and gains from financial transactions. SET is therefore relevant in understanding the behavioural perspective of the bank-customer relationship.

SET has been used in various researches in the banking industry, the focus being on *relationship banking* which focused on the impact of personalized banking and customer data gathering for decision making (Guo, 2017; Yoganathan, et. al, 2015; Wan, et, al, 2008; Ferguson & Hlavinka, 2007) *employee performance* which analysed rewards to employees subject to achieved targets (Albasu & Nyameh, 2017; Agyemang, 2013), *leadership succession* which considers the relationship between succession in banks and individual performance and financial targets achieved (Badara et. al, 2014). While these researches have similarities with the present study in that they consider the financial rewards accruable to the bank as a result of the relationship, this present study lay emphasis on the behavioural aspect of the relationship. In addition to the economic exchange, this research shows the importance of the underpinnings of relationship management (trust, commitment, communication and other factors) in a bank-customer relationship. No research (to the best of the researcher's knowledge) have used SET in the study on loyalty programmes. The researcher submits that it is important to consider the underpinnings of relationship management as important foundation for the employment of loyalty programmes by banks and not just the economic rewards that may be derived from such interaction.Furthermore, in spite of adoption of loyalty programmes as a marketing tool by Nigerian banks, no evidence-based research exists on the impact of customer loyalty programmes in the

Nigerian banking sector. This is in spite of information that suggests huge financial investments in the programmes by Nigerian banks (This Day, 2017; Vanguard, 2017).

Therefore in addressing the gaps, the study will contribute to the application of SET in loyalty programmes with specific reference to banks. This bank-customer relationship is with regards to the use of loyalty programmes shows an exchange where both parties have rewards and cost accruing to them. In addition, the study will contribute to the study on the practice of loyalty programmes and address gaps such as awareness of programmes, rewards and retention in the context of the Nigerian banking industry. The study will also aim to address cost and benefits derivable by both the bank and its customers from practicing and adopting loyalty programmes. This will also lead to the development of model guidelines for the development of loyalty programmes. Finally, the study will contribute to the generic literature on loyalty programmes.

2.10. Research Questions

This study considers the following questions:

1. What are the perceptions of bank managers and customers concerning the use and effectiveness of loyalty programmes in banks?
2. How do loyalty programmes lead to customer retention in banks?
3. What are the key influencing factors for organisations to consider in enhancing the use of loyalty programmes?

In Nigerian banks, customers are acquired through sales effort, advertisements and or referrals from other customers. Thereafter, banks provide products and services to the customers (refer to Fig 2.2 below). The existing customers are then offered opportunities by their banks to participate in loyalty programmes. The literature suggests that the key goals of these programmes are the promotion of customer satisfaction, retention and revenue generation.

According to Figure 2.2, the researcher wants to know if banks' loyalty programmes will lead to customers' satisfaction. Mittal & Lassar (1998) concluded from their work that there exist an asymmetrical relationship between satisfaction and loyalty. They assert that while dissatisfaction nearly guarantees switching, satisfaction does not ensure loyalty. It may be safe to argue that while satisfaction is of importance, the fact that a customer is satisfied does not mean that the customer will continue patronage and vice versa. This is in line with Reichheld's (1996) submission that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere or as a result of high switching cost.

If in the affirmative, will that also lead to retention and repeat purchase. When bank customers compare his expectation with actual experience, will it lead to satisfaction or dissatisfaction. Also, it will consider if this outcome will generate revenue for banks. Rust and Zahorik (1993) work in the retail banking space identified the financial implications of customer retention submitted that customer retention is driven by customer satisfaction, which is linked to loyalty, increase in wallet/market share and profits.

The schematic diagram below shows a simple illustration of the relationship between loyalty, satisfaction and retention.

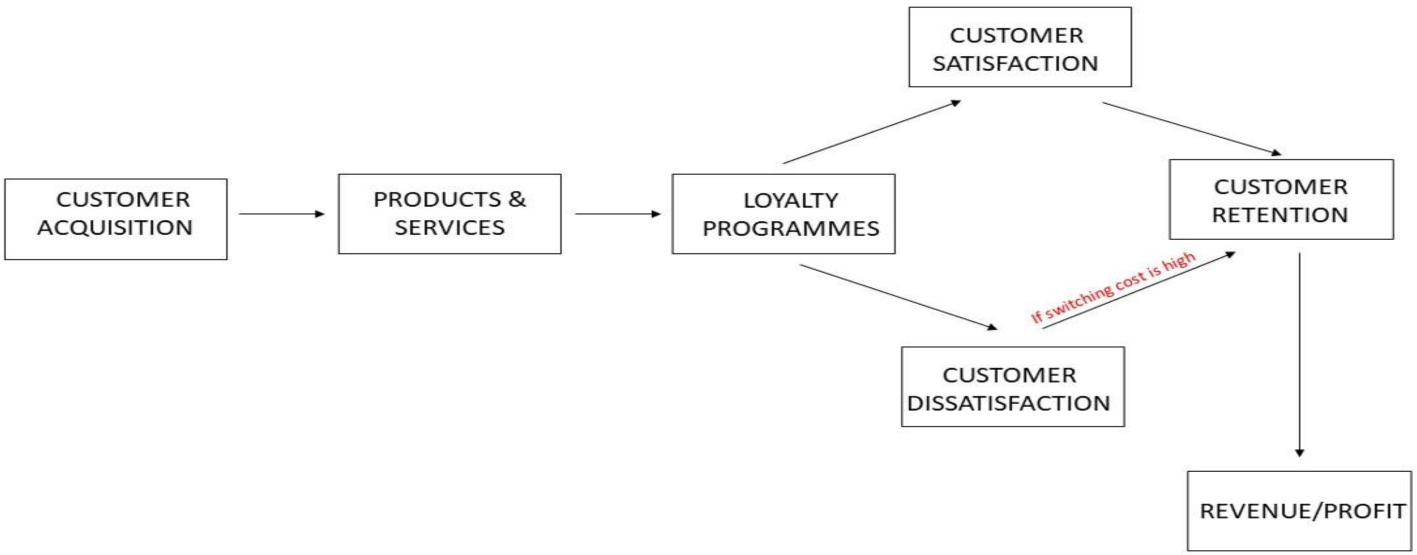


Figure 2.2: ***A simple flow of relationship between loyalty, satisfaction and retention***

CHAPTER 3

RESEARCH METHODOLOGY

3.1. INTRODUCTION

In this chapter, the theoretical underpinning which serves as the foundation for the research design and methods used during the preparation of the thesis is discussed. The chapter provides the rational for the selection of the methods applied and to provide reasoning and justification for the approaches employed. The first section considers the aim of the research. This is followed by the research questions. Both serves as foundation for the chapter. Following on from these, the research philosophy and its implication on the research is considered. Subsequent to this, the methodological stance associated with the study is considered. The chapter continues with the review of the pilot study and a reflection on the ethical considerations of data collection.

The research employed an exploratory interpretivist philosophical world view with a two staged data collection and analysis using a questionnaire and semi structured interview. The data collected with the questionnaires with the aid of scales from empirical studies was a scoping study and enabled the preparation of interview questions used for the qualitative data collection and analysis.

3.1.1. Overall Aim

To analyse the impact of loyalty programmes on customer retention in the Nigerian Banking Sector.

3.1.2. Chapter Structure

The rest of the sections of this chapter are structured as follows: In section 3.2, the researcher stated the research problem. In section 3.3, the research philosophy was considered. In Sections 3.4, 3.5 and 3.6, the methodology, area of study and population were addressed.

Section 3.7 highlights a brief profile of the selected banks while section 3.8 explained the research design. Sections 3.9 and 3.10 explained the data collection and data analysis employed for the research. Sections 3.11, 3.12 and 3.13 addressed the strength and limitations of the research, the validation of instruments and ethical considerations.

3.2. RESEARCH PROBLEM

In recent times, loyalty programmes have become a regular occurrence in the Nigerian Banking sector. Its emergence is as a result of banks' desire to increase their bottom-line through customer loyalty and retention while heavily investing in the programmes. The resultant effect of loyalty programmes on retention has not been convincingly measured by banks to justify the investments.

Also, while loyalty programmes are not in themselves good or bad, research in Nigerian banks have not adequately shown that loyalty programmes results in customer retention

The following questions were used to probe the study:

i. Would customer loyalty programmes impact on banks' customer satisfaction?
ii. Would customer loyalty programmes lead to customer retention?
iii. Would customer retention lead to a higher profitability for the bank?

3.3. RESEARCH PHILOSOPHY

The philosophical paradigm adopted by any research work may be summed up as a building block starting from ontology to epistemology and then methodology (Grix, 2010). Crotty (2012) suggested that research follow a string, with the string dependent on the theoretical perspective considered. In a bid to help the reader understand the researcher's view point, this study is built on the considerations of Grix (2010) and Crotty (2012). Both will help to explain the key features of the philosophical perspectives.

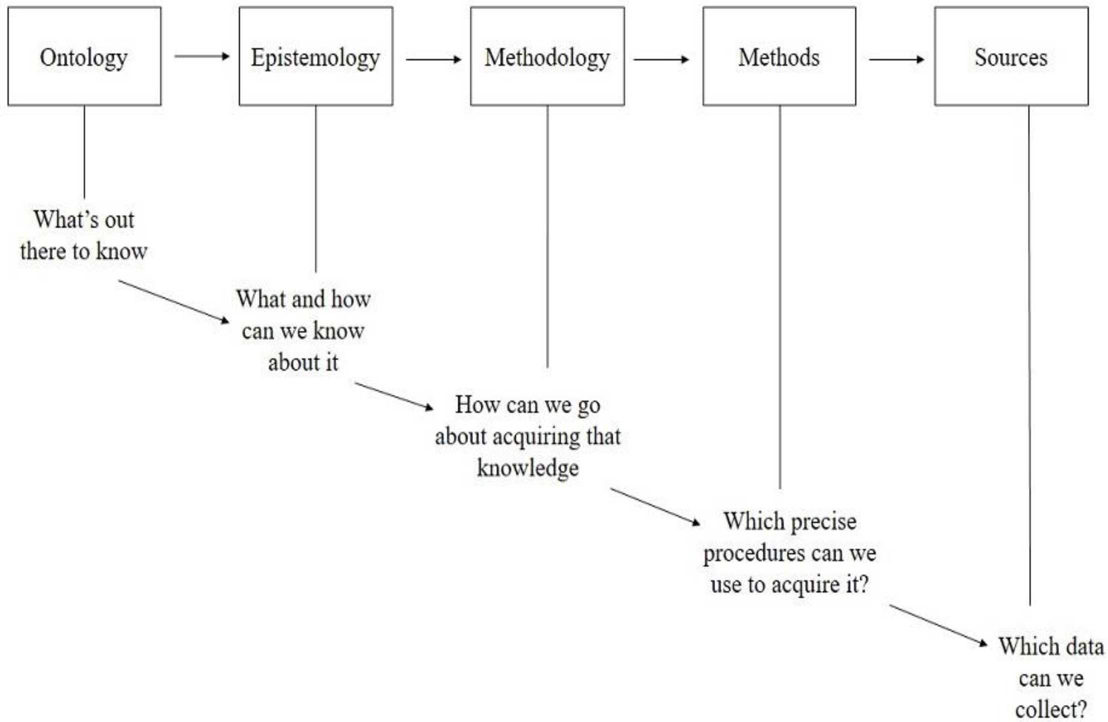


Figure 3.1: The interrelationship between the building blocks of research (Adapted from Grix, 2010)

Research questions are approached by researchers from different theoretical perspectives which are described as research paradigms. Blaikie (2007) suggests these paradigms as broad philosophical traditions used to understand the social world. Each paradigm consists of assumptions – ontological and epistemological. These assumptions influence the research questions, the choice of methods and the research outcomes. From this standpoint, paradigms are sets of beliefs that orientate the researcher's view of the phenomenon under research, influence the research methodology and shape researchers' interpretations of reality through the way they construct the meaning of the findings and also how they interpret the results (Bryman, 2006; Poni, 2014). The set of beliefs that define researchers' own view of the world, also known as a paradigm, comprises of three elements: ontology, epistemology, and methodology (Phillimore & Goodson, 2004). Ontology guides and defines the nature of reality. Epistemology is dependent on what researchers want to be knowledgeable about, what is counted as knowledge. Methodology is determined by the kind of knowledge researchers seek. The researchers can identify their research paradigm by answering three questions (Denzin & Lincoln, 2005, p.22) namely: the ontological question, "What is the nature of reality?" The epistemological question, "What is the relationship between the inquirer and the known?" and the methodological question, "How do we know the world or gain knowledge from it?" The researcher will seek to answer these three questions in the following sections. While different authors use the concept of paradigms in different ways without consistency in social science textbooks, for the purpose of this research, positivism and interpreitivism are considered as the major paradigms within the social science as suggested by Williamson (2006). Research in social sciences, then, tends to start with the fundamental question of whether to adopt a positivist paradigm or an interpretivist approach (Morgan & Smircich, 1980). The former considers that knowledge is created through what the researcher observes and experiences. The latter concerns meanings of human experiences (Williamson, 2006). In this study, each participant has a unique lived experience. These experiences impact on their worldview. Therefore, knowledge will be created through the meaning given by the researcher to participants' views. This accounts for the study adhering to an interpretivist paradigm. In addition, the researcher's reflexive position will be considered in this section.

3.3.1. The Researcher's reflexive position

According to Ateljevic, Harris, Wilson, & Collins (2005) self-reflexivity encourages researchers to "*acknowledge themselves as living, breathing, embodied human beings, who bring their previous experiences and worldviews to their project*" (p.9). Acknowledging that the researcher is part of the study and influences the philosophical grounding of the research, it is important to have a personal reflection. This reflection will provide the reader with the opportunity to know who I am, my world view and its impact on the way the research was conducted. This study's methodological approach changed from the proposal that I submitted at inception. At the beginning of my doctoral work, I had sent in a proposal that had a positivist approach. The decision to do this was not based on my reflexive stance but my academic background and the tools I daily work with in my professional career. I have an academic background in economics and in my professional career, my job functions were closely linked to innovation, new products development, data management and analysis. I had therefore assumed that I was a positivist and tailored my methodology along this paradigm. In my initial proposal, I chose to use a quantitative method with questionnaires to gauge the impact of loyalty programmes on retention. However, on self-assessment and reflecting on my methods to problem solving in my career (in addition to tutorials on research philosophies), I recalled how my approach to work and daily living was always the desire to know and understand reasons why things were how they are. I love storytelling and comfortable with people bearing out their minds on circumstances. I believe that storytelling connects audiences resulting in memorable impact. I have always treated all individuals separate one from another. I have also held on to a stance at various stages of my life that 'not one size fits all'. With this settled in me, I went ahead to apply an interpretivist approach. I found out as I progressed, first with the pilot and later the main study, that I was 'in my zone'. The pilot study was conducted using in-depth semi structured interviews. The interviews were conducted with the aim of assessing interviewees' knowledge on the subject of loyalty programmes and if they benefitted same from their banks. While, I had limited time on the pilot, I knew I had not reached saturation point. I wanted to enquire more. Therefore, during the final study, I decided to use a two staged method. The first stage was a scoping study which entailed designing a questionnaire. The questionnaire's intent was to validate the answers received from the interviews in the second stage. This helped to shed light from the customers' perspective and brought about better insight. The interviews became more interesting. I felt comfortable giving power to the participant's voice and allowing them to freely express themselves during the interviews conducted. This helped to deepen my understanding of the participants' perspective. This situation made me realise that life's circumstances shape the lens through which we see and understand the world and ourselves. Also, it reaffirmed my belief that everyone has a perspective and no viewpoint is better than another.

Discussed below is the researcher's philosophical stance which played a major role in the type of data that were sourced and how they were analysed.

3.3.2. Ontology

This section addresses the epistemological question “What is the relationship between the inquirer and the known?” (Denzin & Lincoln, 2005, p.22). Epistemology considers what is regarded as relevant knowledge in a particular area of study (Bryman & Bell, 2011; Saunders, Lewis, & Thornhill, 2009). According to Tennis, 2008, epistemology in sum is, ‘the claim on what knowledge is valid in research on organizing knowledge, and therefore what constitutes acceptable sources of evidence (presenting that knowledge) and acceptable end results of knowledge (findings from knowledge organisation research). It allows us our insight and our blindness, and on a primary level cuts our research into what is acceptable and unacceptable’. This was buttressed by Benton and Craib (2011) who suggested that epistemology is an enquiry into the scope of human knowledge and it distinguishes knowledge from belief

The researcher has chosen to understand and explain how loyalty programmes can thrive and stay profitable in the banking industry in Nigeria subject to the customers’ adoption. The researcher believes that human knowledge results from day to day interaction and interpretation. While the positivist paradigm is objective and seeks to predict what happens in the social world by searching for causal relationships, the interpretivist paradigm does not seek an objective truth. Instead, it is premised on the assumption that “all versions of truth are shaped by the viewer’s perceptions and understanding of the world” (Roth & Mehta, 2002, p. 131). The researcher views this perception as an important element in human interaction. Hence, the researcher’s interpretivist stance. The value derivable from the bank-customer relationship is not entirely economic. The appropriateness of the interpretivist approach results from the behavioural aspect of the relationship. The perceived value in the exchange such as trust, commitment and communication resulting from the customer giving away a precious asset (money) to the bank to keep for them is important. This reality is subjective and varies from one customer to another. As a result of the varying realities, the interpretivist stance will assist the researcher to ‘know’ and ‘understand’ the basis for the attendant reinforcement or otherwise on the part of the bank and its customers.

According to Fitzsimons, Hutlhinson & Williams (2002), consumer choice is traditionally assumed to be a conscious deliberate process. Increasingly however, research has shown that a large part of consumer decision making occurs outside of conscious awareness or is influenced by factors unrecognized by the decision maker.

In the researcher's opinion, the factors that are necessary for a repeat purchase or continued patronage may not entirely be scientific but unconscious processes. As suggested by Kopalle & Neslin 2003, the key to successful loyalty programmes lie in retailers' ability to consider several factors. One of these include the long term orientation of loyalty programmes and their transformation of single purchases into multi period decisions

The goal for exploring the interpretivist paradigm is to 'know' and 'understand'. In order words, the intent is to understand what drives decision making of customers to patronize banks and their products based on available loyalty programmes. Secondly is to understand what will drive continuity of patronage. This enquiry is evidenced in the research questions. Cohen, Manion, & Morrison (2007) stated that the role of the scientist in the interpretivist paradigm is to, "understand, explain, and demystify social reality through the eyes of different participants. He further said that researchers in this paradigm seek to understand rather than explain.

3.3.3 Epistemology

Ontology is concerned with the nature of reality and what is out there to know (Sauders et al, 2012; Grix, 2010). Bryman & Bell (2011) submitted that there is a need to answer two important questions while employing any philosophical perspective. These questions bother on the premise that should social entities be viewed as objective realities existing without external interventions or social actors. On the other hand, should they be defined from the subjective actions of social interactions? Ritchie & Lewis (2003) also suggested key ontological positions by querying if social reality exists independently of human interpretation or just multiple context specific realities. The researcher believes that reality varies from one individual to another and that social actors may perceive issues, things and situations differently from one another. This accounts for the subjectivist point of view. To support this and in Rand's (1965) submission, 'subjectivism is the belief that reality is not a firm absolute, but a fluid, plastic, indeterminate realm which can be altered, in whole or in part, by the consciousness of the perceiver—i.e., by his feelings, wishes or whims. It is the doctrine which holds that man—an entity of a specific nature, dealing with a universe of a specific nature—can, somehow, live, act and achieve his goals apart from and/or in contradiction to the facts of reality'.

On this ontological spectrum, the researcher is influenced by his quest to understand decision making by social actors independent one from another. The researcher believes that reality is not a firm absolute but varies from one individual to another and that social actors perceive issues and events differently from one another. These decisions may be the result of their past experiences, their expectations or how they perceive things.

3.3.4. Axiology

Given the researcher's over sixteen years' experience in the Nigerian banking industry, the researcher holds some axiological values that might affect this research. The banking sector in Nigeria and indeed all over the world is a highly regulated. Therefore the organisational structure and processes of banks may affect this study. In research, consideration should be given to what we see as value. Questions such as 'why do we do what we do' and 'how come we do it' play an important role for research. Although Grix (2010) model did not consider axiology in its process flow (refer to Figure 2), axiology plays an important role because the researcher is part of what is being researched as social phenomena do not exist independent of their interpretation (Grix 2004). For this researcher, the value of his research is first the sense of equality and fairness for all. He expects that whatever is designed will be inclusive as possible. Secondly, the value is how his research impacts on practice.

3.3.5. Exploratory Interpretivism

Atieno (2009) submitted that if the purpose of a research is to learn from the participants in a setting or a process the way they experience it, and how they interpret what they experience, the researcher needs methods that will allow for discovery and do justice to their perceptions and the complexity of their interpretations. Hence explorative interpretivism will be adopted for the study. Explorative research involves researching on a topic 'in an early stage of exploration, with relatively few existing studies and results' (Munkvold & Bygstad, 2016).

While researches (as stated in literature review) has been done on loyalty programmes in various sectors, there exist limited work on loyalty programmes in banks.

3.4. METHODOLOGY

Based on previous submissions and considering that social actors differ, having varying perception on issues, the researcher is of the view that it was necessary to understand the views of each participant differently from another. Furthermore, the researcher sought to explore those features present both perceived and described that were identified from the review of the literature on loyalty programmes and tacit knowledge sharing. The previous chapter presented an extensive search of literature on customer loyalty programmes. However, to the best of the researcher's point of view, there is a dearth of literature on banks' loyalty programmes and its impact on customer retention. Hence, the study.

After probing other options, the researcher concluded that the qualitative approach will better serve the purpose. The researcher believes that reality vary from one actor to another. Ritchie and Lewis (2010) gave a simplified detail of the qualitative research from the stance of methodological perspective. They drew on the work of Immanuel Kant to acknowledge the researcher's abilities to interprete the phenomena being studied and to understand the social world surrounding them.

The table below gives a summary of the methodological stances associated with qualitative research (perspective of the researcher and researched, natures of the research design, data collected, analysis, interpretation and outputs).

Table 3.1: Methodological stances associated with qualitative research (Adapted from Ritchie and Lewis, 2010)

Perspective of the researcher and the researched
• Taking the 'emic' perspective i.e. the perspective of the people being studied by exploring their frames of meaning • Viewing social life in terms of processes rather than in static terms • Providing a holistic perspective within explained contexts • Sustaining empathetic neutrality whereby the researcher uses personal insight while taking a non-judgmental stance
Nature of research design
• Adopting a flexible research strategy • Conducting naturalistic inquiry in real-world rather than experimental or manipulated settings (using varying methods to capture naturally occurring or generated data)
Nature of data generation
• Main qualitative methods include: observation, in-depth individual interviews, focus groups, biographical methods such as life histories and narratives, and analysis of documents and texts
Nature of analysis/interpretation
• Based on methods of analysis and explanation building which reflects the complexity, detail and context of the data • Identifying emergent categories and theories from the data rather than imposing a priori categories and ideas • Respecting the uniqueness of each case as well as conducting cross- case analysis • Developing explanations at the level of meaning rather than cause
Nature of outputs
• Producing detailed descriptions and 'rounded understandings' which are based on, or offer an interpretation of, the perspectives of the participants

in the social setting

- Mapping meanings, processes and contexts
- Answering ‘what is’, ‘how’ and ‘why’ questions
- Considering of the influences and the researcher’s perspectives

The preceding sections provided the reader with information on the research philosophy and methodology. The succeeding section will give details of the design, area of study, population as well as give an understanding on how data was collected, the sampling techniques applied and analysis conducted. It will also consider the pilot study, the lessons learnt from it and how these lessons were applied and helped to develop the approach applied. Finally, it will detail the ethical issues of the research.

3.5. AREA OF STUDY.

Lagos state Nigeria was chosen as the location for the study. This was arrived at in part because it is the economic and financial capital of Nigeria (Aderogba, 2012). The state accounts for over 60% of industrial and commercial activities in the Nigeria and generates close to 80% of internal generated revenue, IGR (excluding Federal allocation to states by the Federal Government of Nigeria). The state has a population in excess of 17.5million residents, the highest in Nigeria with every ethnic nationality of the country ably represented there (World population review, 2019). In addition to this, all banks’ headquarters and a sizable number of their branches (and customers) are resident in Lagos.

Lagos State makes up the thirty-six states within the Federal Republic of Nigeria and is located in southern part of Nigeria. Specifically, the state is located at the south-western geopolitical of the country. The state share boundary with Republic of Benin in the West, in the northern boundary with Ogun State, and Atlantic Ocean in the South. It has a land area of about 3,577 Km^2, of which 22% are made up of lagoons and creeks. Lagos is often regarded the fastest growing city in Nigeria, sub-Saharan African, and African at large. The city is among the leading and fastest growing cities in the world.

3.5.1. Population

The population for the study was chosen from the following

1. Bank executives from five banks with pseudonyms ABZ Bank, DBA Bank, XYZ Bank, QPR Bank, and KLM Bank. These executives are those who are responsible with strategy formulation, execution and policies around loyalty programs. Their portfolios/ designations are:

S/N	BANK	DESIGNATION
1	ABZ Bank	1. Director, Retail Products and Channels 2. Chief Customer Engagement Officer
2	DBA Bank	1. Directorate Head, Retail Businesses 2. Executive, Strategy and Implementation
3	XYZ Bank	1. Director, Retail Banking 2. Zonal Director, Marketing
4	QPR Bank	1. Regional Director, Sales 2. Group Head, Retail Businesses
5	KLM Bank	1. Director, Regional Bank 2. Director, eChannels

2. Five customers of the banks stated above (one per bank). Below are their profiles

S/N	BANK	CUSTOMER PROFILE
1	ABZ Bank	*Customer A* has maintained an

		account relationship with the bank for over eight years and is a fashion designer.
2	DBA Bank	*Customer B* has maintained an account relationship with his bank for over ten years and a salary earner in a government establishment
3	XYZ Bank	*Customer C* is a self-employed individual and has maintained an account relationship with his bank for over three years
4	QPR Bank	*Customer D* is a sales director with a courier company and has maintained account relationship with his bank for five years
5	KLM Bank	*Customer E* is a retail store supervisor and has maintained account relationship with his bank for six years.

3.5.2. Brief Profile of Selected banks

This subsection presents a brief profile of the five banks selected for the survey. These are ABZ Bank, DBA Bank, XYZ Bank, QPR Bank, and KLM Bank. These are indigenous banks that offer generic services to customers. Excluded are banks that offer non interest banking products and services and foreign banks with offices in Nigeria. This decision was taken based on information that banks that offer non interest banking in Nigeria are adverse to profit and reward based programmes. Also, foreign banks with offices in Nigeria are excluded because of the peculiar nature of their practice which is determined and by their parent home headquarters. This development is responsible for their insignificant use of loyalty programmes. The indigenous banks (executives and customers) that participated in the study are those who positively responded to our request to conduct the study with their customers and bank executives. The profiles of the selected banks were taken from the official websites of the banks.

ABZ BANK

ABZ Bank commenced operations in January 2006 following the merger of nine Banks with competences in investment, corporate and retail banking. Today, the bank is one of Nigeria's leading retail banks with over 200 business offices spread across the 36 States and Federal Capital Territory. The bank claims to be the eight largest bank by business locations. The Bank offers wide-ranging financial services to individuals, businesses and the public sector of the nation's economy. As a further commitment to the growth of the nation's economy, Unity Bank focuses in particular on SMEs and Agribusinesses. The bank has also in recent times focused on youth banking gaining appreciable inroads into Nigeria's Universities and colleges of education and providing digital banking solutions to this demography. The bank is driven by the vision to be the retail bank of choice for all Nigerians and has continued to build relationships and alliances with key sectors of the economy that have served as strategic building blocks for the wellbeing, growth and development of the country.

QPR BANK

QPR Bank established in 1894, is the premier Bank in West Africa, Nigeria's number one bank brand and the leading financial services solutions provider in Nigeria. The Bank was founded by Sir Alfred Jones, a shipping magnate from Liverpool, England. With its head office originally in Liverpool, the Bank commenced business on a modest scale in Lagos, Nigeria under the name, Bank of British West Africa (BBWA) as earlier captured in the evolution of banking in Nigeria.

Building on of its solid foundation, the Bank has consistently broken new ground in the domestic financial sector for over a century and two decades. QPR Bank is present in the United Kingdom and France through its subsidiary, QPR Bank (UK) Limited with branches in

London and Paris with its Representative Office in Beijing. In October 2011, the Bank acquired a new subsidiary, Bandeb Credit, one of the leading banks in the Democratic Republic of Congo. In November 2013, QPR Bank acquired FGD in The Gambia, Sierra-Leone, Ghana and Guinea, and in 2014, the Bank acquired FGD in Senegal. These were major landmarks in its plan for growing its sub-Saharan African footprint and all the African subsidiaries now bear the QPR Bank brand.

Leveraging experience spanning over a century of dependable services, QPR Bank has continued to build relationships and alliances with key sectors of the economy that have served as strategic building blocks for the wellbeing, growth and development of the country. With its huge asset base and expansive branch network, as well as continuous re-invention, QPR Bank is one of Nigeria's strongest banking franchise, maintaining market leadership on some fronts in the nation's financial services industry.

XYZ BANK

XYZ Bank is a full service banking group, headquartered in Lagos, Nigeria, with the vision 'to be the premier financial services group of African origin'.

From its early origins in investment banking as XY Hub Limited in 1977, XYZ Bank, established in 1982, has emerged as one of the leading financial services institutions in Nigeria and one of the top eight lenders in the country with subsidiaries that are market leaders in their respective segments. XYZ Bank was incorporated as a private limited liability company on 20 April 1982 and granted a banking license on 11 August 1983. On 15 July 2004, the Bank changed its status from a private limited liability company to a public limited liability company and was listed on the Nigerian Stock Exchange, by introduction, on 21 December 2004. As at December 2013, XYZ Bank had 2 million customers, N1 trillion in assets, over 270 branches in Nigeria and a licensed banking subsidiary in the United Kingdom (XYZ UK) and a representative office in the Republic of South Africa.

Having successfully transformed to a retail and commercial banking-led group, the Bank expects to continue to distinguish itself by delivering exceptional service and taking its unique brand of supportive banking to every household in Nigeria.

DBA BANK

BBA Bank claims to be the pioneer of Africa's first fully digital bank KIPAT and one of Nigeria's most resilient banks. With over 73 years in the business of banking, the bank has remained innovative in delivering value to its stakeholders. The publicly quoted Nigerian company has successfully built a legacy of trust and resilience that has won it the loyalty of its customers. The Bank is constantly introducing products and services tailored to the needs of its customers at every stage of their lives. It is a proud partner to more than one million individuals, families and businesses across Nigeria, helping them achieve their personal and financial goals. Widely reputed as the longest surviving and most resilient indigenous bank in Nigeria, DBA Bank has over the years, diligently offered a fully-fledged range of value-adding banking and financial advisory services to the Nigerian public.

Incorporated in 1945 as a Private Limited Liability Company (under the old name of Agbon-Dante Bank Limited) and commencing banking operations in Nigeria the same year, DBA Bank later transformed into a Public Limited Company (PLC) in April 1987 and was listed on the floor of the Nigerian Stock Exchange (NSE) in January 1990. On February 5, 2001, DBA Bank was granted a universal banking license by the Central Bank of Nigeria (CBN), thus allowing the Bank provide the Nigerian public with diverse financial and business advisory services.

However, in 2009, the Bank underwent a strategic repositioning exercise spearheaded by a new management team that has seen its profile rise considerably which finally culminated into its taking a sound strategic decision to operate as a commercial Bank with regional Scope in South-South Nigeria, South-West Nigeria, Lagos and Abuja in 2011. In 2015, the bank returned to being a national bank.

KLM BANK

KLM Bank has more than 65 years of providing uninterrupted banking operations dating back to 1948 when the British and French Bank Limited ("BFB") commenced business in Nigeria. BFB was a subsidiary of Banque Nationale de Crédit (BNCI), Paris, which transformed its

London branch into a separate subsidiary called the British and French Bank, with shares held by Banque Nationale de Crédit and two British investment firms, S.G. Warburg and Company and Robert Benson and Company. A year later, BFB opened its offices in Nigeria to break the monopoly of the two existing British owned banks in Nigeria then.

Following Nigeria's independence from Britain, KLM Bank was incorporated on 23, February 1961 to take over the business of BFB. KLM Bank eventually listed its shares on the Nigerian Stock Exchange (NSE), in 1970 and became the first Nigerian bank to subsequently undertake an Initial Public Offering (IPO). The bank became the first sub-Saharan bank to take its banking business to North America when it opened its New York Office (USA) in 1984 to offer banking services to Africans in diaspora.

Presently, KLM Bank emerged from the merger of then dynamic and fast growing Stanpinod Trit Bank, incorporated in 1990 and KLM Bank, one of the biggest and oldest banks in Nigeria. The merger was consummated on August 1, 2005, one of the biggest mergers done on the Nigerian Stock Exchange (NSE). Following the merger, KLM Bank subsequently went ahead to acquire Pinoid Bank in the same year, further expanding the KLM brand. The bank subsequently acquired Panoik Bank in 2006 which was under liquidation by the Central Bank of Nigeria (CBN). It had another successful combined public offering and rights issue in 2007 and made further banking acquisitions of three liquidated banks namely: Express Bank, Metro bank, and Afro Bank. The bank also acquired Afrinoid UK, rebranding it as KLM Capital, UK. The quest to build a strong domestic and African brand intensified in 2008 when KLM Bank made further acquisitions of two liquidated banks, Tenos Bank and Rivera Bank while at the same time intensifying its African footprint with the establishment of KLM Bank Cameroon, KLM Bank Cote d'Ivoire, KLM Bank Uganda, KLM Bank Sierra Leone, and KLM Bank Liberia as well as the acquisition of a 51% interest in Bandev Internationale du Burkina Faso, which was the largest bank in the country with 40% market share. Currently, KLM Bank has 18 African subsidiaries contributing about 20% of the Group's balance sheet with a target of contributing 50%.

Now fully positioned as a pan-African bank, the KLM Group is firmly in the forefront of driving the renaissance of the African economy and is well positioned as a one-stop financial services institution, with growing

3.6. RESEARCH DESIGN

Research design is regarded as the overall strategy employed by the researcher in the process of data gathering whether qualitative or quantitative data (Creswell, 2014). There are several types of research design available to the researcher. This includes but not limited to descriptive research design, exploratory research design among others. For the purpose of this study, the researcher employed the descriptive research design. According to Saunders et al (2009), descriptive research design helps the researcher to describe the research phenomenon and allow the creation of grounded theories. The researcher employed descriptive research method based on its numerous advantages. This method is appropriate because it helps to describe, examine, record, analyze and interpret the variables that exist in the study. The choice of this descriptive survey design also provides a multiplicity of responses, opinions, norms, attitudes and beliefs on the subject matter, which was helpful in the generalization of findings. Descriptive research design allow the researcher to employ various statistical techniques to analyse data collected.

Various works on loyalty programmes carried out by researchers have employed both qualitative (Hendler and Latour, 2008; Ganiyu, Uche and Adeoti, 2012) and quantitative (Bowen and Mcain, 2005; Saili, Mingli and Zhichao, 2012; Lijia and Chen, 2014, Sandada and Malibiri, 2015) methods. Most studies employed quantitative methods. This stems from the suggestion that traditional consumer decision making is rational (Simon, 1979; Edward, 1954). However, growing evidences submits irrationality i.e. consumer decision making does not always follow rules and may have elements of unpredictability. According to Rand (1965), reality is not a firm absolute, but a fluid plastic indeterminate realm which can be altered in whole or in part by the consciousness of the perceiver. Also, the decision to use qualitative method is based on the submission that the nature of reality as seen by various people are interpreted differently leaving multiple perspectives of an incidence (cited in Mark, 2010). In effect, the research will take a subjective and interpretivist stand.

3.7. DATA COLLECTION

As noted earlier, exploratory interpretivist philosophical world view was employed with the research data collection and analysis was a two-staged analysis. The quantitative data collected through questionnaires with the aid of scales from empirical studies enabled the preparation of interview questions used for the qualitative data collection and analysis. The implication is that the study collected two set of data using two different instruments – questionnaire and semi structured interview.

Stage 1 was a scoping study. This was in part necessary because the area of study (loyalty programmes in Nigerian banks) was a relatively new study. Generally, scoping studies '*aim to map rapidly the key concepts underpinning a research area and the main sources and types of evidence available, and can be undertaken as standalone projects in their own right, especially where an area is complex or has not been reviewed comprehensively before'* (Mays et al. 2001, p194). They are also useful for examining emerging evidence when it is still unclear what other, more specific questions can be posed and valuably addressed by a more precise systematic review (Armstrong et al, 2011; Anderson, et al, 2008; Arksey & O'Malley, 2005).

Therefore the scoping study was carried out to do the following

1. To identify the types of available evidence about loyalty programmes in banks.
2. To clarify key concepts/ definitions in the literature
3. To identify key characteristics or factors related to the concepts in literature
4. To identify and analyse knowledge gaps.

In addition to this, it enabled the researcher know when saturation has been reached during Stage 2. The data collected and analysed from the questionnaire informed the preparation of interview questions and its analysis based on already established themes in Stage 2.

3.7.1. Stage 1: Quantitative data collection

For this purpose, the researcher employed probability sampling technique to achieve the objective. This quantitative method was important to inform the qualitative method. The survey was necessary in order to design the interview questions in Stage 2. The sampling technique was employed in multistages to collect relevant quantitative data from the bank customers on the effect of loyalty programmes on bank customer satisfaction, retention, loyalty, and bank profitability.

As noted by Alvi (2016), multistage sampling is used when the population does not have homogenous characteristics and are spread across wide regions.

To collect relevant quantitative data for the analysis, questionnaire instrument was employed in the data generating process. Relevant data as they relate to the role of banking operation, smart banking and customer loyalty programmes (point based) on customer satisfaction, retention and loyalty were gathered. This became necessary in order for the researcher to understand if there were other factors that impact of retention apart from loyalty programmes. In addition to this, the researcher collected data based on scales from empirical literature.

A questionnaire is research instrument employed when the respondents are expected to respond to some sets of questions in a predetermined order. It includes "structured interview questions and telephone questionnaire as well as those in which respondents are communicated with without an interviewer being present. An example is the online questionnaire (Creswell, 2014). As noted by Saunders et al (2009) there are several kinds of questionnaires with regards to how the questionnaire is administered (e.g taking into consideration the frequency of contact the researcher has with the respondents). They may be self-administered and completed by the survey participants. This kind of questionnaire can be administered either electronically (e-mail and survey monkey) using internet service, posted to respondents to complete and return after the completion of the questionnaire or where the researcher delivers the questionnaire by hand to the respondents and subsequently retrieve the questionnaire after it must have been completed by the respondents (Saunders et al, 2009).

According Creswell (2014), the advantages of questionnaire lies in its ability to afford the researcher the opportunity of getting data in a form that provides a neatly categorized expression of variables that would facilitate logical analysis. Questionnaire advantages also lie in its ability to develop scales based on the findings of other researchers which are either validated or invalidated by the researcher. The use of questionnaire for this study is justified on the grounds that it subjects survey participants to the same type of answers and as such makes it possible to observe a trend.

However, the argument against the questionnaire is the fact that it might pose some confusing questions that appear difficult and challenging for the respondents to assimilate and interpret thereby leading to misinterpretation. In response to this critic, the researcher subjected the questionnaire to content validation by forwarding a copy of the questionnaire to his supervisor who made necessary corrections before the researcher proceeded to the field for data collection. In addition to this, the questionnaire instrument is criticized on the ground that respondents can answer superficially especially if the questionnaire is too long. In order to mitigate this, the researcher minimized the number of questions.

The language of the instrument used was the English language. An ordinal scale was used for the measurement on the questionnaire. The researcher's decision to adopt the scale was due to its suitability and his concern with ranking variables derived from the literatures reviewed and practice experience in terms of quality and not quantity. The advantage of using ordinal measurement is its ease of collation and categorization. According to Wu & Leung (2017), they are suitable for surveys and questionnaires because they can easily categorise. Another advantage is its ease of conversion to statistics (questions asked without provision of variables may lead to answers being diverse and difficulty in converting to statistics). Also, collected responses are easily compared to draw impactful conclusions about the target audience. The questionnaire was divided into two major sections A and B. Section A provided the demographic information as it relates to the respondents while section B dealt with three categories of issues. These included whether banking operations (quality of services and products/ services offered), smart banking instruments (availability of various payment and transaction option), and customer loyalty programmes impacts on customer satisfaction, customer retention, and customer loyalty (refer to research instruments in Appendix B, pp136 - 240)

Step 1

Commercial bank customers in Lagos are spread across different local governments and five administrative block. To achieve the objectives of the study, the researcher employed stratified sampling technique to group Lagos into the five major administrative block where the researcher randomly selected two of the five administrative blocks (Lagos Island and Lagos mainland). Consideration was then given to the nature of the population involved allowing the researcher to further select two local government from the eight local governments in the two administrative blocks chosen earlier.

Step 2

After selection of Apapa (from Lagos Island) and Surulere from (Lagos mainland), the researcher listed all the branches of the approved banks (those banks that granted the researcher the opportunity to sample its executives and customers) within the two local government areas. This was to ensure that customers of each of the commercial banks in the selected local government areas were properly represented.

Step 3

The researcher employed a simple random technique to select five banks from the commercial banks listed in the two local government selected earlier. These banks were those that gave approval for the researcher to engage its executives and customers.

Step 4

At this step, the researcher employed a systematic random sampling technique to select 36 customers from each of the banks selected earlier in step 3 of the sampling.

Alvi (2016) maintained that in systematic sampling, the respondents are given equal opportunity of being included in the sample by employing an interval technique. This interval technique allow respondents at different intervals to be included in the survey. This is different from the simple random sampling technique in that it is not representative of all the elements in the survey. In this example, elements are selected at regular intervals based on the researcher criteria. A common criterion often employed according to Bryman (2012) is to divide the total population by the sample size and use the figure as the interval of choosing participants in the survey. For instance, if the sample size is 1000 customers and the sample size is 100, then the interval (i) will be calculated as the ratio of 1000 to 100, that is, 1000/100 which equals 10. As such, the first survey participant will be chosen and the next participant will be the 11th customer. With reference to this and the realization that the researcher does not have access to the data of customers of the commercial banks within the sampled area, the study employed five as the interval in selecting the respondents. 36 customers were selected from each of the selected banks in the multistage sampling techniques. To achieve randomness, the researcher distributed questionnaires based on the criteria explained earlier. This was done at each of the banks premises. After first random selection, the researcher selected every 5th customer that came into the bank's premises and included same in the survey. Some customers declined to participate in the survey. For those who were unwilling to take part, the researcher waited for the next 5th customer to be included in the sample. This same process was carried out in all the bank branches selected for sampling. A total of 180 customers were sampled by the researcher. The choice of 180 respondents was informed by the need to have a manageable sample. Interestingly, Bryman (2012) maintained that a sample of 100 and above is suitable and representative of any population that is higher than 2.5 million people. The argument in this stems from the submission that 100 samples and above are assumed random enough to give the researcher an overview of the nature and behaviour of a population.

3.7.2. Stage 2: Qualitative data collection

The qualitative data employed the interview research instrument. Semi structured interview was used for collecting relevant qualitative data. This choice is chosen in preference to structured and unstructured interview modes of data collection. Structured interviews may be rigid and have no scope for follow up questions to responses that warrant further elaboration because the respondents can only choose from a set of alternatives given (Gill, Stewart, Treasure & Chadwick, 2008). As a result of this, there is the possibility of data bias because the researcher takes an active role in question design with no flexibility for interviewee's opinion.

With regards to unstructured interviews, the interviewees' perspectives are placed ahead of all else and the researcher must be able to develop, adapt and generate follow up questions which should reflect the central purpose of the research (Greene, 1998). This interview type is time consuming and there is a possibility of derailment from the central purpose due to the unstructured nature of the interview.

Kvale & Brinkman (2009) submitted that the semi structured interview is a very effective qualitative data collection. While this may be debatable, they noted that it has its basis in human conversation. With semi structured interview, researchers are able to modify how questions are ordered. This is so because the researcher is concerned with seeing the world through the eyes of interviewees, who in turn are able to respond in comfortable manner. Schank (1990) also argued that humans are comfortable with processing information as stories rather than rigid list.

An argument against interview is that the researcher formulates questions without due consideration to the extent the question formulated are relevant to the issue under discussion (Creswell, 2014). To mitigate the effect of formulating questions that are not relevant to the study, the researcher relied on the findings from the quantitative data collected through the use of questionnaire in developing the interview questions. The main goal of purposive sampling is to select certain units or cases of a population based on specific purpose (Teddlie & Yu, 2007). This sampling type is chosen over convenience sampling. This is due in part to the fact that in convenience sampling, researcher selects and makes use of respondents that are readily available which may result in participation not being equal (Landers & Behrend, 2015). While in purposive Sampling, selection is based on the purpose of research. It is expected that there will be rich contribution from these participants based on their level of knowledge and expertise. This sampling method does not lead to underrepresentation of the sample which may arise from working with only available and accessible respondents (Kandola et.al, 2014). Also, it allows the researcher to identify and select individuals or groups that are knowledgeable or well in informed about a subject matter (Etikan, Musa & Alkassim, 2016).

For the qualitative data, the researcher employed a non-probability sampling method to interview two sets of respondents. These sets of respondents are looked at in the sub sections below.

The researcher developed a 26-item questions, on the variables under study (loyalty schemes, indices of customer satisfaction and retention). Fourteen (14) of the questions were for the customers while twelve (12) were for the bank executives. There was an amendment in the questions used for the pilot study as they did not entirely link with the research questions. The topic guide was sent to the participants via mail ahead of time to enable them prepare and communicate their reservations, if any. The questions were also grouped under themes. Below is the topic guide used for the interview.

Table 3.2: Topic guide for interviews of bank executives and customers

TOPIC GUIDE FOR CUSTOMERS	TOPIC GUIDE FOR BANK EXECUTIVES
<u>Context Introduction</u> 1. Could you please introduce yourself and your experience with banking operation in Nigeria? 2. How long have you been a customer with your bank? 3. Are you satisfied with the product offerings made available to you by your bank? **<u>Competitors</u>** 4. Do you have other banks that you patronize? 5. If answer to (4) is ‘yes’, which one is your primary bank and why is it so? 6. If answer to (4) is ‘no’, kindly explain why? 7. Do you know what customer loyalty programs are? 8. Briefly tell us the customer loyalty program in your bank known to and benefited by you?	**<u>Introduction</u>** 1. Could you please introduce yourself and your experience with banking operation in Nigeria? 2. Do you have measures for customer loyalty? 3. Conservatively, what percentage of your customers use your bank as their primary bank? **<u>Segmentation</u>** 4. Could you briefly tell us about the customer loyalty programs in your bank? If any 5. What category of customers benefit from the loyalty programs and why? **<u>Satisfaction</u>** 6. Would you say the customer loyalty program have impact on

Loyalty 9. Would you say the customer loyalty programs have impact on your satisfaction and patronage? Please, give reason(s) for your answer? 10. Do you find customer loyalty programs useful or annoying to you? 11. Do customer loyalty programs play a major role in your patronage of your bank? 12. Do you have friends, relatives or colleagues who are loyal to the bank? In your perception, why is this so (either in the affirmative or otherwise)? **Recommendation** 13. Are you likely to recommend your bank to your friends, family members or colleagues? 14. Do you have any modifications, verifications or additions on the above questions?	banks' customer satisfaction? Please, give reason(s) for your answer? **Retention** 7. What does customer retention mean to you? 8. To what extent would you say that your bank's customer loyalty programs impact on customer retention? Explain. 9. Do you have measures for customer retention? Explain. **Finance** 10. Would you say that your bank's customer loyalty programs impact on its revenue? How? **Recommendation** 11. What are the challenges of customers' loyalty programs? 12. Do you have any modification, verification or addition on the above questions?

3.7.3. The bank executives

Ten bank executives were selected from across five banks. These are the subject matter experts on loyalty programmes. They were senior executives of the selected banks who are responsible for formulating strategies and processes for various schemes, products and processes.

3.7.4. Bank Customers

Five bank customers were selected for the interview. This selection refers to individuals who are 'beneficiaries' of (or are entitled) to loyalty programmes. Furthermore, other criteria include that these customers had at least five years of banking relationship with their banks, must have minimum of a bachelor's degree and must be Nigerians.

3.7.5. Permission from banks

Request letters were sent to thirteen banks by the researcher. This was meant to seek their permission to allow the researcher interview their executives and customers. Formal approvals were granted by five banks. The researcher made effort to inform the survey participants that with their permission the researcher will record the interview and subsequently transcribe the interview verbatim. Stern et al (2014) noted that recording of interview might prompt some survey participants to excuse themselves from an interview, and as such, the researcher must ensure that the purpose of the study is explained to the respondents. In addition to recording the conversation, the researcher also took anecdotal notes while the interview is ongoing. The approach to the interview was to get the bank executives to share their experiences in relation to the role of customer loyalty programmes on customer satisfaction and retention as well as to the extent the programmes have impacted on the banks' profitability considering the huge investments made by the bank on the programmes.

3.8. THE PILOT STUDY

A pilot study was conducted prior to the final study. A period of three months covered the pilot process (from writing to and getting permission from the bank used for the study to submission of provisional findings). Request letters were sent to three banks for this purpose. However, only one bank responded after six week, agreeing to allow the researcher conduct the pilot with its customers and executives. The choice of initial banks were the indigenous ones that offer generic services to customers. Consideration was not given to banks that offer non-interest banking products and services and foreign banks with offices in Nigeria. This decision was taken based on information that banks that offer non interest banking in Nigeria are adverse to profit and reward based programmes. Also, foreign banks with offices in Nigeria were excluded because of the peculiar nature of their practice, which is determined by their parent home headquarters. This development was responsible for their insignificant use of loyalty programmes. The indigenous bank that agreed was ENU Bank.

ENU Bank claims that their customers are their number one priority and they value their feedback and ideas. The bank is a full service national commercial bank in Nigeria. In over fifty years of operations, the bank has evolved from a pre-eminent investment banking institution to a fully-fledged commercial bank (information extracted from the bank's website).

Information about participants

1. Bank executives
    a. Participants: 5
    b. Average age:45 years old
    c. Average length of employment: 15 years
    d. Designations: Vice president, Head of marketing, Head of risk management, Manager Customer engagement and head of retail banking
2. Customers
    a. Participants: 4
    b. Average age: 30
    c. Average length of relationship with bank: 5
    d. Profession: Nurse, civil servant, retail chain store owner and lawyer.

The researcher sought **c**onsent of the bank to use her name, her officials and customers for the study. The pilot study was a qualitative study. The instrument was a semi structured interview. Kvale and Brinkman (2009) submits that the semi structured interview is a very effective qualitative data collection by noting that it has its basis in human conversation.

With semi structured interview, researchers are able to modify how questions are ordered. This is so because the researcher is concerned with seeing the world through the eyes of interviewees, who in turn are able to respond in comfortable manner.

Interview protocol was observed and interview guides were sent to the participants. This included and covered the purpose of the study, questions to be asked, time frame expected to be spent on the interview and rules guiding the interview. These were made available to participants by mail ahead of the interview time.

For the customers, the bank assisted the researcher in this regard. The researcher informed the bank of the selection criteria for getting suitable respondents from the bank customers.

The selection criterion was that selected customers must have a minimum banking relationship of three years and must have kept a regular account with the bank for this time duration. The reason for this was to establish stability and active (not dormant) accounts.

To ensure the credibility of data collected on the part of the bank executives, selection included strategic decision making executives of the bank only. This was in addition to their level of experience, authority and strategic decision making in the bank.

Customers were selected across the different industries/categories where they function. This was done to ensure that the study sample was a good representation of the study sample frame and provide opportunities for different views on the subject.

The customers and bank executives were interviewed in order for the researcher to compare the similarities and differences in the views expressed by these two categories of participants on the study topic.

Questions were developed for customers and bank officials to probe loyalty programmes on customers' retention. These questions were derived from the research questions and literatures reviewed.

For the customers, the researcher examined the reason for their choice of bank and knowledge on loyalty programmes and the type(s) available at the bank. The essence of this was to know if customers have benefitted from and were satisfied with these programmes, hence continuity with the bank.

For the bank executives, the researcher made enquiries about their professional journey in the banking industry and the practice of customers' loyalty programme and the type (s) in their bank. The essence of this was to know how long and if possible the factors that informed the use of loyalty programmes as an avenue to retention in their bank.

Customers' interview questions

1. How long have you been banking with ENU Bank and is it your primary bank?
2. Are you aware of any customer loyalty programme done by your bank? If yes, tell me about it.
3. Could you briefly tell us the customer loyalty programme in the bank?
4. Would you describe the customer loyalty programme of your banks as satisfactory?
5. What is the impact of customer loyalty programme on customer retention?

Bank executives interview questions

1. Could you briefly tell us the customer loyalty programme in the bank?
2. Would you describe the customer loyalty programme of your banks as satisfactory**?**
3. What is the impact of customer loyalty programme on customer retention?
4. Do you have any modifications, verifications or additions on the above questions?

The study did not manipulate or control variables in the study. It only sought opinions on loyalty programme, and its implications for customers' satisfaction and retention in the Nigerian banking industry.

Data were collected both by face-to-face and telephone. All customers were interviewed face-to-face. However, because of the busy schedule of the executives, three of them were interviewed face-to-face and two had their interviews conducted on the phone. The average length of face-to-face interview was fifty minutes while those conducted on the phone was thirty five minutes. The interviews were recorded on the phone using the phone recording device. The data collected were then analysed following Brawn & Clarke (2006) thematic analysis.

Summary of the provisional findings showed the following

1. The study established that security and service delivery are the main reasons why customers choose a particular bank.
2. The study established that customers knowledge on loyalty programmes is not detailed enough for them to ascertain the significance of the programme
3. Customer loyalty programmes are not for customer satisfaction or the only factor responsible for their retention.

3.9. METHOD OF DATA ANALYSIS

Data analysis is a process where raw data generated are processed to allow useful pieces of information to be derived from them (Grbich, 2013). The data were analysed in two stages. First, the data from the questionnaires administered to the customers. This was followed by those gathered from the interviews with the bank executives and knowledgeable customers. The data collected from the questionnaire informed the questions developed for the interviews. The researcher was interested in interpreting, describing, and explaining how loyalty programmes employed by Nigeria's commercial banks impact upon their customers' retention. However, without knowing "*what is happening",* describing and explaining "*how it is happening"* may be an uphill task. Therefore the descriptive statistics in *Stage 1* was primarily concerned with finding out "what is happening". This includes but not limited to the banking operations, the types of reward programmes used by banks, quality of service, security of transactions etc. This stage basically described the data as they are. The interviews conducted in *Stage 2* were concerned about *"how it is happening".*

The succeeding sub sections gives a description on how the data were analysed.

3.9.1. Quantitative data Analysis

To analyse the quantitative data gathered using questionnaire, the researcher relied on descriptive statistics of means, percentages, and frequencies. As noted by Creswell (2014), in social science and business management research, researcher mostly relies on descriptive statistics and frequency distribution to analyse the data collected mostly from the use of questionnaire.

3.9.2. Qualitative data Analysis

For the qualitative data analysis, the approach that was engaged is inductive in nature (the primary purpose of inductive approach is to allow research findings emerge from the frequent dominant or significant themes inherent in raw data without the restraints imposed by structured methodologies (Thomas, 2006).

Thematic analysis was used to analyse the data. According to Braun & Clarke (2006), thematic analysis helps to identify, organize and offer insight into patterns of themes across data sets. The qualitative data analysis followed Braun & Clarke (2006) six phase approach to thematic analysis. This is explained below.

Phase 1: Familiarisation with data

At this phase of the analysis, the researcher immersed himself in the data by carrying out the following actions.

Listening to the recording

The data for the interviews were collected using a digital recording device. The recordings were listened to twice to get a better understanding of the respondents' stance. It helped the researcher to understand the participants' language better and interpreted their views when they referred to similar elements but changed their words slightly

Transcribing the interview

The interviews were afterwards transcribed verbatim as spoken by the participants. The researcher made sure to write down and include every statement made by the participants including exclamations. Afterwards the transcribed interviews were typed out properly and neatly and read by the researcher again. Afterwards, the researcher sent out the typed out interviews and sent them to some of the participants to see if they had views that were contrary to the recordings. All the participants were satisfied with the transcript. However, one of the participants asked why the transcripts were verbatim and not modified. The researcher explained that every item in the conversation had to be given consideration to in order not to lose the intent or points and issues raised during the conversation. Afterwards the researcher made notes on the data as he read through to highlight items that were potentially of interest According to Braun & Clarke (2006), note taking helps the researcher to see the data in what is read and goes beyond the surface meaning into a critical and analytical state of making sense of the data.

Phase 2: Generating initial codes

In this phase, the researcher organized the data in a meaningful way. The advantage of coding is its ability to reduce lots of data into small bits of meaning. We were concerned with addressing specific research questions and analysed the data with this in mind. As a result, the researcher coded each segment of data that was relevant to or captured something interesting about the research question. This included but not limited to coding every segment of text that was relevant to the research questions.

Phase 3: Searching for themes

A theme is a pattern that captures something significant or interesting about the data and/or research question (Braun & Clarke, 2006). Themes are characterised by their significance. The NVivo software was used for the management of the data.

In this case, the researcher examined the codes and some of them clearly fitted together into a theme. For example, there were several codes that related to loyalty programmes. Some others were related to retention, satisfaction profitability and measure of loyalty programmes. These codes had been organised into broader themes that showed relationship with the research questions. This was thoroughly reviewed by the researcher to allow the emergence from data some categories or themes that were distinct in character (Thomas, 2006; Johnson, Onwuegbuzie, and Turner, 2007). Therefore, from an initial sixteen apriori themes, five themes were generated.

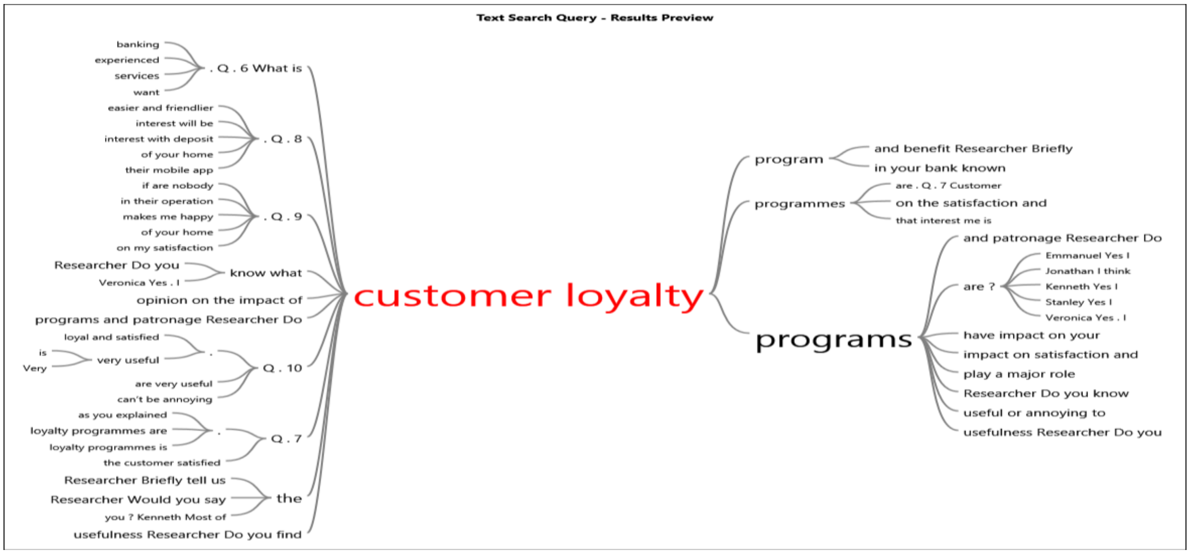


Figure 3.2: Customer Text search query

Phase 4: Reviewing potential themes

At this phase, the researcher reviewed the generated themes and compared them with the coded data. This exercise enabled the researcher to do a quality check and confirm whether the theme supported the data. Also, it allowed a check to confirm the suitability of the themes in the context of the entire data set. The researcher considered how the themes worked both within a single interview and across all the interviews.

According to Braun & Clarke (2006), themes should be coherent and distinct one from another. Things considered include the following:

- Do the themes make sense?
- Does the data support the themes?
- If themes overlap, are they really separate themes?
- Are there themes within themes (subthemes)?
- Are there other themes within the data?

For example, the researcher concluded that two of the initial themes *customer loyalty programmes* and *measure of loyalty programmes' impact* worked better as one theme titled *retaining customers.* At the end of this phase, the themes were collapsed into three broad themes from the initial five that were generated based on similarities and differences noticed.

Phase 5: Defining and naming themes

This phase refines the themes. The purpose of this exercise is to *'…identify the 'essence' of what each theme is about.'*(Braun & Clarke, 2006, p.92). the question that comes to mind here is *what can we interpret from the final themes and how do they sub themes relate to them.*

Phase 6: Producing the report

This is the final stage. Here the researcher used the themes generated to analyse the research questions and come up with findings and recommendation with regards to the research on the impact of loyalty programmes on customer retention in the Nigerian banking industry.

3.10. STRENGTHS AND LIMITATIONS OF THE RESEARCH.

The strength of the research lied in its ability to develop a deep understanding of social actors as it relates to loyalty programmes in banks and their intent to continue or discontinue patronage with those banks. The qualitative approach allowed the researcher to be involved and committed to the discussions. The more the participants answered the questions, the freer they became to express themselves without inhibitions.

However, it is also important to note that the qualitative method used is not without its limitations. Because the interviews were semi structured in nature, some of the participants drifted away from the questions thereby making the sessions longer and draggy. This however became an advantage because it gave some flexibility and openness to the sessions. Also, the pilot study served as a source of learning due to the time constraint experienced during this stage of the study. A maximum of three months was required for the pilot. However eight weeks out of the twelve weeks required were spent trying to get approval from the banks and convincing customers to participate in the study. Although letters were written to the banks and follow up done via electronic mails and telephone calls, the response was delayed. This may have been due in part to the bank's policy on allowing studies to be conducted on them. It may have also been as a result of not getting the approving authority's nod on time.

Also, the first set of customers advised to partake in the study declined to participate. It took the bank an additional time to advice on new set of customers. Also, the result of the pilot study that suggested that loyalty programmes do not necessary impact on customer retention influenced the design and the theoretical underpinning of the final study. First, the researcher had to consider the rewards and cost to both parties in this exchange, hence the social exchange theory. Secondly, and in order to probe further, a two staged study was used in the final study. The first was a scoping study, the result of which informed the second stage
Also, going into the final study and in order to mitigate these challenges, the researcher did not send request letters by courier to the bank nor did he send electronic mails. He visited the banks with the letters and met with the approving authorities in the banks.

3.11. VALIDATION OF THE INSTRUMENT

In order to ascertain the validity of the instruments, a pilot study was conducted. Pilot studies are trial versions of a research which are carried out to test the feasibility of a major work (Polit, Beck and Hungler, 2001). It allows the researcher to test instruments needed for a research (Baker, 1994). Pilot studies allow the researcher to see the shortcomings that may arise in the final work by demystifying the various protocols that may arise in the main research by telling whether the adopted instruments are appropriate/ inappropriate. It also helps to unravel the complexity of the work.

The bank customers and bank officials were interviewed in order for the researcher to be able to compare the similarities and differences in the views expressed by these two categories of interviewees on the topic. These questions were developed for customers and bank officials to probe loyalty programmes on customers' retention.

For the customers, six questions were developed. The researcher examined the reason for the customers' choice of bank, knowledge of customers on loyalty programmes, the type(s) of loyalty programmes available at the customer's bank. The essence of this was to know if customers have benefitted from and are satisfied with these programmes, hence continuity with the bank.

For the bank officials, four questions were developed. The researcher queried their years of work experience in the banking industry, made enquiry about the history of the practice of customers' loyalty programme and the type (s) of customers' loyalty programmes as practiced by the selected bank.

3.12. ETHICAL CONSIDERATIONS

Throughout the research, the researcher complied with the university's code of practice on research integrity. In addition, the researcher applied the three basic principles of House (1990) when considering ethics:

- *Mutual Respect* – understanding others' aims and interests, not damaging self-esteem, not condescending.
- *Noncoercion or nonmanipulation* – not using force or threats or leading others to co-operate when it is against their interests.
- *Support for democratic values and institutions* – commitment to equality and liberty, working against oppression and subjugation.

These principles concur with the views expressed by Sieber (1992) who suggests her core principles when considering ethics should include:

- *Beneficence* – maximising good outcomes for science, humanity, and the individual research participants while avoiding or minimising unnecessary harm, risk or wrong.
- *Respect* – protecting the autonomy of (autonomous) persons, with courtesy and respect for individuals as persons. Including those who are not autonomous (e.g. infants, mentally ill, senile persons).
- *Justice* – ensuring reasonable, non-exploitative and carefully considered procedures and their fair administration; fair distribution of cost and benefits among persons and groups (those who bear the risk of research should be those who benefit from it).

In this study, the principles suggested by House and Sieber have been fundamental to the research interview approach. The research sample comprised Bank executives saddled with the responsibility of giving strategic direction to the bank as well as bank customers. Also, in considering the principles to be applied as detailed above, the following approach was practiced.

3.12.1. Mutual Respect/Consent

A request letter was sent to the head offices of the study locations to seek approval for conducting the study. Also, the interviewees consent were sought. The language of the instrument shall be in simple English language and no participants was deceived or coerced to participate in the study. In addition to this, participants were informed about all aspects of the research project that might influence their decision to participate. This included the following:

1. The title of the study
2. Purpose of the study
3. A description of the procedures, purpose, length of time required and how participants will be involved
4. Full explanation of any technical terms used
5. Others as deemed fit

Each participant was offered the opportunity, at the beginning of the recorded interviews to withdraw from the process at any stage if they considered the approach being taken compromised their values, professionalism, integrity or placed them in a position of concern in their current or future careers.

3.12.2. Noncoercion or Nonmanipulation/Justice

The interviews were conducted in a relaxed atmosphere. All interviews were held with only the interviewee and the interviewer present and the approach was relaxed without any stress or uncomfortable questioning of approach. The questions for the semi-structured interviews were provided several weeks in advance of the interviews and all participants were given the opportunity to withdraw any of the questions they considered to be inappropriate or those they deemed uncomfortable to answer. Assurances were provided to the participants that no right or wrong answer was being sought. The researcher was purely interested in their experiences of of loyalty programmes. None of the participants requested withdrawal of any of the research questions.

3.12.3. Beneficence

The contribution of this research to the body of knowledge in the area of loyalty programmes offered by banks is an important part of this research. This importance is not only relevant to the researcher or the field of study. It is also vital to the interviewees who gave their time freely and supportively to ensure that the research fundamentally provide this outcome. Therefore, the researcher has a burden of debt to the participants. This will be repaid through the provision of a quality research study.

3.12.4. Anonymity

To ensure the respondents anonymity, the researcher did not provide opportunity for the bank customers to share personal information such as their names in the questionnaire. As regards the interviews, some of the bank customers mentioned their first name while introducing themselves. However, the researcher informed them that they were at liberty to or not do so.

3.12.5. Confidentiality

The researcher assured the survey participants of utmost confidentiality of their participation in the study. The survey participants were informed that their responses and data will be used for research and academic purposes only.

This chapter considered the methodology for the research to allow the reader gain insight into the researcher's reason for using the method employed. The succeeding chapter will present the analysis of the data from the questionnaires and interviews conducted. Both will be presented separately in sub sections.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND FINDINGS

4.1 INTRODUCTION

The overall aim of this study is to examine the impact of loyalty programmes on customer retention in the Nigerian banking sector. To achieve this aim, this chapter provides a detailed report on the presentation of data generated from the study as well as their analysis in line with the adopted methodology and methods.

4.1.1. Chapter Objective

The main objective of this chapter is to present in brief the primary data as well as the descriptive analysis of the data. This is aimed at establishing the need to explore the impact of loyalty programmes aimed at retaining them in the Nigerian banking sector. The data will assist in gauging the opinion of stakeholders on loyalty programmes and its effect on satisfaction and retention.

4.1.2. Chapter Structure

In this chapter, the findings arising from the analysis and interpretation of data provided by the participants (through the two-stage data collection) are presented. In section 4.2, the chapter will provide an overview of the process of data collection. In section 4.3, the stages of data collection will be discussed. Section 4.4 will present the analysis of the data comprising of both the quantitative and qualitative data analysis. Both methods of analysis will be treated separately in the subsections 4.4.1 and 4.4.2. As noted in Chapter 3, the study is a two stage study where quantitative data was first collected using the questionnaire, based on the prevailing scale in the literature reviewed. This was followed by the collection of qualitative data using a semi-structured interview approach. It is important to note that the information obtained from the quantitative data then assisted the researcher in developing the interview questions. The research findings arising from each data collection method were linked and compared with the findings of other researchers who have investigated the issue under discussion, in Nigeria or other countries. Each of the four research questions were analysed using the information from the responses to the questionnaire and interviews conducted. The chapter ends with a summary of the chapter in section 4.5.

4.2 PROCESS OF DATA COLLECTION

As discussed in previous chapters, the researcher was interested in interpreting, describing, and explaining how loyalty programmes employed by Nigeria's commercial banks impact upon their customers' satisfaction, loyalty and retention. The fact that there are earlier studies which have investigated the influence of loyalty programmes on customer satisfaction and loyalty propel the need for the researcher to explore what they have to say. The researcher developed the questionnaire using scales identified in the literature regarding loyalty programmes (Daukseviciute, 2011; Leenheer & Bijmolt, 2008; Meyer- Waarden, 2007), and asked individual customers the extent to which each of the items impacts on their satisfaction and loyalty.

Following Creswell (2014), the study therefore followed an exploratory, interpretivist approach, as discussed in the methodology chapter. A researcher is at liberty to follow a positivist or constructivist philosophical approach or a mixed method approach, depending on the guiding objectives of the study (Creswell & Clark 2007). The choice to collect both qualitative and quantitative data was influenced by the need to gather rich data on the impact of customer loyalty programmes on satisfaction and retention in the Nigeria banking sector, an underexplored context. The data collected through questionnaires with the aid of scales from empirical studies enabled the preparation of interview questions used for the qualitative data collection and analysis. Therefore, the study collected two sets of data using two different instruments – a questionnaire and semi-structured interviews. Akinyode and Khan (2013) argue that when carrying an exploratory study, the researcher may employ data from literature and collect quantitative data using a questionnaire. This helps in forming the basis for designing the interview instrument used in collecting rich and detailed perceptions, views and opinions of the respondents. Thus, quantitative data was first adopted. Afterwards, qualitative data incorporated the underlying experiences used to validate, enrich and extend the findings from the data from the questionnaire.

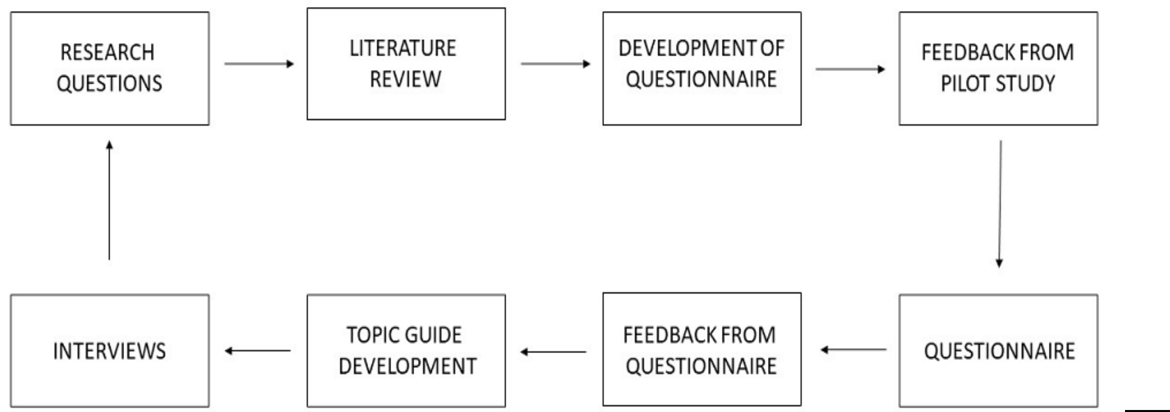


Figure 4.1: Process flow towards development of the topic guide

4.3. STAGES OF DATA COLLECTION

Stage 1: Responses from Questionnaire

In this stage, the responses of the participants were collected. The sample comprised of customers of five commercial banks (ABZ Bank, DBA Bank, XYZ Bank, QPR Bank and KLM Bank) used for this study in Lagos State, Nigeria.

Stage 2: Responses from the Semi-structured Interview

In order to collect complementary data to the questionnaire in the first stage, the responses from the participants to the interview were collected and analysed, and a number of interview questions building off of these responses were formed. The participants were selected from management staff and high net-worth customers of the five banks used for the study. The reason for the selection of the management staff is that they are knowledgeable and well experienced on the issues regarding the banks' profitability, customer loyal programmes and customer retention of their banks. They cadre of executives are involved in strategic decision making for their organisations. Similarly, the selection of customers was based on their significant level of patronage and five years minimum of banking relationship with their banks. Overall data collected were made up of the following:

a) 180 questionnaires distributed to commercial bank customers.

b) 15 interviews. This comprised five (5) commercial bank customers and ten (10) commercial bank executives).

Sample and Response Rate

The sample for this data represents the total participants who responded to the questionnaires and returned the copies to the researcher and those who were successfully interviewed by the researcher. Hence the valid sample for this study is made up of:

i. Number of participants who validly filled and returned the questionnaire = 150

ii. Number of participants who were successfully interviewed = 15

Sample Size = **165**

From the figures above, it follows that the actual sample size is 165 (one hundred and sixty five respondents. The breakdown of the sample determination is given below in the Table 4.1.

Table 4.1: Sample Determination

1	No. of questionnaire distributed	Subtotal = 180	
2	No. of Questionnaire Returned	Subtotal = 154	
3	No. of Questionnaire validly filled and returned questionnaire	Subtotal = 150	Rate of return 150/180 X 100 **= 83.33%**
4	No. of respondents successfully interview	a. Bank executives = 10 b. Customers of banks = 5 **Subtotal = 15**	
5	**Total actual Sample for this study = 165**		

As given in Table 4.1 above, 180 questionnaires were physically distributed by the researcher to customers of banks. A total of 154 questionnaires were successfully retrieved from the respondents while 150 questionnaires retrieved were properly filled and used for the analysis. Thus the response rate to the questionnaire is 83.33%.

The number of participants who were successfully interviewed were 15 (fifteen). This comprised ten (10) bank executives and five (5) bank customers.

Tables 4.2 and 4.3 below shows the breakdown of respondents by banks for the questionnaire and interview granted.

Table 4.2: Respondents with valid questionnaires per bank surveyed

S/N	Bank	Bank customers population with valid Questionnaires
1	ABZ Bank	33
2	DBA Bank	27
3	XYZ Bank	31
4	QPR Bank	26
5	KLM Bank	33
	TOTAL	**150**

Table 4.3: Interviewed respondents per bank surveyed (Bank management executives and customers

S/N	Bank	Population		
		Bank's Management executives	Customers	Total
1	ABZ Bank	2	1	3
2	DBA Bank	2	1	3
3	XYZ Bank	2	1	3
4	QPR Bank	2	1	3
5	KLM Bank	2	1	3
	TOTAL	**10**	**5**	**15**

Richardson (2005) argues that a 50 percent response rate is ideal and achievable in social science using postal survey, e-mail and Survey Monkey. Given the fact that e-mail and

Survey Monkey often lead to low response rates, the researcher was prompted to employ face to face surveys rather than the electronic form of distribution of the questionnaire. Similarly, Richardson (2005) concluded that a response rate of 60 percent and above is ideal for physical distribution of the questionnaire survey. It may therefore be safe to argue that this survey's response rate of 83.33% is sufficient for the analysis.

The data collected from the questionnaire will be discussed first as it informed the questions developed for, and data collected from the interviews. Creswell and Plano-Clark (2011) argue that one way to achieve objectivity and reliability of the scales used in the questionnaire is to provide empirical literature sources for the scales. Afterwards, the researcher proceeded to discuss the data gathered from the interview in the second phase of the data discussion and analysis. This section will serve as justification for the findings from the data gathered through the questionnaire and will provide information that may have been overlooked in the questionnaire.

4.4. DATA ANALYSIS

As previously discussed, the data analysis is divided into two stages: the quantitative and qualitative analysis. The quantitative data collected through questionnaires with the aid of scales from empirical studies enabled the preparation of interview questions used for the qualitative data collection and analysis. Stage 1 was a scoping study. This was in part necessary because the area of study (loyalty programmes in Nigerian banks) was a relatively new study. Generally, scoping studies '*aim to map rapidly the key concepts underpinning a research area and the main sources and types of evidence available, and can be undertaken as standalone projects in their own right, especially where an area is complex or has not been reviewed comprehensively before'* (Mays et al. 2001, p194).

The scoping study was carried out to identify the types of available evidence about loyalty programmes in banks. Also, it helped to clarify key concepts/ definitions in the literature. In addition, it helped to identify key characteristics or factors related to the concepts in literature and analyse knowledge gaps. Finally, it informed the preparation of interview questions and its analysis based on already established themes in Stage 2.

4.4.1 Stage 1: Quantitative data analysis

This section provides an overview of the respondents' demographic information as well as the findings of the quantitative data regarding the role of customer loyalty programmes, banking operations, and smart banking instruments on bank customer satisfaction and retention.

*Respondents' Demographic Information***.**

This section provides an overview of the demographic information of the respondents used for the quantitative analysis with a view to gaining insight into the demographic distribution of the customers. The customers' demographic information such as respondents' age, gender, educational background and years of experience were analysed. This information of the respondents is represented in Table A in Appendix

Gender

From the data in Table A1 (Appendix A), the respondents were predominantly male customers, with 86 males (57.3 percent of the sample) and 64 females (42.7 percent) responding. The distribution of the respondents' gender is pictorially captured in Appendix A. The skewed distribution towards the male may be due in part to the perception that males are more liberal and open to answer questions from visitors when compared with females who are perceived to be conservative (Okafor & Akokuwebe, 2015; Awofeso & Odeyemi, 2014). Males are more likely to make themselves available for survey compared to the females. This finding corroborates the findings of Shaw (2015) and Singh & Khan (2012) who found male dominance in the sampled customers and employees of the banks.

Marital Status

From Table A2 in Appendix A, the data show that 74 (49.3 percent) of the respondents sampled were single compared to 76 (50.7 percent) who were married. The implication is that a greater percentage of the respondents were married at the time of the study. The study did not uphold the findings of Magatef & Tomalieh (2015) who found that 59.7 percent of the sampled respondents were single compared to the data for married participants. Several factors may be the responsible for this including the difference in the location of the research.

Banking relationship

The data in Table A3 (Appendix A) revealed that the majority of the commercial bank customers and employees have banking relationship experience of between 10-20 years which represents 57(38 percent) of the respondents. The Table A also revealed that the participants below 10 years' experience, 72 (48 percent) respondents have between 11-20 years of experience while 21 (14 percent) of the respondents have above 20 years' experience). By implication, these customers are knowledgeable; they have basic knowledge of the banking industry and how customer loyalty programmes might possibly impact their satisfaction and decision to patronize the banks. It is important to note that the role of banking experience on customer satisfaction and retention is underexplored in the literature.

Educational qualification

From Table A4 in Appendix A, the data revealed that the majority of the respondents were first degree holders (Bachelors/ Higher National Diploma, BSc/HND). The education category was classified into five sections namely (1) Senior secondary Certificate, SSCE holders, (2) Ordinary National Diploma/ National Certificate of Education, OND/NCE (3) Bachelor's/ Higher National Diploma holders, BSC/HND (4) Master's degree holders, MSc/ MBA and (5) Doctorate degree holders, Ph.D. 46 respondents (30.7 percent) were SSCE holders. 18 respondents (12 percent) were NCE/ OND holders. 67 (44.7 percent) were BSc/ HND certificate holders. 14 (9.3 percent) were MSc/MBA holders while the Ph.D. holders constituted 3.3 percent of the population. The findings collaborate with the findings of Magatef and Tomalieh (2015) who submitted that 69 percent of the sampled customers have a Bachelor's or first degree as their highest educational qualification. The fact that the majority of the respondents have either a Bachelor's or Master's degree is a pointer that the sampled respondents may likely have adequate knowledge about the subject under discussion and can easily respond to the questions and issues under investigation.

Age

From Table A5 in Appendix A, the research respondents are grouped into five age categories. These are: - (1) Under 30 years, (2) 30-39 years, (3) 40 - 49 years, (4) 50-59 Years, and (5) above 60 Years. From the data as presented in Table 4.1 and Figure 4.1, twenty three (15.3 percent) of the respondents were 30 years and below. Sixty five (representing 43.3 percent) were between 30 – 39 years old and constituted the highest strata of the respondents. Thirty two respondents (21.3 percent) were between the ages of 40-49 years. Thirty respondents (20 percent) aged between 50- 59 years. The data revealed that none of the respondents' were above 60 years old. The findings of the study corroborate the studies of Sandada & Matibiri, (2015) and Xie & Chen (2014).

FINDINGS FROM STAGE 1: QUANTITATIVE ANALYSIS

This section will discuss in detail the findings from the questionnaire data collection and analysis. As discussed in Chapter 3, this stage is a scopeing study which helps with identifying the types of available evidence about loyalty programmes in banks, clarifying the key concepts and definitions in the literature and also identifying the key characteristics or factors related to the concepts in literature. In a bank-customer relationship, delivering services in an effective manner is important. Also, creating and making available programmes to retain these customers is important. The former suggests the operations by the banks which include but not limited to branch network, accessibility, payment and investment options, channels of delivery, etc. The latter suggests reward practices by banks to engender loyalty by customers. The reward accruable to both parties and guidelines for the practice of loyalty programmes are also important in this relationship. Therefore, the analysis will focus on these four factors namely:

1. *Banking operations*
2. *Loyalty programmes.*
3. *Reward.*
4. *Suggested guidelines for the practice of loyalty programmes*

These findings will rest on the underpinnings of relationship marketing which is important in management of bank-customer relationship and achieving greater loyalty by customers. These qualities are trust (Veloutsou et al, 2002; Morgan & Hunt, 1994), commitment, conflict handling and communication (Ndubisi et al, 2009)

Banking Operations

As discussed in the previous section, banking operations are the primary activities carried out by banks and the infrastructures or tools used in carrying out such activities in the course of their interaction with customers. This include but not limited to branch network, accessibility, payment and investment options, channels of delivery, technology etc. This section will be divided into two namely banking services and technology (smart banking) and will discuss their impact on customer loyalty and retention.

Banking services.

In order to carry out this analysis, descriptive statistics and frequencies were employed in the data analysis. The results of the descriptive statistics were also supported by the Social Exchange Theory which established benefits to both the bank and its customers.

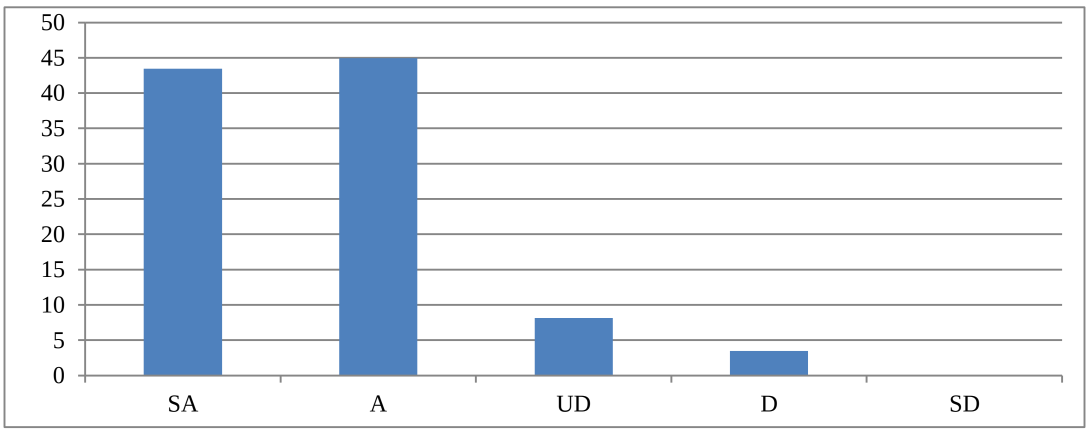
The data is as presented in Table 4.4 below.

Table 4.4: Extent to which banking services impact on banks' customer satisfaction.

S/N	Variables	Mean Statistics	Mean Rank	Strongly Agree %	Agree %	Undecided %	Disagree %	Strongly Disagree %
1.	My bank have good understanding of customer services	4.40	9th	40	60	0	0	0
2.	My bank listens to my concern and makes an effort to resolve them.	4.53	7th	53.3	46.7	0	0	0
3.	My bank have competent and friendly workforce	4.18	11th	18	82	0	0	0
4.	I perceive my bank to have a flexible, honest and experienced workforce	4.59	5th	59.3	40.7	0	0	0
5.	My bank services are efficient, speedy and acceptable	4.70	4th	70	30	0	0	0
6.	My bank have branches close to my location	4.05	12th	22	60.7	17.3	0	0
7.	My bank does not charge with secret and unfair charges	3.13	13th	0	34	45.3	20.7	0
8.	My bank have adequate staff to service all its customers	3.07	14th	0	32	43.3	24.7	0

9.	I can recommend my bank to my family and friends	4.53	7th	53.3	46.7	0	0	0
10.	I made this bank my primary bank and am loyal to the bank	4.71	3rd	70.7	29.3	0	0	0
11.	My bank introduces several payment and option	4.56	6th	56	44	0	0	0
12.	My bank allows cash deposit without visiting the banking hall	4.75	1st	75.3	24.7	0	0	0
13.	My bank allows me to pay all my utilities at the comfort of my home	4.74	2nd	46.7	53.3	0	0	0
14.	My bank have several reward programmes for their customers	4.47	8th	32	88	0	0	0
15.	My bank operates as a responsible corporate body within the law of the land.	4.32	10th	44	50.8	5.2	0	0
16	My bank is socially responsible to its stakeholders	4.05	12th	22	60.7	17.3	0	0
	SUM	**68.85**		**565**	**584**	**106**	**45**	**0**
	Mean of Means value	**4.30**		**43.44**	**44.94**	**8.15**	**3.49**	**0**

The table shows the extent to which participants agree statements regarding effects of bank operation on customer satisfaction in the bank using a scale of 1-5 (strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5). Source: Researcher's compilation



SA (Strongly Agree); A (Agree); UD (Undecided); D (Disagree); SD (Strongly disagree)
Source: Researcher's Computation

Figure 4.2. Graphical Representation of Responses to banking operations.

Table 4.3 presents the means of each item, the rank of the means and the scale of agreement and disagreement with the statement by the participantss. In Question 6 (Appendix B), the respondents were given 16 items to indicate the extent to which they agree with statements regarding banking operations' impact on customer satisfaction. In order to determine acceptability or otherwise, the mid-point between "Acceptance" and "Rejection" of the statement was determined by weighted Likert's options 5, 4, 3, 2, and 1, with average as 3 i.e. (5+4+3+2+1)/(5) =15/5 =3. Thus 3.0 was used as the benchmark mean for making decision whether to accept or reject a statement. When the mean is greater than 3 we "accept" the statement. However, when the mean value is less than 3.0 we "reject" the statement. This is in accordance with the statement of Allen and Seaman (2007) and Likert (1932) that a mean above 3.0 benchmark meant acceptance or agreement with the items. Kothari (2009) also maintained that when using a 5 point Likert scale data, the benchmark mean should be pegged at 3.0. By implication, any item means that is above 3.0 indicates that the variables are acceptable. The benchmark mean of 3.0 arrived as computed in Table 4.3.

The preference for a 5-point Likert scale to other Likert scales (e.g. 7, 9 or 11) was due to the educational background and competences of the respondents. Over thirty percent of the respondents (SSCE) had basic high school education. Therefore, the researcher was concerned about the instrument's simplicity, easy to read, understand and answered. In addition to this, the researcher had respect for the customers' time and knew assumed more time would be needed by them to process the questions before answering them. This may lead to them abandoning the questionnaire.

Table 4.5: 5-Point Likert Scale

S/N	Frequency of Usage	5 Point Power	Cumulative Frequency	Bench mark mean
1	Strongly Agree	5	1	
2	Agree	4	3	
3	Undecided	3	6	
4	Disagree	2	10	
5	Strongly Disagree	1	15	
	Mean		**15/5**	**3.0**

Source: Likert's Scale Computation adapted

Looking at the mean value of the items in Table 4.5, all the items have a mean value ranging from 3.07 to 4.75 and the Mean of Means' value is 4.30. This implies that all the items statements are accepted by the respondents. It also follows that banking operations influence customer satisfaction which could also lead to customer retention in the banks. The item that stood out with the mean value of 4.75 is:

"My bank allows cash deposit without visiting the banking hall"

It was followed by the following items

"My bank allow me to pay all my utilities at the comfort of my home"

"I made this bank my primary bank and am loyal to the bank".

On the other hand, the following items rank lowest

"My bank has adequate staff to service all its customers"

"My bank does not charge with secret and unfair charges"

From the table, it was revealed 70 percents of the respondents noted that

"My bank services are efficient, speedy and acceptable",

This implies that they are satisfied with their primary bank thereby leading to their loyalty to the bank. Seventy five percent of the sampled respondents maintained that their banks allow them to make a deposit in the form of transfer or through Automated Teller Machine (ATM) without visiting the banking hall. This is an improvement in the banking activities compared to the past when operations were slow and there were deficiencies in staffing competence at attending to customers' needs (Okonkwo & Bankoli, 2016).

Another item that was accepted is

"My bank introduces several payment options"

The implication of the findings from the sixteen items is that banking operations impact on customer loyalty regardless of loyalty programmes employed by the banks. Efficiency in the banking operation with regards to ease of using banking services, the time it takes to access banking services among others impact the extent customers are loyal to their banks. This collaborates with the findings of Magatef & Tomalieh (2015) who maintains that banking operations have significant impact on customer loyalty. The authors maintain that beyond formal customer loyalty programmes communicated well by the bank executives, banking operation efficiency and effectiveness play a significant role in the satisfaction of customers. They argued that banking operations within the banking industry that improves the services received by the customers impact on acceptability of banks by its customers.

Similarly, Sandada & Matibiri, (2015) and Xie & Chen (2014) maintain that there is a positive correlation between banks service efficiency, effectiveness and customer retention. The findings also confirm the argument maintained by Kamau (2017) that effective service and attention to customer needs are important factors that drive customer satisfaction and retention in any industry. From the data gathered, it was evident that most of the customers consider effective service delivery as the major factor that influence their decision to make a bank their primary bank. An issue raised which was identified earlier by Ukenna et al (2012) was that of secret charges. There is a claim that banks charge frivolously and without the knowledge of the customers. Sometimes, these charges may not be conspicuous until the account is perused properly. Ukenna et al (2012) findings that banks have unexposed or secret charges. However, this study reveal otherwise as majority of the customers disagree with the argument that their banks impose charges on them secretly.

Based on commitment, one of the underpinnings of relationship marketing, both parties (Bank and its customers) are committed to the relationship. While the customer may on one hand have alternatives, their patronage may be attributed to psychological factors such as *motivation, perception, experience* and *attitude*. The responses show that the customers' motivation for commitment to the banks was in part due to the self-service and offsite enablement for banking transactions by them as summed up

"My bank allows me to pay all my utilities at the comfort of my home"

"I made this bank my primary bank and am loyal to the bank".

The need for self-service therefore drives this satisfaction. Perception also plays an important role in the exchange. This process of selecting, interpreting and arriving at conclusions was evident in the response by the customers suggesting that commitment and satisfaction with the bank was in part due to adequate staffing.

"My bank has adequate staff to service all its customers"

Bank customers are usually at ease when they have a listening ear attending to them and are treating specially. Satisfaction is derived from quality service, prompt attendance to enquiries as and when due. There is therefore the likelihood of satisfaction when they perceive this from their banks. Customers' perception varies one from another. This is in part due to their beliefs and attitudes. Banks must give attention to understanding these attitudes in order to design appropriate campaigns that satisfy the customers. Experience (or learning) plays an important role towards customers' commitment in the exchange. This was also highly ranked in their response to

"My bank services are efficient, speedy and acceptable"

This experience may or may not be due to experience with alternatives. In this case, this customer is satisfied with the response time of his bank (speed and turn around efficiency). Although this may be subjective, however, in this case, the customer's continued exposure to this service time and again has built up in him a particular favourable response. The service which is void of complaint may be in part attributed for this commitment.

Finally, the customers' attitude is responsible in part for its commitment to the bank. This may be cognitive, affective or conative. In this regard, the affective antecedent may be key to commitment and hence satisfaction. The emotion that exuded from the item "*My bank has adequate staff to service all its customers"* may result from repeat patronage which has endeared the customers to the banking officers who attend to them. It may also be the result of familiarity and being at ease with the banking environment as a result of repeat visits. The customers' mood as a result of the ambience of the banking hall or the easy-to-use nature of its various applications also plays an important role in commitment towards the bank. Although the customers expect financial rewards, their commitment may be hampered without psychological factors. Also, banks must be aware that meeting their customers' needs is paramount for a satisfactory relationship. Hence any campaign provided by them must be designed to meet the demands of the customers' plan. Finally, a bank must constantly keep abreast of the customer‘s development and adjust its campaigns in line with the customer‘s changing requirements.

In this bank customer relationship, the rewards derivable by the banks from effective banking operations are growth in products sales volume, competitive advantage, improvement of the market share and increased return on investment. The associated cost may include but not limited to advertisement cost, sales promotion cost etc. On the customers part, the rewards from effective banking operations are improvement of banks' understanding of the customers' needs, improvement of the customer-oriented service quality, increased banks branch network for easy accessibility to customers. The cost implication to customers include statutory service charges on transactions, cost of switching from one platform to another, cost of alternatives forgone (opportunity cost) etc.

From the analysis, the value of reward to customers is greater than the cost. This is in addition to the trust built as a result of patronage.

In addition to this, commitment is built by the customers for their banks. An example is a practice where banks extend credit facilities to customers on their loyalty schemes without rigorous scrutiny. This results from commitment on the part of the banks. This gesture suggests that banks care about the growth of their customers' businesses and lifestyles. This commitment also rest on the trust that these customers are responsible enough to meet their obligations as and when due. Finally, considering that the reward to the banks and their customers is greater than the associated costs to both parties, it then follows that the banks and customers have mutual gains. This exchange is mutually beneficial and the analysis confirms that banking operations impact on customer satisfaction. Lin & Wu (2011) suggests that satisfaction is a necessary foundation for organisations in their bid to retain their customers. Whenever an interaction between the bank and its customers at the bank's various touch points is positive, it may lead to building trust between both parties. This mutual and reciprocal exchange may be responsible for repeat patronage by the bank customers. This submission stems from the logic that customers who are unsatisfied with the received services of the bank may not have long run relationships with them. On the banks' part, the customers' commitment to repeat patronage may also be responsible for improving the quality of service towards meeting the customers' needs and banking requests.

Technology (Smart Banking)

Smart banking refer to channels of transactions and contact with the bank. This includes but not limited to mobile banking, automated tellering machines, etc. The question items on the questionnaire (Refer to Table B in Appendix) in part B from item numbers 17 - 32 were used for the analysis.As stated earlier, the descriptive statistics and frequencies were employed in the data analysis. The data is as presented in Table 4.6 below.

Eleven items measured with respect to smart banking instruments which are components of bank operations that influence customer loyalty show that smart banking instruments have positive impact on customer retention. This is seen in the result on Table 4.6 with all the means above the threshold of 3.0 (See Kothari, 2009). The following items were accepted (4.48) by majority of the respondents as factors that impact on customer loyalty and satisfaction with their primary bank as discussed below:

'The introduction ATM, mobile app, short code,and online banking provides me with several options in banking transaction'

'I feel very satisfied with my bank for introducing smart card, mobile app, bank, shortcode and online banking'

For *'The introduction ATM, mobile app, short code,and online banking provides me with options in banking'*, 51.3 percent strongly agree while and 48 percent of the respondents agrees that the introduction of smart banking instruments (ATM, mobile app, short code,and online banking) impacts upon their loyalty to their banks.

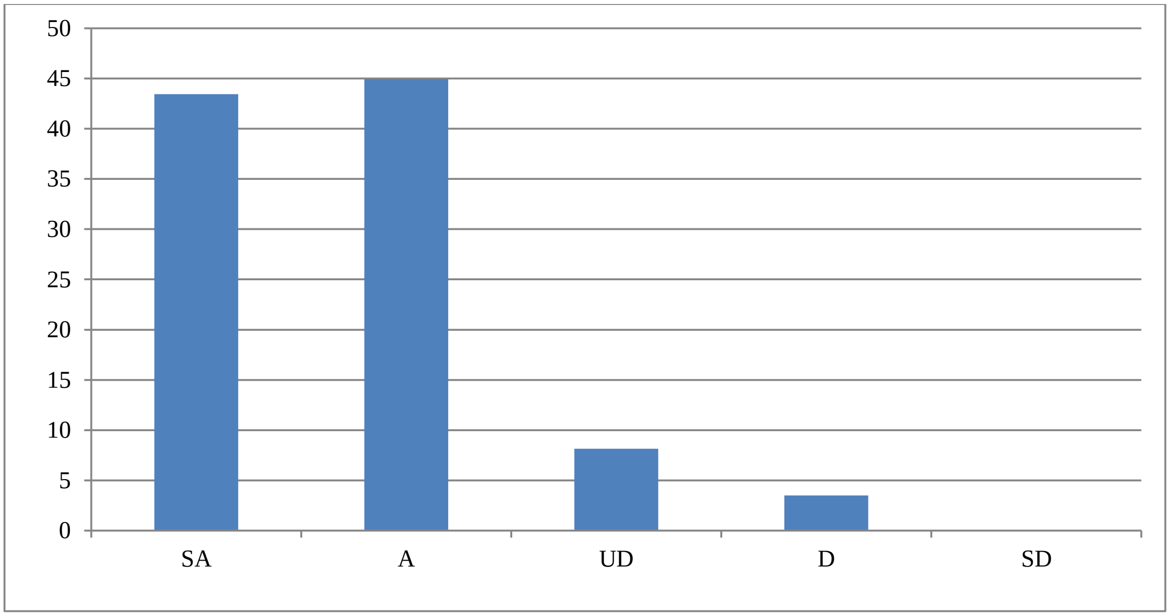
A similar item, '*I feel very satisfied with my bank for introducing smart card, mobile app, bank short code and online banking'* was also accepted with a mean value of 4.85.

Table 4.6: Impact of Smart Banking Instruments on customer retention

The table above shows the extent to which you agree on the following statements regarding effects of smart banking

S/N	Variables	Mean Statistic	Mean Rank	SA %	A %	UD %	D %	SD %
17.	The introduction ATM, mobile app, short code and online banking provides me with options in banking.	4.85	1st	51.3	48	0.7	0	0
18.	I frequently use my smart card to make transactions without having to go to banks.	4.62	2nd	62	38	0	0	0
19.	I often use my smart card to transact in other banks other than my primary banks.	4.23	10th	30.7	61.3	8	0	0
20.	I able to make a transaction in weekends through either my mobile app, bank short code,and online banking	4.61	3rd	61.3	38.7	0	0	0
21.	My smart card pin and private pin are only known by me	4.28	8th	45.3	37.3	17.3	0	0
22.	My smart card, mobile app, bank short code,and online banking have never been compromised before	4.27	9th	48	31.3	20.7	0	0
23.	I have not lost my money before due to fraud or security issues from my bank	4.45	5th	53.3	38.7	8	0	0
24.	My smart card pin and private pin are only known by me	4.50	4th	59.3	31.3	9.3	0	0
25.	I often made several transaction due to flexibility of my bank	4.30	7th	50.7	31.3	9.3	0	0
26.	I spend beyond my expectation or budget du e to several option of transaction	4.35	6th	52.7	30	17.3	0	0
27.	I feel very satisfied with my bank for introducing smart card, mobile app, bank short code,and online banking.	4.85	1st	48.2	51.8	0	0	0
	SUM	**49.31**		**562.8**	**437.7**	**90.6**	**0**	**0**
	Mean of Means value	**4.48**		**51.17**	**39.79**	**8.24**	**0**	**0**

Instruments (ATM, mobile app, short code and online banking) on customer retention in the bank. Using a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5.
Source: Researcher compilation.



SA (Strongly Agree); A(Agree); UD (Undecided); D (Disagree); SD (Strongly disagree)
Source: Researcher's Computation

Figure 4.3. Graphical Representation of Responses on smart banking application by banks

The findings from Table 4.6 suggests that effective adoption of smart banking enhance customer retention of the banks. This is because the mean value is 4.48% and all the responses to the question item range from 4.23 to 4.85. It also shows that the banking sector's ability to respond to customer needs by employing several smart payment options that ease transaction and banking activities have been identified to play a crucial role in customer retention. The findings substantiate the assertion of Balan, Vrat & Kumar (2009) and Preeti (2018) who maintain that in a dynamic and changing business environment, customers are more interested in the time it takes to get services than every other factor. Specifically, Preeti (2018) noted that technologies have changed every aspect of the business. As a result of this, organisations that are enthusiastic about customer retention must invest in digital technologies to improve the experience of their customers while operating with the companies. With the introduction of smart banking instruments in various commercial banks, customers feel loyal to banks that have efficient operations of the various smart banking instruments. Customers do not want to wait in long queues when they visit their banks.

Other factors that ranked high in the data analysis from the banking operations of smart banking instrument of customer loyalty includes item 2 which states:

'I frequently use my smart card to make transactions without having to go to banks'

and item 4

'I am able to make a transaction in weekends through either my mobile app, bank short code,and online banking'.

Sixty two (62) percent of the respondents strongly agree with the statement *'I frequently use my smart card to make transactions without having to go to banks'*. By implication, customers are pleased that smart banking instruments have reduced their burden of going into banking halls for banking transactions.

Of interest is the item, '*I often use my smart card to transact in other banks other than my primary banks'*. This rank the least among the scale used in measuring smart banking. A possible reason may be that most of the banks charge N65 for using the automated teller machine (ATM) of another bank other than their card issue by their banks. This development is responsible in part for customers' carefulness of using their banks' automated tellering machine in order to avoid unfair charges from their card issue banks.

Other researchers have found that the availability of smart banking instruments have improved customer satisfaction and retention in the banking industry. For instance, Ukenna et al (2012) maintained that the introduction of several options of payment and transaction in the Nigeria banking sector have improved the extent to which customers feel satisfied with their banks' services. The authors maintained that most customers are loyal to their banks because of the dynamic processes available in a financial transaction. An earlier study by Donli (2003) maintain that the Nigerian banking industry will likely fail if not re-positioned to accommodate flexibility in its operation. The author maintain that Nigeria banking industry is suffering from several threats which impact its global competition. The threat includes lack of several payment options to reduce the burden of banking as obtained elsewhere, the bank's failure to adopt technology will impact its customer loyalty and customer retention.

Considering SET, the rewards accruable to the banks are in the form of sales revenue growth, competitive advantage, profitability etc. The cost implication for the achieving the rewards include over-head cost of running the programme, cost of keeping relationship with the customers (disclosure of information- text messages, etc.), advertisement for the programme, cost of sales promotion, alternatives forgone cost among others. For the customers, the rewards include but not limited to access to modern baking applications such as mobile apps, short codes and online banking services, access to smart card to make transactions without having to go to banks, ability of carrying out banking transactions on weekends through either mobile app, bank short code, or online banking, flexibility of banking services. The associated costs includes but not limited to service charges, cost of switching from one platform to another, the cost of alternatives forgone (opportunity cost), cost of maintaining the personal instruments to access the services such as mobile telephones, the cost of acquiring internet data and mobile topup credits to access the applications of the apps.

In this instance, trust, which is another underpinning of relationship marketing plays an important role in retention. In the absence of trust by the customers for their banks, the costs stated above (switching, use of applications etc.) may encourage customers to seek service elsewhere. The customers in this context have expectations (with associated risks) in their dealing with the banks and are confident that their banks will fulfil their obligation. This is evident in the item *"I often use my smart card to transact in other banks other than my primary bank".* With a mean statistics of 4.23 and ranking at 10th, it is safe to submit that customers are comfortable better with their banks. This trust may have resulted from past experiences and fulfilment of promise. A betrayal of this trust may result in defection. These customers have continued patronage based on certain considerations. Various authors (Morgan & Hunt, 1994; Wison, 1995; Bitner, 1995) have suggested trust in terms of shared values, mutual goals and promises kept.

The banks' promise to its customers to always have their platforms readily available for use as and when needed is an important factor in this exchange. The item *"I able to make a transaction on weekends through either my mobile app, bank short code,and online* *banking"* which ranked 3rd with a mean statistics of 4.61 suggests that the banks' promise of convenience to their customers is fulfilled. Therefore, the customers have little reason to seek patronage elsewhere. Customers are concerned with their service providers and in this case banks, to mean what they say and abide by it. Trust is built when customers know that they are top priority. This results in loyalty

The analysis show reciprocity and mutual benefit between the bank and its customers in this exchange. Furthermore, the interaction between the banks and their customers result in cost saving. This is so because not only can these customers engage in banking transactions on non-banking days, they are able to save transportation costs to and from the bank. This cost saving activity is a reward to the customers. Furthermore, the deployment of user friendly mobile banking applications which allows for prompt and real time banking transactions accrues to the customers as a reward. The satisfaction derived from these rewards then helps to create either a conscious or unconscious loyalty by the customers for their banks. On the banks' part, this increased patronage and trust built through the interaction suggests rewards to the banks through increased volume of banking activities which then lead to revenue generation. This exchange is mutual and shows reciprocity by both parties.

Loyalty programmes

This section will discuss the impact of customer loyalty programmes (point based system) on customer satisfaction and retention. It explores the traditional/ conventional customer loyalty programmes of point system on customer satisfaction and retention. The scale questions were asked in question 8 of the questionnaire (see Appendix A). As stated earlier, the descriptive statistics and frequencies will be employed in the data analysis. The data is as presented in Table 4.4. Point system refer to the various loyalty programmes employed by banks where customers accumulate points as they transact using the different platforms or channels made available by the banks. The table revealed that loyalty programmes are instrumental to enhancing loyalty and retention in the banking industry in Nigeria.

Considering SET, the rewards accruable to the banks are in the form of sales revenue growth, competitive advantage, profitability etc. The cost implication for the achieving the rewards include over-head cost of running the programme, cost of keeping relationship with the customers (disclosure of information- text messages, etc), advertisement for the programme, cost of sales promotion, alternatives forgone cost among others. For the customers, the rewards for participating in the customer loyalty programmes of the banks include but not limited to redeemable points on a future date, access to loyalty benefits and profit from patronage. The associated costs include but not limited to service charges, cost of switching from one platform to another, the cost of increased patronage in order to earn points etc.

Reward.

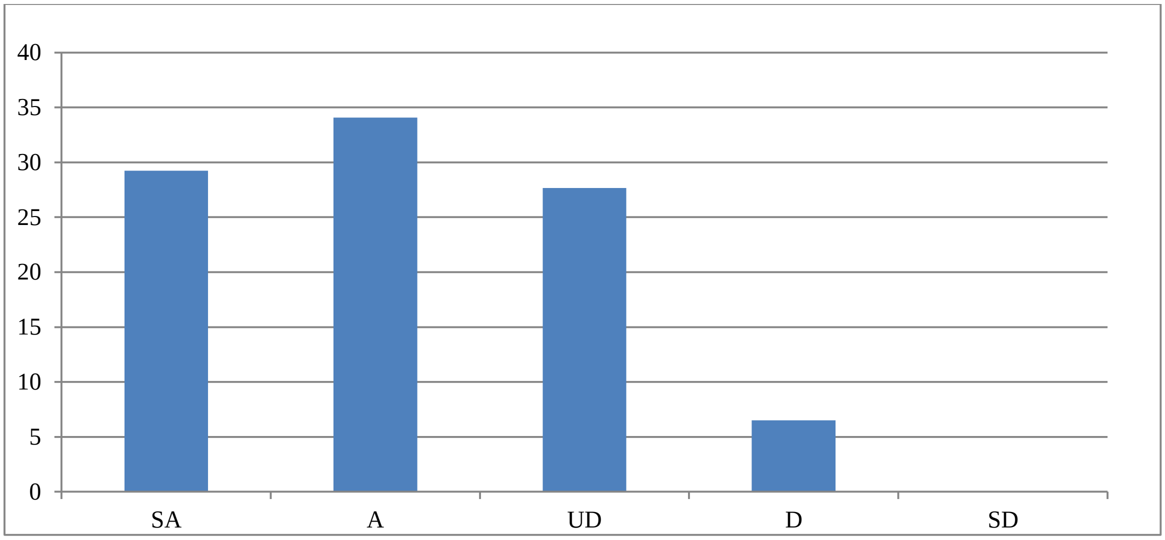
In the bank-customer relationship, reward to both parties is important. The customers' continued patronage of loyalty programmes and the banks' reciprocation and continuity of the programme may suggest both rewards and cost. The descriptive statistical method of analysis was first analysed and complemented by the Social Exchange Theory.

In this interaction, both the bank and its customers have costs associated with their commitment to one another. The customers' continued patronage accrues transaction costs to them while the banks' cost is linked to payouts to customers and costs associated with setting up the point system. However, the responses from the questions (refer to Table 4.7) suggests that the costs to both parties are not of higher significance to the rewards. The customers' are encouraged through the point system to increase the volume of banking transactions with their banks (knowing that this is redeemable on a future date). Increase in the volume of transactions (repeat purchase) suggests increase in revenue to the bank. This is in alignment with Hsu, Chang & Chuang (2015) submission that repeat purchase is the main source of income for organisations Baloglu et.al. (2017) suggests that loyalty programmes helps to influence customer behavior and build customer trust in a service provider. This submission suggests that the programme reinforces trust and commitment between the bank and its customers. The bank and its customers' commitment towards the programme is derived from the trust built by both parties for one another. This trust is primarily responsible for the rewards to both parties. When trust is reinforced, it results in commitment and hence reward

Table 4.7: Extent to which customer retention (using point system on customer retention) leads to a higher profitability for the banks and reward to customers.

S/N	Variables	Mean Statistic	Mean Rank	SA %	A %	UD %	D %	SD
17.	I deposit and transact more with my bank in order to get more points and reach the limit on time.	3.15	8th	8	2	3	3	0
18.	I make the decision to redeem my accumulated points before it expires.	3.16	7th	8	2	2	2	0
19.	I often redeem my points when I want to make a small transaction	4.16	3rd	3	4	2	0	0
20.	The cash I save from redeeming my point makes me excited	3.79	6th	2	3	4	0	0
21.	The cash I get from redeeming my points makes me use the service again	3.99	5th	3	3	3	0	0
22.	Am satisfied with the point I build-up, thus my continuous patronage and deposit to build more points	4.02	4th	3	3	2	0	0
23.	The points build-up makes me save a lot and am satisfied with the process	4.36	1st	5	2	1	0	0
24.	I get excited when I get rewards from the points earned	4.26	2nd	**4**	**3**	**1**	**0**	**0**
	SUM	**30.89**		**2**	**2**	**2**	**5**	**0**
	Mean of Means value	**3.86**		**2**	**3**	**2**	**6**	**0**

Table 4.7 rates the extent to which participants agree on the statements regarding effects of point system on customer retention in the bank. Use a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5.
Source: Researcher's compilation



Source: Researcher's Computation

Figure 4.4. Graphical Representation of Responses to point system

Table 4.7 reveal among others that all the items used in measuring customer loyalty programmes (point system) have strong impact on customer retention judging by their means which are all above the benchmark mean of 3.0 (See Kothari, 2009) and since the mean of means is 3.86 which is above 3.0 is follows that customer loyalty programmes (point system) have strong impact on customer retention of banks in Lagos State.

From the Table 4.8, it is evident that the item *'The points build-up makes me save a lot and am satisfied with the processes'* ranks first among the items measuring the point system. *'I get excited when I get rewards from the points earned'* rank second while *'I often redeem my points when I want to make small transaction'* rank third.

By implication, 53.3 percent of the respondents accepted that the point system makes them save and are satisfied with the process. Customers are generally thrilled by gifts and interests. When banks introduce a reward system for their loyalty they tend to patronize the bank and increase the volume of transaction with the banks. The majority of the respondents either strongly agree or agree with the assertion that they are "excited when they get rewards from the points earned". This buttresses the point that customers love every form of reward and banks who know how to wield this strategy are able to retain a greater percentage of their customers. A point is earned and accumulated in tandem with the frequency at which customers transact using the banks' instrument of transaction such as the banking hall, automated teller machine, short code, online platforms etc.

'I deposit and transact more with my bank in order to get more points and reach the limit on time' rank the least among the scales measuring point system in commercial banks loyalty programmes among the customers. 30 percent of the respondents maintained that they do not buy the idea that the majority of their deposit is influenced by the need to acquire more points. The idea of the point system as effective loyalty programmes was first emphasized by Donli (2003) in the Nigerian banking industry when the author encouraged banks to give customers interest on their savings as a means of encouraging further savings by the customers although the author did not carry a formal study on the role of customer loyalty programmes on customer satisfaction and retention.

Magatef & Tomalieh (2015) were of the opinion that point system in the banking industry in Nigeria encourages customers to transact more and use the services of the bank often thereby making the customers loyal to the bank invariably. The implication as maintained by the author is that introducing several programmes that enable customers to transact and win points that can be redeemable and attract gifts make banking more fun than expected. The argument from Magatef & Tomalieh (2015) corroborates the findings where majority of the customers maintained that they get excited when they get rewards from the points earned. Gandomi and Zolfaghari (2013) maintained that the reward system in the organisation improves customer satisfaction with the industry. The reason is that rewards have a way of revealing to the customer how much the organisation cares about their wellbeing, and are ready to provide all the necessary assistance to improve their welfare. The findings from the objective (questionnaire) instruments will be validated with the findings from the rich interview under the qualitative analysis of the research study.

The researcher further took a step to ask the respondents if banking operations and customer loyalty programmes (point system) have improved their satisfaction with their choice bank. From the analysis it follows that carrying out a strategic marketing system of allotting points to customers based on their loyalty to the bank is a strong means of encouraging the customers to be loyal to the bank and enhancement of the customer retention and bank profitability.

Using SET as lens through which to view the analysis shows the following for the banks and their customers.

*For the banks***:** The rewards accruable to the banks are directly connected to the customers' patronage of the loyalty programmes. These rewards include:

1. Increase in the level of customer retention, hence revenue
2. Increase in the level of customers' patronage
3. Customer commitments
4. Increase in sales volume,
5. Repeat purchases etc.

The cost of carrying out these loyalty programmes by the banks include, advertisement, public relations, street campaigns and sales promotion, service cost of acquiring and maintaining customers' account in its data base, the cost of advertisements and promotions, the cost of sales and marketing as well as the cost of running a loyalty programme.

From the analysis it follow that the accruable rewards to the bank is greater than the cost of carrying out the programme. It also reveals an improvement in trust as a result of the loyalty programme.

For Customers

1. The analysis revealed that the programme encourages and instils a savings culture in customers. This is necessitated by the customers' desire to accrue redeemable points in the shortest possible period of time.
2. Fast and easy decision making by the customers for good investments,

Communication which is an important underpinning in relationship marketing is important in this exchange. The rewards to customers may be insignificant without timely and trustworthy communication from the banks. Naturally, customers may be unwilling to part with value (in this case increased patronage) without proper and effective communication from the banks. Effective communication builds confidence in the receiver and passes across an assurance that what was promised will be fulfilled. Communication also builds top of mind awareness for the banks in the minds of its customers. Relationship based loyalty foster better with communication. This is so because the banks' effective communication with its customers not only affects their behavioural or cognitive tendencies towards loyalty. They also affect their emotions in decision making. Customers are satisfied when their banks relate with them on a 'one-to-one' basis, treat them specially and also available for them with regards to their banking activities as and when required. In addition to this, customers are particular about how banks handle resolution of their issues such as conflicts, failed transactions, fraud issues, compensations etc.

These factors are responsible for continued patronage and retention. Patronage suggests increased revenue. Hence profitability and positive impact on the banks' bottom-line. Therefore, it is safe to conclude that customer retention lead to higher profitability for the banks.

Suggested Guidelines.

Suggested guidelines for the practice of loyalty programmes (which will be corroborated by the interviews conducted in stage 2) are enumerated below.

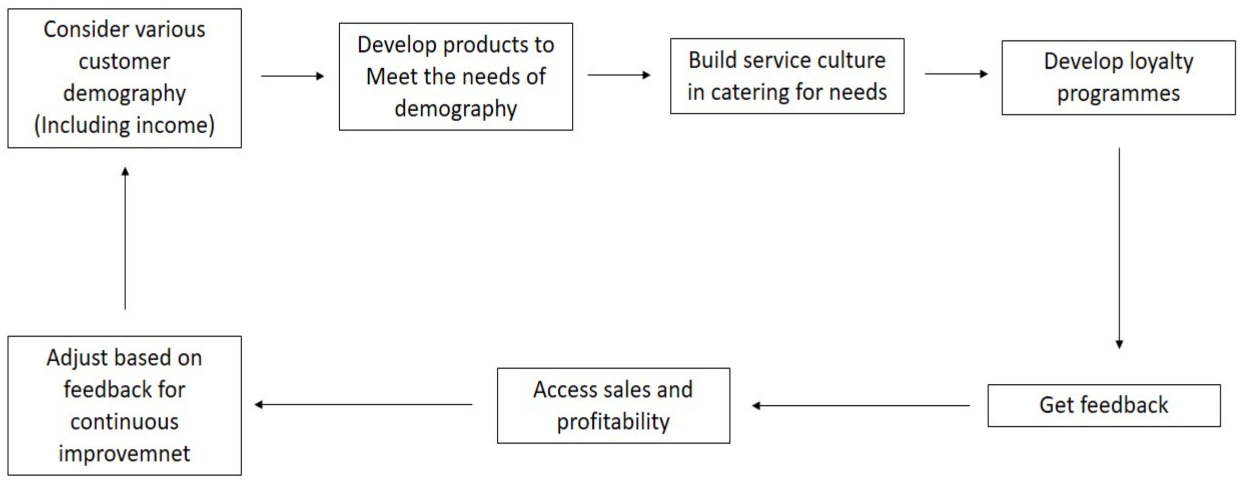
Table 4.8: Guidelines for the application of loyalty schemes in banks

Views	SA %	A %	UD %	D %	SD %	Total %
Loyalty programmes development guidelines						
1. Consider various customer demography.	56	33	0	8	3	100
2. Identify customers' mean level of income.	71	25	0	4	0	100
3. Develop products to meet needs of demographies.	52	43	1	4	0	100

4.	Build service culture in catering for needs	61	31	0	6	2	100
5.	Develop loyalty programmes	47	51	0	2	0	100
6.	Get feedback	67	32	0	1		100
7.	Assess sales and profitability	54	39	0	4	3	100
8.	Adjust based on the feedback for continuous improvement.	71	28	0	1	0	100
	Sum	**479**	**282**	**1**	**30**	**8**	**100**
	Mean	**59.88**	**35.25**	**0.13**	**3.75**	**1.14**	**100**

Source: Researcher's computation

Table 4.8 shows that the mean percentage of those who strongly agreed was 59.88 of the respondents. The mean percentage of those who agreed was 35.25. Those who were undecided was 0.13 percent, those who disagreed was 3.75 percent while those who strongly disagreed was 1.14 percent. This means that those who agreed on the steps of the guidelines for loyalty model development and application were 95.13 percent (comprising of SA and A). This implies that steps as given in the Figure 4.6 below may be followed in developing guidelines for loyalty programmes in banks.



Source: Researcher's developed Model

Figure 4.5: Steps guide for developing model guidelines for the application of loyalty schemes in banks

This model developed by researcher in Figure 4.1 shows the steps for developing and applying customer loyalty models in banks. The flow diagram starts with identification of the product needs of customers and developing products to meet those needs. Need identification important in relationships. In the bank-customer relationship, it is important to first know what the needs are before providing solutions to meet the needs. The primary need in this relationship is financial service provision by banks for their customers. Once an understanding of the needs have been established, products and services are developed to meet those needs. Customers will patronise banks that have tailored their products and services to meeting their financial needs. According to Magatef & Tomalieh (2015), customers will incline towards organisations that meet their needs.

Secondly, the banks should build service culture into their operations in meeting the needs. This is important because satisfaction does not only encompass having the bank customers' primary need for financial service met. It also include the psychological part involved while meeting the primary need. How the bank attends to the customer, the promptness, communication and commitment are important. The customer wants to see commitment on the part of the bank in order to build trust for the bank in spite of the products available for offer by them. This is a reward to the customer in this exchange. Thirdly, the bank develops loyalty programmes (as appropriate) to engender the customers to them. These loyalty programmes are aimed at further encouraging patronage by the customers. They are avenues by which the banks say “thank you” to their customers, encourage repeat purchase and also increase their market share of business. It is the desire of banks to increase their market share which accrues to them as reward. It is also the customers’ intention to get reward through repeat patronage. In this exchange, the loyalty programmes serve as an avenue for both parties to show reciprocity. While there are costs in this exchange (cost of loyalty programmes set up and payouts to customers, cost of patronage and associated premium payment costs accruable to customers), the benefits derivable from the exchange must be of higher value than the associated costs.

Fourthly, it is important to obtain feedback from the customers. Feedback assists the banks to know how well they have fared in the provision of service to their customers. It also helps them to look at ways by which they can serve their customers better. Customers place value on interaction with their banks. While the primary need they have is financial service provision, they appreciate it when given consideration to in the relationship. They believe that their advice and observations count. This gives them a sense of belonging and engenders them to their banks.

Finally, this results in revenue generation for the banks. It is important to note that customer satisfaction precedes revenue generation for the banks. When customers are satisfied, they in turn patronise their banks. Reward to customers determines their action. Increase in reward builds trust and commitment by customers for their banks. This commitment brings reward to the banks also. Also, the application should be adjusted based on the feedbacks for continuous improvement. This process continues again from the start.

The analysis carried out suggests that banking operations (including smart banking) and loyalty programmes impact on customer satisfaction and retention. The next section will discuss the qualitative aspect of the work which will serve as the basis for justification and expansion of the findings from the quantitative data discussed above.

4.4.2. Qualitative analysis

For the sake of emphasis, it is important to restate that Stage 1 was a scoping study and the data collected and analysed from the questionnaire informed the preparation of interview questions and its analysis based on already established themes in Stage 2.

This section will provide a qualitative data discussion of the impact of bank loyalty programmes on three key factors including customer loyalty, customer satisfaction, and bank profitability/ revenue.

While the questionnaire data addressed the generics of loyalty, satisfaction and loyalty programmes, the interviews helped to look at specifics. The interviews helped to answer the research questions below.

4. What are the perceptions of bank managers and customers concerning the use and effectiveness of loyalty programmes in banks?
5. How do loyalty programmes lead to customer retention in banks?
6. What are the key influencing factors for organisations to consider in enhancing the use of loyalty programmes?

The interviews were conducted with the banks and its customers. The bank executives explained from their point of what customer loyalty meant to them, the types of loyalty programmes employed, how and how they measure retention. In addition to these, it gave an opportunity to the banks to reflect on their definition of profitability and the role of competition. On the part of the customers interviewed, a deeper discussion ensued on their understanding of satisfaction. The interviews also intended to know their views and recommendations on how they expect banks to relate with their customers and have effective service delivery.

As noted in the methodology, the data for the study was collected from ten (10) banks executives in the Nigeria commercial banks and five (5) customers. The first criterion for selection of the bank executives is that of convenience, that is, the executives who were willing and available to be interviewed by the researcher. This became necessary because of the busy schedule of bank executives, the bureaucracy associated with reaching them and scheduling meetings, as well as their unwillingness (in some cases) to grant audiences to researchers. The second criterion for inclusion in the sample is that of consent. The researcher submitted letters to commercial banks in Nigeria to gain approval to interview their executives. To complement the data from the questionnaire, the researcher also interviewed five (5) customers that were randomly selected by the researcher. The researcher was careful to only interview customers he perceived were learned and aware of what customer loyalty programmes entails. This perception was arrived at by observation. The observation entailed appearance, language spoken, mode of transportation (vehicle) and also general disposition.

Below are the stages employed in data gathering and analysis

Step 1

In collecting the data, the researcher interviewed seven of the bank executives in their offices while three of the bank executives were interviewed on phone. The choice of mode of interview was dictated by the respondents' availability of time and space. As noted earlier and in a bid to ensure that no information was lost by the researcher while trying to take notes, the researcher recorded the interview with the permission of the respondents using a mobile phone recorder. All the respondents agreed to audio recording the interview except one of the respondents who declined on the grounds of privacy despite being assured of ultimate confidence of any information supplied to the researcher. For this respondent, his responses were written down. The researcher made effort to carefully include all the responses as provided by this respondent. Afterwards, the researcher read the written down responses to the respondent to ascertain his agreement and concurrence as his submissions.

Step 2

All the audios were transcribed verbatim. This includes pauses and vernacular speech. Personal confidential information was removed from the transcribed data before analysing it using the NVivo software.

Step 3

The data from both sets of interviews will be discussed simultaneously in this section. With the help of the NVivo software, the researcher developed several themes based on the research questions and objectives following the approach explained by Braun & Clarke (2006), who maintained that thematic analysis should be based on the research questions that the researcher wants to answer.

Following the suggestion of Braun and Clarke (2006) the thematic coding as enumerated in Chapter 3.

Step 4

The researcher developed three major themes that encompass the objectives of the study and grouped other themes derived from the interviews conducted under these three major themes. The three major themes pertaining to loyalty programmes were developed namely retaining customers, satisfaction and impact on profitability. These were used as a construct to analyse the data collected via the interviews with resultant sub themes emanating from this.

Table 4.15: Thematic framework

	STAGES OF ANALYSIS		
S/N	**STAGE 1** **(Apriori themes)**	**STAGE 2** **(Derived themes)**	**STAGE 3** **(Final Themes)**
1.	1. Point system 2. Gifts and Interests rates 3. Referral system 4. Smart Banking	Customer loyalty Programmes	Retaining customers
2.	1. Transaction volume 2. Banking activities engaged 3. Family and friends referrals 4. Wallet Share 5. Top of mind/ first point of contact	Measure of Loyalty programmes' impact	

	6. Reduction in account inactivity		
3.	1. Positive 2. Neutral 3. Negative	Customer Retention	
4.	1. Positive 2. Neutral 3. Negative	Customer Satisfaction	Satisfaction
5.	1. Significant 2. Not significant 3. Neutral	Bank Profitability	Impact on Profitability

These developed themes will be used to explore the research questions.
The theoretical lens through which these themes are examined is Social Exchange Theory. Banks and their customers are motivated by rewards received based on their forfeiture of a value (cost). Both the bank and its customer seek rewards in these exchanges such that the rewards accruable from the costs expended are higher in value. At the same time, both parties are uncomfortable when equity is absent in the exchange. On the bank customers' part, they expect fair and equal reward for both parties especially when same costs are incurred.
In summary, when

a. Reward – Cost = Positive (this is profit)
b. Reward – Cost = Negative (This is loss)
c. Cost > Reward = Inequity

It is important to restate for emphasis purpose that ten bank executives (two each from five banks and five bank customers were interviewed. Also, major emphasis on the exchange theory will be given to Theme 1 which happens to be the types of loyalty programmes practiced by banks in Nigeria.

RESEARCH QUESTION 1: What are the perceptions of bank managers and customers concerning the use and effectiveness of loyalty programmes in banks?

In addressing this question, satisfaction, being the emerging theme from the group of themes developed will be considered.

THEME 1: CUSTOMER SATISFACTION

Satisfaction is the result of activities carried out during the process of purchase and consumption. (Roberts-Lombard, 2009; Hu, Kandampully and Juwaheer 2009). Johnson and Fornell (1991) suggest that customer satisfaction is based on the total experience with a good or service over time. Majority of the bank executives maintained that customers' experience from loyalty programmes is satisfactory. They suggested that customers appreciate rewards and freebies and are willing to come back for repeat transactions (purchases) as long as these rewards and freebies are available to them. The assertion is collaborated by the search text query from NVivo, where we see at the right-hand margin of Figure 4 (below) that majority of the bank customers maintained that customer loyalty programmes impact on their satisfaction from the bank. All the respondents indicated *'yes'* to the question on customer loyalty programmes' impact on their level of satisfaction (indicated by the red arrow in Figure 4 below). The sub themes are below.

The findings from the interviews conducted on the bank customers is in agreement with the findings from the questionnaire where majority of the respondents agreed that customer loyalty programmes impact their level of satisfaction. Findings from Omar and Musa (2009) argue that when an organisation adopts the right loyalty programmes, customers will not only be satisfied with the organisation's products and services but will also be loyal to the organisation. The findings also corroborate the findings of others literatures with regards to a positive relationship between organisations' loyalty programmes and customer satisfaction (Ferguson & Hlavinka, 2007; Prentice and Correira, 2017). Stourm, Bradlow & Fader (2013) maintained that one way to judge customers' loyalty is to examine the extent to which these customers engage in the activities of the organisation. The data proves that the banks measure customer loyalty based on customers' repeat patronage and volume of transactions engaged by the customers.

The interviews of bank customers reveal their satisfaction with the banks services as all respondents had a positive submission about it. Also, the response confirm that these customers are comfortable with the programmes. Their submissions are below

"Am satisfied with their service. I will continue to put my money there".

(Customer B, DBA Bank)

"I would say yes without a doubt. When you have a bank like ABZ, the sky is the limit. And you know there is a way that people like rewards in this country. I will continue to bank my money with bank X because of the 'jara' I get" (Jara is a Nigerian slang for extra)

(Customer A, ABZ Bank)

"My bank has never failed on its promise to deliver. We were informed that when we are consistent in our savings, we will win prizes from them. I have been doing this for three years and I have a card from them which I use at stores even when there is no money in my account"

(Customer D, QPR Bank)

"…Why do you think I am still with the bank? (Laughs). They have fantastic offers for their clients. I can go to bed knowing that at every point, there is something for me…"

(Customer E, KLM Bank)

For these bank customers, the exchange in this relationship is rewarding. 'Customer A' claim that consumers in Nigeria appreciate rewards. *'There is a way people like rewards in this country',* he said. The value placed on reward is a contributor to satisfaction in this case. Various studies conclude that perceived value affects satisfaction (Ball *et al.* 2006; Grace & O'Cass, 2005).

It is therefore safe to suggest that when the benefits of a loyalty programme is important to a customer and is perceived by them as rewarding, it sustains the relationship and puts in place a high barrier of exit for the customer. In addition to this, it makes it challenging for competition to win over such customers. Therefore, the value placed on the reward by the customer determines their acceptance of the programme and services offered by the banks. The submission by the bank customers also corroborates previous research that finds positive effects of customer satisfaction on loyalty (Biong, 1993; Hallowell, 1996; Halstead & Page, 1992; Woodside, Frey & Daly, 1989).

The bank executives interviewed also corroborated the submissions of the customers. While by default, it is expected that they perceive loyalty programmes as effective based on the fact that they initiate it, it is however interesting to note that their statements buttressed the customers' account.

"These guys (referring to customers) love gifts and all. Our desire is to keep them and in doing so, we have used what they want and they are so satisfied every time we fulfill our own part of the deal"

(Director, electronic channels, KLM Bank)

"Yes, several of our customers through the customer care noted that they are loyal to us because of the different offerings and products we have. Most customers want their transaction as fast as they can, some customer enjoy coming to the banking hall to deposit with anticipation of getting freebies. Several others stick to our mobile app to accumulate points".

(Director, Retail Banking XYZ Bank)

"…loyalty schemes are big deal to your people (referring to customers). We know this as we cannot afford to fail them. We have seen our net promoters score improve as a result of this. Even 'sef', we periodically do surveys to know if they are happy with the schemes and the report has given us reasons to be happy. They are happy, we are happy"

(Regional Director, Sales QPR Bank)

"…because of the support we have for our clients, we give to them goodies. They also stay with us because they enjoy this goodies. It is like marriage. Why do you think your

wife is still with you today?" (Laughs)

(Directorate Head, Retail Businesses DBA Bank).

"Trust me when I tell you that our customers are wowed by the various retention programmes by ABZ. My team make weekly contact with them using our channels to assess their acceptance of these programmes. Listen, (smiles), the report has been encouraging. I am glad we made the right choice to do this. Good stuff"

(Chief Customer Engagement officer, ABZ Bank

Customers' perceived value of the reward of a loyalty programme play a major role in satisfaction of the customer. When perceived value is of little or no importance to the customer, satisfaction may be affected negatively. In the case of these customers, the positive trend is due to the importance placed on the programme.

Responses to the questions on the impact of loyalty programmes on customer satisfaction and their perception of same reveal that the respondents believe that when effectively implemented, it has a positive impact on satisfaction in the following ways:

1. Prompt responses to customers.
2. Reduction in turnaround time for requests and resolutions.
3. Provision of banking information to customers as and when due
4. Improvement of relationship management
5. Building of trust between the bank and its customers
6. Improvement of customers' business performance arising from quality advisory services from banks.

These rewards to customers from the theme corroborate the findings from the survey conducted which shows commitment on the part of the bank. As elaborated in the findings from the survey, it is evident that banks promptness to enquiries, provision of information as and when required, reduction in turnaround time for requests and resolutions, improvement of customers' business performance due to provision of quality advisory services are all pointers to the bank's commitment. While trust is the basis of relationships, commitment helps to increase the trust level

It is therefore expected that in developing a loyalty programme, banks must seek the programmes that have meaningful value to their customers. It is therefore safe to suggest that the value of loyalty programmes are not entirely influenced by the value of the cash value of the reward (ratio of points to purchase), the range of choice of rewards, aspirational value of rewards (accumulated points or cash back), practicability of achieving the reward and the loyalty programmes' ease of participation (O'Brien & Jones, 1995).

It is interesting to note that although all the bank executives believe that their customers are satisfied with their programmes and services, a bank executive queried the customers' intention for patronage. In his submission, he stated that patronage may not necessarily mean customers' satisfaction.

"In all honesty, you don't even know for sure sometimes if they come because of what they will get from you or the service….but I think whichever way, their coming points towards satisfaction".

(Executive, Strategy Implementation DBA Bank)

This submission corroborates the fact that customers will continue patronage not only because of economic rewards. They will do so because of derivable values as enumerated above. The customers have seen value in the exchange and therefore have made the decision to patronise the bank. The submission corroborates Foa & Foa (1974, 1980) argument on outcomes of an exchange which could be economical and address financial needs (this is tangible) or socio emotional which addresses social and esteem needs. Whichever the case may be, the exchange creates for the bank customers' reward greater than the attendant cost. Bank customers are at liberty to patronise banks based on what they consider as value in the relationship. Although the bank executive equates repeat purchase to satisfaction, the submissions above explains that the repeat patronage may be due to the value that the customer has placed on the reward accruable to him or her. Therefore both the economic and socio emotional tendencies come to bear in this exchange.

Customers' perceived value of a loyalty programme and its reward is in part responsible for their satisfaction. The greater the value, the more the likelihood of repeat business. When perceived value is greater than the cost of patronage, it leads to repeat patronage and vice versa. This value accrues to the customer as reward. Their willingness to continue with their banks in this exchange is based on value. It is safe to submit that customers adjudge the effectiveness of loyalty programmes based on their perception of value created by their banks. This exchange shows interdependence between both parties. The bank on its part want to deploy a successful programme aimed at generating revenue. The customers want to enjoy benefits from the programmes deployed. Value creation by the bank and perception of the value by the customers determines the outcome of this exchange. The analysis reveal positive perception by both parties. The bank and customers perceive the programmes as rewarding due to increased patronage (resulting in increased revenue to banks) and reward to customers from point generation and redemption of same.

RESEARCH QUESTION 2: How do loyalty programmes lead to customer retention in banks?
In addressing this objective, the emerging themes on the types of loyalty programmes employed in addition to banking activities engaged, referrals for family & friends, wallet share and top of mind will be considered. These will be analysed under the major theme 'retaining customers'

THEME 2: RETAINING CUSTOMERS

Following Stoel (2008), loyalty programmes are an all-inclusive marketing strategy that creates and maintains relations between the organisation and its customers by offering value addition to customer relative to what they get from competitors. Loyalty programmes could be in the form of rewards to customers for continuous patronage or services and products targeted at drawing more customers and keeping the existing ones.

The views on the sub themes under the major theme of Customer loyalty programmes are transcribed below *a). Point System*

The point system is conventionally used to measure customer loyalty programmes. The mode of operation is such that customers earn points based on the frequency of usage of the banks' products and services. Although the points issued to bank customers at the point of patronage do not have tangible value until redeemed, recent studies show that they have important psychological meaning to consumers. This psychological benefit is responsible for the increased patronage by customers (Rao & Kotian, 2018). The point system creates an expectation of a positive future event to customers because they believe they can redeem points for free on a future date. However, Cedrola & Memmo (2010) suggested that the point system poses a challenge for loyalty programmes especially in the area of redemption of prizes or policy changes such as programme rules.

The products and services that points can be earned from include the frequency of debit card usage, frequency of withdrawal or transactions engaged on the banks' various alternate channels. The submissions are stated below

The customers interviewed confirmed the point system. Their submissions are stated below.

"My bank gives me point whenever I make deposit and transact with the mobile app"

(Customer C, XYZ Bank).

"Whenever I use my account, I get what is it called? (pause as if trying to remember what it is)…points. And this thing is good o"

(Customer A, ABZ Bank).

"I have told all these people that keep marketing me all the time (referring to other banks) that if you can't do what my bank does, don't bother. Why should I leave someone that favours me with points I can use in future. No rival, I am okay with my bank"

(Customer D, QPR Bank).

"Leave matter (meaning, no controversy), I will come back tomorrow and next week

and next year to this bank. They care for me. I get good things from them every time just because I am their customer".

(Customer B, DBA Bank)

"They told me… keep saving and we will surprise you. I have done this for a year. Six months ago, they gave me a card and told me I can use it at Shoprite (a shopping mall) because as I save, they are putting something (referring to point) in it so I can shop with it"

(Customer E, KLM Bank)

The bank customers see the points accruable to them as a redeemable value which is worth the cost of the exchange. Their statements also suggest their confidence that their banks are able to make good the promises made by their ability to redeem and use the points accumulated. This in part is responsible for their patronage, hence retention. Also, the bank executives confirm that their loyalty programmes are point based. To them, loyalty programmes play an important role in customer retention. They considered and submitted that adoption of this programmes and usage by customers indirectly leads to retention. Excerpts from the bank executives' submissions are stated below

"By and large and in summary, our loyalty programs are point based. The more you transact with us, the better. And of course terms and condition applies"

(Director Retail Products and Channels, ABZ Bank)

"What we want to do is for the loyalty schemes revolve around loyalty points, loyalty value, card usage and deposit balances".

(Zonal Director Marketing, XYZ Bank)

"We have developed several loyalty programmes over the years. Some of the popular loyalty programmes include point system, where customer can accumulate more points as they transact with our ATM, mobile app and deposit. Also, we encourage customer

to leave up to N100, 000 in their savings account to get higher points and also on their deposit",

(Regional Director Sales, QPR Bank)

"Our programmes are majorly point based. We made it so because we want customers to transact more to enjoy the full benefits of it"

(Director Regional Bank, KLM Bank)

"…nothing goes for nothing. We have crafted our schemes in such a way to encourage repeat patronage. When our customers frequently use our products and services, they earn more points. Most of them are happy and are constantly benefitting from this"

(Directorate head Retail Businesses, DBA Bank)

Both the customers and the banks have cost and reward components in this exchange. The cost to the customer are costs associated with charges from card usage, withdrawals from accounts, use of alternative channel platforms and other activities engaged by the customers. Other costs are those associated with switching to a competitor. Switching cost has been identified as a contributing factor in sustaining relationships and it is incurred when a customer switches to another service provider (Pick & Eisend, 2014).

The customers' submissions suggest their willingness to overlook these costs. Their statements suggest that the costs are outweighed by the accruable rewards to them. Otherwise, they would have disengaged from the programme.

In like manner, the submissions by the bank executives show that increased patronage by their customers is a reward to them. Loyalty programmes are set up to maximize customer's attachment towards a service provider, products or services and are implemented to achieve a set of financial and economic aims, i.e. reduce operational costs of dealing with customers, increase overall sales volume and profitability, and maximize the value of customer portfolio. (Szczepanska & Gawron, 2011; Liu & Yang, 2009; Leenheer & Bijmolt, 2008). It is therefore safe to say that the more customers have engagement with their banks, the likelihood it is for them to create economic value which may lead to reduction of operation cost

Cost minimisation is a financial strategy that aims to achieve the most cost-effective way of delivering goods and services. Reduction in costs results in higher revenue (Moolio & Islam, 2008). While this is debatable considering that other factors that are not financial in nature may have an effect on revenue and profit maximisation.

However, the banks consider this as an advantage. The frequency of patronage to them results in success of the loyalty programme and hence reward for the bank.

This is evidenced in their statements e.g. the Director Retail Products and Channels at ABZ Bank's submission that *"By and large and in summary, our loyalty programmes are point based. The more you transact with us, the better. And of course terms and condition applies"*

In conclusion, the point system of loyalty programme as seen in banks has both compliments of cost and reward in this exchange. The bank customer incurs a cost in the present in anticipation of a future redeemable reward. This cost is exhibited in patronage and use of the banks various channels. These includes but not limited to account operations. This cost also includes what the customer is willing to forfeit by not banking with a competitor of the bank. The bank on the other hand receives a reward which is defined by customers' patronage. This includes but not limited to deposit in account, debit card usage, patronage of various alternate channels of the bank. For a continuous exchange and relationship, an interdependent relationship must exist between the bank and its customers. Social Exchange Theory holds that interdependence is necessary and must be mutual for parties involved in an exchange to benefit. This is so because where exchange is strong, it increases satisfaction (Emerson, 1976; Witt & Broach, 1993). The analysis shows a mutually beneficial exchange between both parties. The point system as seen in the exchange between the banks and their customers shows loyalty. The more the banks' channels of transaction are used by customers, the more redeemable points are earned by them. For example, if Customer A use his debit card on the automated tellering machine once, he earns five points for the transaction (this may translate to fifty points at the end of the month if same is used ten times). This also apply to Customers B, C, D...). Same principle may hold when other banking channels such as mobile banking applications, internet banking platforms, in-branch transactions etc. are used by the customers. The points represent bits of loyalty to the bank. The bank derives reward from it because it impacts on its revenue line. This revenue is the aggregate of the total customers' patronage on those channels. On the other hand, the customers' loyalty, patronage and use of the banks' various channels also accrue financial reward to them. The reward is redeemable on a future date as specified in the terms and conditions of the loyalty programmes. The customers are willing to continue with the programmes because of the reward they get while the banks are willing to continue with the programmes because of the repeat patronage and increase in the volume of banking transactions carried out by their customers. It is therefore safe to suggest and confirm that the exchange is fair to both parties. This is because of the financial rewards they both get. These rewards (revenue generation to banks and redeemable point accumulation to customers) show both parties' willingness to continue the relationship in spite of the associated cost involved in the relationship.

b). Referral programme Referral programmes are critical for effective mobilisation of new customers, establishing long-term relationships, and increasing customer value (Chan, Lin & Bodhi, 2014). Customers are rewarded for referring, friends, family members and associates to bank. The rewards may be in the form of all-expense paid weekend getaway, spa treatments, admission to an important football game etc. Referral programs are believed to have a significant positive influence on corporate profits (Kumar, Petersen & Leone, 2010). The bank customer qualifies for a referral scheme only when he/she succeeds at bringing on board five new customers to download the app. This creates a multiplier effect. It means for example that ten customers bring on board a total of fifty new-to-bank customers to qualify for a reward. The bank calculates a reward for the customer that is proportionate to the cost it expends on the same customer or better still higher than the cost. This becomes a reward to the bank considering the following

1. New customer acquisition is made which on its own should generate additional income to the bank.

2. Cost expended on reward for customers is proportionate with the reward given or lower than it.
3. The higher the number of participants in the scheme, the better the opportunity of returns for the bank.

This exchange is both a cost and reward to the customer. While on one hand, he receives a reward for referring others to the bank, on the other, he stands the risk of disappointing those he refers in the event that they are unsatisfied with the bank's products and services. In this regard, the cost of *trust* is involved. This is in addition to the cost of energy expended in convincing, family members, friends, associates to adopt the bank's product that can earn a reward to him/her.

The following conditions hold for the customer in this exchange:

1. The value (cost) of time vis-à-vis the reward is always cumbersome.
2. The cost of trust and respect by new customers won has a relationship with their satisfaction with the bank's products and services. When satisfied, trust is built for the referrer and the bank. This corroborates the findings from the surveys as to what engenders retention. For building of trust in banks, customers look out for credibility and benevolence. While the former suggests reliability and fulfilment of promise, the latter implies that the banks are genuinely interested in the progress and success of its customers. Customers also look out for competence in their banks as well as transparency. Without gainsaying, it is difficult for customers to trust banks that are incompetent. When banks promise their customers, their ability to fulfil their promise (in this case point redemption) builds trust in the customers. This is evident in Customer B, DBA Bank's response when he noted that *"my bank gives me points whenever I make deposits refer more people and transact with the mobile app".* For this customer, his bank's ability to fulfil its promise to him is an indication that he will continue patronage with it. Also competence here denotes that the banks have adequate knowledge of addressing their customers' enquiries. It is clear that no one will trust an incompetent

institution. Customers trust is also built when banks are transparent with them i.e. in disclosure of information not only about rewards they can benefit from but also the associated costs, if any. As previously mentioned, there also has to be an element of shared values. Absence of shared value poses a danger to loyalty because it breaks the trust expected for engendering loyalty and retention. Also, with continued patronage comes increased level of trust as long as the promises are fulfilled and terms and conditions abided by both parties. This exchange therefore is mutual for both parties as suggested by the responses.

From the submissions, the customers are willing to bear the cost in the exchange because of the reward accruable to him/her

Family and friends referral is an important scheme employed under the referral practice. This group represents those who are either relations of the bank customers or are in one way or the other associated with and familiar with them. When customer refer voluntarily, it suggests that they trust their bank, its products and services. While the referral system as previously discussed attracts a reward to the customer, this type of referral is at the customer's volition. Banks also measure their customers' stickiness and retention through this.

The customers' submissions are below

"One thing I have done a lot is to introduce my people to the bank. The benefits I get from the bank are many when I do so it and also the people I introduce enjoy too"

(Customer D, QPR Bank)

"My bank is a family oriented bank. We bring our family members in and enjoy the benefit of banking"

(Customer C, XYZ Bank)

"Banking with ABZ is one good decision I have made. They encourage you, give sound advice and also encourage us to bring our friends and family. On top of that, they

reward us for doing so"

(Customer B, DBA Bank)

"I have been with this bank for over five years. What I can say is that when they promise anything, the always make sure they bring it to pass. They told us to bring our relatives and earn points, they have fulfilled the promise. This is not the only thing they have done. Whenever they say something, they go all out to do it"

(Customer A, ABZ Bank)

On the bank executives' part, they believe that when customers become advocates for them, it shows a good sign of satisfaction. Their responses to the interview questions are stated below.

"*When customers refer some of their family members to you, it is an indication that he or she is satisfied with your services".*

(Director Retail Banking, XYZ Bank)

"We also look into the number of family members that bank with us...by encouraging their family members to open an account with you"

(Director, Electronic Channels, KLM Bank)

"The number of family member that use our services. We also take statistics of the number of customer that get their Bank Verification Number from us first".

(Chief Customer Engagement Officer, ABZ Bank).

"……We also look into the number of family members that bank with us. Most customers appreciate your quality services by encouraging their family members to open account with you".

(Group Head, Retail Businesses QPR Bank)

"We recently launched a digital app which allows us to do a referral scheme. By this I mean that when a customer downloads the app and gets five others to download, the

app and indicate his referral code, this entitles him to freebies such as data on phone, free movie tickets and other freebies".

(Director, Retail Products and Channels, ABZ Bank)

"We give points to customer who referred their family members and colleagues to us".

(Executive, Strategy implementation DBA Bank)

"…we also have loyalty schemes with our youth app where they are rewarded for usage of account and referral"

(Zonal Director Marketing, XYZ Bank)

For the banks, it is a 'game of numbers'. The more customers they have, the likelihood of better returns to them. The bank weighs the cost of giving freebies to its customers as against the benefit derivable from it. The cost of referral reward to customers vary from bonuses, free vacation or movie tickets, lunch treat etc. While on one side, the bank expends cost in providing these rewards to customers, it also weighs the impact from the referral programme on the organisation's bottom line.

Verlegh et Al. (2013) note that a challenge that may arise from the referral programme is when new prospects referred develop negative responses based on their perception of the referrers' motivation. Their responses may be positive, negative or neutral depending on whether or not referrers receive rewards.

However in this case, the responses are positive from the perspective of the banks as well as their customers. The bank gets a reward from the exchange based on the multiplier effect from new customers' acquisition. The bank customers on their part incurs a cost measured by time and trust. However, the value of reward from the referrals outweighs the cost.

c). Interests and gift cards.

Interests and gift cards are also commonly used as loyalty schemes. Here, customers are rewarded in the form of interests to their accounts based on the volume of deposit that exists in such accounts. The bank sets a threshold of a certain amount and communicates to customers that they qualify for certain percentages on a monthly basis as long as they meet the terms and conditions stipulated. This includes but not limited to account balances set at a particular threshold. These customers continue to enjoy the benefit of interest payment as long as this condition is met. Otherwise, they are disqualified. In addition to this, gift cards are rewarded to customers who have long standing relationship with banks for a specified period of time. The cards are given to them for use in purchasing items free of charge from retail shops, accessing accommodation at hotels, admittance to events and clubs etc. It may also be given to them for their special occasions such as birthdays, wedding anniversaries and other important occasions in the customers' life.

Interest paid to customers in addition to the gift cards constitute a cost to the bank. While on one hand, it encourages increased patronage from customers, on the other, it constitutes an economic cost to the bank. These costs are:

1. The monetary value of interest payments
2. The monetary value of gift cards given out to customers 'free of charge'
3. The risk associated with customers disengaging from the programme after enjoying the rewards from the scheme.

The Director Retail Products and channels at ABZ Bank noted: *"They are basically third party loyalty programs that we run. We work with interswitch (partner financial technology company) using their cards. Customers are rewarded with gift cards, interests and so on depending on frequency of use of the cards.*

On the other hand, the interest payment and gift cards are rewards to customers in this exchange. Aside the economic reward in form of interest paid by the bank and gift cards given to customers, there is also the emotional reward associated with the gift cards. This emotional reward is shown through a sense of belonging, prestige, recognition or access to exclusive treatments and services. Customers perceive quality service to be associated with prestige. Where banks entitle customers with privileges such as access to lounges, free movie tickets and shopping cards, this allows consumers to distinguish themselves from others and have a sense of exclusivity to these rewards. These intangible offerings give customers a perceived sense of worth. This in turn plays out in customers' willingness to engage in repeated patronage.

Customer A at ABZ Bank stated: *"The patronage entitles me to interests and freebies such as data on phone, free movie tickets and other freebies. Some people even get cards they can take to supermarkets to shop free of charge"*.

Customer E at KLM Bank also reiterated this when he commented that "*My bank gives interest on deposit in your saving account. The more you deposit, the more your interest will be"*.

These responses show their willingness to participate in the programme based on immediate reward to them. Unlike the point system where customers accrue rewards in form of points to be redeemed on a future date and time, interests and gift cards are immediate benefits for transactions and banking activities carried out by customers.
Finally, it is safe to submit that trust is built for increased patronage by customers not only because rationality (arising from quantitative metrics such as points and incentives) or behavioural pattern (arising from convenience) but also emotions. Emotional loyalty derives from quality service, trust and benevolence.

d). Smart banking

Smart banking is a revolutionary banking experience designed to attract, engage and connect clients with products and services, all on demand using innovative technology and user friendly devices. (Bucko, 2017). Banks in Nigeria have adopted smart banking approach as against the traditional banking to meet up with international standards and global digital trends. A challenge is the issue of adoption. While millennials find it easy to quickly adapt to trends, the older generation somewhat prefer to use the traditional method. This may be due to their perception of the risks associated with digitalisation. Bearing this in mind, the Central bank of Nigeria in conjunction with the Bankers Committee (which comprises of all commercial bank Chief Executive officers in Nigeria) has continued to sensitive this demography on the benefits of smart banking. About thirty percent of Nigerians are financially excluded and in a bid to drive adoption, banks employ loyalty programmes via smart banking. This include but not limited to frequency of transactions on automated tellering machines, use of apps, debit & credit card adoption, mobile banking (including use of short codes), etc.

In this exchange, the customer incurs cost. These costs are

a. The risk of fraud.
b. The cost of internet access to perform transactions on smart devices (the cost of internet access is expensive for the average Nigerian. Kuboye, 2017)
c. The cost of device used.

Loyalty programmes through smart banking devices in Nigeria is practiced to increase patronage. Three customers' submission below confirms that the customers earn point for using their bank's digital app. This is different from earning points from volume of transactions performed. This loyalty scheme is tied directly to the usage of the bank's mobile app. The adoption of smart banking by customers in Nigerian banks is on the increase as customers have begun to adopt same for their day to day banking transactions and activities. This is evidenced by the submissions of the customers as stated below.

"They have also introduced mobile app, short code with which you can transfer online at the comfort of your home and also earn extras when you use their app'
(Customer B, DBA Bank)

"The mobile app of my bank have enabled us to transfer from a long distance without going to the bank…and you know what? They pay me for using it (Laughs)
(Customer D, QPR Bank).

"Am satisfied with the bank services. Especially with their internet services and mobile which make banking experience lovable and also gives me so much more like them rewarding me with bonus money''

(Customer C, XYZ Bank).

"…they encourage us to do our banking activities from the comfort of our homes. They constantly sensitise us on the benefits and also reward those of us who faithfully do so"

(Customer A, ABZ Bank)

"I don't have to go queue up in the banking halls again. Can you remember those good old days of long queues? (smiles). Now I can do it at my time. I think its sensible that they've also introduced incentives to encourage many to get on the train"

(Customer E, KLM Bank)

While the customers are gradually getting comfortable with smart banking, the cost stated above exist. These costs may not be obvious to some customers. However, those who are aware of these costs weigh it and be convinced to continue its usage based on advantages of turnaround time, ease of doing business etc. Therefore, if the cost associated with usage of smart banking outweighs the reward derivable to the customer from loyalty programme, a decision then needs to be taken by the customer to continue or discontinue with the scheme. Also, smart banking use for loyalty programmes constitutes a reward to the bank. The cost associated with development of the digital infrastructure is one off. The maintenance cost is a going concern which forms part of the banks' budget for yearly expenditures. The major risk involved is customers' refusal to use the applications. However, from the submissions of the bank executives, usage and adoption is encouraging. Their submissions are below.

"We have various loyalty programs which are used over the years. In recent times we have tried to link it to our digital banking products, Mobile app, short code, online banking, ATM".

(Director Regional Bank KLM Bank)

"…the way to go is digitalisation. Most of our activities are online real time. Even our schemes also. We have linked it to activities done outside the banking hall such as on

phone, automate tellering machine, mobile app etc".

(Director Retail Products and Channels, ABZ Bank)

"I am sure you recall the phrase 'innovate or diffuse' (laughs). Banking has gone into the future. Benefits to customers won't just fall on their laps. They must use technology to make the work easy for them and of course for us (laughs) and then of course get rewarded for doing so"

(Group head Retail Businesses, QPR Bank)

"…they are our biggest advocates. When one person use the alternate channels, they evangelise to others. We know that they need encouragement as they do so. Therefore, we've put mechanisms in place to reward them…"

(Directorate Head Retail Businesses, DBA Bank).

"...just this morning we had fantastic strategy session. In the next two months, we will be rewarding the most frequent users of our debit cards. It's a way of encouraging others to get out of the banking halls and get used to self-service"

(Zonal Director Marketing, XYZ Bank)

In conclusion, the cost elements in this exchange are borne by the bank customers while the bank receives the reward. Although these costs may not be commensurate with the loyalty reward to the customers. However, if the cost of alternatives far outweighs the cost of smart banking, this comes to the customer as a benefit and may be overlooked in the exchange. When customers use self-serviced platforms that are digitalised, banks are able to reduce their overhead cost and maximise returns.

The interviews conducted suggests that bank customers are satisfied with the loyalty programme offerings of their bank and are will to engage in repeat purchase (increasing their patronage) as long as the reward to cost ratio is not negative. The reward accruable to them by their participation in loyalty programmes outweighs the cost expended by them in these schemes.

e). Transaction volume

From the interviews conducted, majority of the bank executives maintained that customer loyalty is measured in their banks by the volume of transaction. The implication is that repeat purchase may lead to loyalty (Cooil et.al 2007; Tuu & Olsen, 2010; Sharp & Sharp, 1997). While this is debatable considering other factors (internal and external), submissions from the bank executives suggests that one way of measuring customer retention is activity and volume of transactions/ repeat purchase carried out by their customers. Their argument rests on the suggestion that growth in account activity implies retention. This submission is summed up in comment by the Director Retail banking at XYZ Bank below:

"With us, repeat business and volume of transaction is what we look at. The more we see from the customer…that is good for us"

From the bank executives' responses, repeat purchase and its frequency is one way to measure if loyalty programmes lead to retention. Beneficiary customers' activities are measured

f). Banking activities engaged in

Banking activities engaged in by customers here refer to their engagements with their banks. While these may vary from one bank to another, the core activities are fund (cash, cheques and transfers) deposits into their accounts or other accounts, withdrawing from accounts, requests of loans for various uses including but not limited to home mortgages, personal loans, asset acquisition etc. Additional services may include frequency of debit and credit card usage, investment and advisory related services. For increased revenue generation, banks encourage their customers to take advantage of a bouquet of products which may be relevant for various needs. These include savings account, loan products for asset finance, mortgages, and alternate channel products such as mobile banking platforms, smart cards and advisory services. The import of cross selling products to customers is for stickiness, to grow revenue and deepening of relationship with customers to discourage defection to competition (Mundt, Dawes, and Sharp, 2006; Ehrenberg and Goodhardt, 2004). The bank executive responses are summarised by Director Electronic Channels at KLM Bank below.

> *"For us here, it is the basket of activities and products patronised. Do they use our loan products? Do they have products for their children from us? What about our advisory bouquet. Do they take advantage of it? Do they also use our debit cards?".*

When customers adopt these bouquet of products, it creates a win-win situation for them and their banks.

For the banks, it reduces the cost of marketing products individually but as a bouquet. Furthermore, it reduces the risk of customers' switching to competitors. This in effect reduces account dormancy and inactivity and improves relationship management of customers by banks.

On the customers' part, the action by banks and commitment to serve the customers better engenders the customers to them. In addition, they are able to explore various options (banking activities and products) to choose from. This invariably increases their loyalty to the bank. Customers are not only concerned about financial rewards but how their banks treat them. They appreciate suitable products, prompt response to their requests, open communication with their banks, quick resolution to issues among others. These in addition to the financial rewards that they get constitute reward to them.

g). Wallet Share

The customers' wallet share here refers to his/her personal and business activities translated into cash or cheque which pass through or come into the account. From responses from the interviews, an increase in volume of transaction in account is interpreted as an increase in wallet share

The bank executives claim that another way to measure retention is their customers' wallet share compared with other banks' share of the same customer's fund.

Below are some of the submissions of the bank executives.

"We measure it mainly by the wallet share of our clients business that they allow to pass through us. And also do they come to us when they need advice. Are we their first point of call? That's loyalty as far as I am concerned".

(Regional Director Sales, QPR Bank)

"The share of their business with us is important…"

(Chief Customer Engagement Officer, ABZ Bank).

"…I also ask my team to look at the activity in the account. We compare what is presently obtainable with what used to be. If it's slowing down, it raises a flag and we begin the process of rejuvenation…"

(Zonal Director Marketing, XYZ Bank)

When banks understand their customers' businesses, it gives them an idea of these customers wallet and the share they have control in the wallet when measured with what competition controls. One way that banks also determine retention is to consider the share of customers' businesses that are transacted through them. While the exact value of the customers' businesses may prove difficult to ascertain, an estimate may be realistic for this measurement. This estimate results from enquiry and interaction with their customers. This exchange is psychological and customers are willing to open up when they perceive their banks as having listening ear to their financial enquiries. The exchange and interaction between both parties creates a bond that allows for continuous patronage and reward. On the banks' part, the increase in wallet share is a reward to them. On the customers' part, the increase in wallet share by them accrues reward from the bank to them.

h). The first point of contact

Customer's first point of contact implies that for all of his/her banking needs, the bank that is top on his/her mind is the first point of call (whichever bank that a customer thinks about every time he needs to use a banking solution).

This is summarized by the Director products and Channels at ABZ bank when he stated that *"Are we their first point of call? We also take statistics of the number of customers that get their Bank verification number from us first*"

This submission in line with the assertion of Megatef & Tomalieh (2015) who maintained that customer satisfaction generates business leads for the organisation. Liu (2007) argued that creating value for the customer often generate leads for the organisation since a satisfied customer is likely to recommend the organisation's products and services to everyone close to him or in his ecosystem.

Various banking activities engaged by the customers such as the frequent use of the bank's mobile apps, online banking platform, cash deposit or transfer among other activities also play a significant role in the measure of bank customer loyalty.

i). Reduction in account inactivity

From the various interviews conducted, all the bank executives submitted that the loyalty programmes employed by their banks have resulted in major impact on accounts. This impact is evident in reduction in account dormancy and inactivity, growth in frequency and of patronage, reduction in customers' request for account closure. The bank executives attributed this positive development in part to the loyalty programmes that their customers have access to. They explained that they compared the status of these variables (account dormancy, and inactivity, frequency of patronage and account closure) before the start of their loyalty programmes and when the programmes were launched. They found a reduction in dormancy and inactivity while they also noticed an increase in the frequency of patronage. This is evidenced and summed up in the bank executives' statements below.

> *"It has a major impact. Right now the trend is that about 35% of customers acquired in the course of the year usually go dormant. But we have seen an increase in transactions from those who have done limited business with us in the past."*

(Executive, Strategy Implementation, DBA Bank)

"The level of our inactive and dormant accounts and including request to close accounts has significantly reduced. That to me is a pointer to the scheme…and you well know that customers anywhere stay where their needs are met and where they achieve satisfaction"
(Director Electronic Channels, KLM Bank)

"Account activities have improved. I constantly look at the figures on a weekly basis and I compare it with what used to be the case before we started out. Many customers have come to reactivate their accounts and doing good business with the bank"
(Regional Director Sales, QPR Bank)

"Our customers stay with us because of our service and also because we have activities and programmes that are beneficial to them. We've constantly measured the impact. These programmes have helped take care of the naughty issues around dormancy. Shebi you know that Nigerians love awoof" (meaning freebies)
(Director Retail Products and Channels, ABZ Bank).

"We have invested heavily in our programmes and schemes but we can see the result in our customers' activities. Honestly we can't complain (Chuckles)"
(Zonal Director Marketing, XYZ Bank).

From the research data presented above, all the customers interviewed were positive that customer loyalty programmes introduced by their banks impact on their loyalty and retention. While it is important to state that majority of the customers maintained that loyalty programmes are not the only factor responsible for their patronage and continuous loyalty to the bank, they did not fail to admit the role of customer loyalty programmes in their patronage. A similar stance was maintained by Gandomi & Zolfaghari (2013). The authors argue that what keeps customers with an organisation goes beyond the formal loyalty programmes like the point system, gift and freebies, payment options and security but also include the services rendered by the organisation to its customers. When organisations offer value to its customers, it is usually reciprocated in the form of loyalty by the customers.

RESEARCH QUESTION 3: What are the key influencing factors for organisations to consider in enhancing the use of loyalty programmes?

In addressing this question, the emerging major theme of *Impact on profitability* will be analysed. This is in part due to consideration that should be placed on the investments put in place by the banks. Also, other factors will be considered based on the responses of the participants.

THEME 3: IMPACT ON PROFITABILITY AND REVENUE

It has become necessary to determine the impact of the huge resources invested in loyalty programmes on the organisation's revenue. (Crowell, 2010; Ferguson and Hlavinka, 2007). In developing and maintaining loyalty programmes, organisation should seek innovative means that will not only benefit their customers, but also differentiated from similar programmes. This is because customers adopt loyalty programmes that are differentiated from those provided by other organisations (Chen & Hitt, 2006; McCall & Voorhees, 2010). In doing this, previous researches suggests that the associated costs are enormous (Berman, 2006; Xie & Chen, 2013; Shanshan et al., 2011). It then becomes necessary to weigh these costs against the derivable benefits to the organisation and its customers when setting up the programme. It is important to see how efficient these programmes are and to know if they are a waste of shareholders' funds.

Data gathered from the interviews conducted suggests mixed views on the impact of loyalty programmes on profitability and revenue generation. Some of the executives argue that loyalty programmes are targeted at achieving customer satisfaction and retention and this rise in customer satisfaction should have a positive effect on customer retention and hence a rise in the organisation revenue. Their views are stated below.

"Oh yes. Most definitely because when a customer is doing 60% of their business with

your bank and maybe 40% with another bank, by the time you get 90% of his business, I expect to see a minimum of 20 – 25% increase in revenue over a twenty-four months period".

(Director Retail Banking, XYZ Bank)

"Yes, it does. The more a customer patronize me, the more I earn service fees and it also impacts on my liquidity. And you know that when customers are satisfied, they do more with us and our revenue shoots up. We have seen this in recent times"

(Group head Retail Businesses, QPR Bank)

"You can't separate revenue for patronage. Customers definitely pay a premium for the services they enjoy here"

(Director Regional Bank, KLM Bank)

"If you can't generate repeat business, you will soon be out of business. Our ability to do this implies that our heads are still above the waters"

(Chief Customer Engagement Officer, ABZ Bank).

"See, this loyalty scheme is an eye opener. Nigerians love these free things. This makes them come back again and again. We have a process in place where we measure our gains from their patronage and our own investment in the schemes. Trust me, it is not looking bad at all"

(Directorate Head Retail Businesses, DBA Bank)

These bank executives submit a direct relationship between the volumes of transaction by customers with the bank's revenue growth. They suggest that the revenue element is derived from the cost of customers' transactions which includes premium paid by customers for services or statutory charges as required for those transactions. Their expectation is that when customer attrition is low, it leads to increased transaction volume which yields revenue.

The Director of Retail products and channels at ABZ Bank was not cautious about the impact on revenue generation. Although this executive agreed that loyalty programmes impact on revenue, he was careful by submitting that the expectations by his bank is not the reality. He stated that *"Up to an extent, it brings in revenue. It might not be as we expect but it is there"* Interestingly, the Regional Director Sales at QPR Bank had reservations about the financial gains of the programmes. He compared the cost with the derived benefit and submitted that there is no proof to suggest profitability. He noted that *"I am not very sure. Empirical evidence does not support that"*

Following Ferguson & Hlavinka, (2007), it is important to note that the extent of customer loyalty programmes' impact on an organisation's revenue base and profitability depends on several factors. These factors are necessary for organisations to consider in enhancing the use of loyalty programmes. They include but not limited to the following:

1. The strategies employed in executing the loyalty programmes
2. The organisation's ability to create efficient awareness of the programmes to its customer base.
3. The cost of setting up and maintaining the programmes.
4. The reward mechanism such that customers are able to redeem their rewards as and when due without unnecessary difficulties. This difficulties may have a toll on sustenance of the programme.

Applying the Social Exchange Theory for the analysis of the responses to the research question 3 revealed the following.

For the banks**,** the rewards for employing loyalty programmes are threefold. These are customer retention and transaction growth; increase in customer base, and revenue generation.

First, the programmes afford the banks the opportunity to retain their existing customers and increase their volume of financial transactions. This is possible because when customers perceive value from their banking relationship, there is a tendency for continued patronage. This value, as stated earlier, is the reward they get from the patronage. Therefore if banks do not keep their promise of redeeming the rewards accumulated by customers, it may lead to customer attrition. In this case, based on the promise kept by the banks, customers stay with their banks. This lead to repeat patronage. This repeat patronage accrue to the banks as retention of their customers and increase in the volume of their financial transactions.

Secondly, the loyalty programmes enable banks to generate new leads and win over new customers to their data base. This is because customers will always align with value and seek for opportunities where these values are available to them. Customers' exchange with banks is based on their perception of value. When they are aware that their banks cannot create the value they want, they move to competitors who are able to make such available. Also, based on word of mouth referral by customers to their associates and family members, there is a tendency for customers to start and maintain relationships that provide rewards to them as against those who do not.

Thirdly, the increase in volume of financial transactions by customers and increase in the banks' customer base results in revenue generation which constitute a reward to the bank. Therefore, while the banks on one hand has incurred cost in setting up loyalty programmes, the financial reward received as a result of customers' activities is greater than those cost. The costs of carrying out this loyalty programmes by the banks include advertisement, public relations, sales promotion, service cost of acquiring and maintaining customers' account in its data base.

The responses also suggest that trust exists between the banks and their customers because of the banks fulfilled promise to redeem rewards for the customers in addition to the service quality provided.

For Customers, the analysis of the research question three show that the reward to them include but not limited to personalized quality service delivery, advisory service, improved sales and after sales services etc. For loyalty programmes to be successful, banks put in place effective contact with customers. This is necessary for enquiries (customers may want to make clarifications about their points, when to redeem them, where and how). They may also require information on other engagements they have with the banks at the various touch points. The way they are attended to determines if they see value in their relationship with the banks. Also, communication from banks about various offerings and activities constitute as rewards to the customers. However, there are cost implications in this relationship. These are switching costs, the opportunity cost of remaining with the bank, bank charges on transactions, the actual money paid for the products, access cost among others.

The analysis suggests that the rewards that customers get vis-à-vis these associated costs is greater. Therefore, customers are willing to take part in loyalty programmes by banks.

Summary

An interdependent relationship must exist between the bank and its customers for loyalty programmes to be successful. On the bank's part, the costs include but are not limited to Service cost of acquiring and maintaining customers' account in its data base, the cost of advertisements and promotions, the cost of sales and marketing as well as the cost of running a loyalty programme. When these costs are weighed with the benefits derivable from the relationship with the customer and running a loyalty programme, mutual benefit should exist. These benefits include but not limited to revenue from count of new acquisition and cash volume growth from customers, new acquisition from customer referrals as well as increase in top-of-mind awareness by prospective customers as a result of customer effort.

Typical examples are sighted by bank executives' as reported in the analysis. In one, the cost of the programme was rewarded with a reduction in dormancy while in the other, increased patronage (from the programme which is cost related) is rewarded by profit to the bank.

On the part of the customer, a consideration also becomes necessary to look at the cost and benefits accruable. The cost of patronage varies from switching cost, the cost of risk (this involves the risks associated with patronising a particular bank), the cost of bias (This implies commitment to a particular bank in spite of other offers available) and also the cost of participating in a loyalty programme which speaks to benefits accruable from competition's alternative offerings. When these costs are weighed with the benefits accruable from participation in a loyalty programme, an equilibrium must result for continued patronage. These benefits include but not limited to rewards from participation in loyalty programmes and satisfaction derivable from this participation and indeed patronage of the particular bank in question. In essence, customer loyalty is only guaranteed wherever their interest is protected or where they achieve satisfaction.

However, beyond rational and behavioural loyalty, the findings from the analysis suggests that for successful programmes, considerations must be giving to the psychological aspects of relationship management. These are encapsulated in underpinnings such as trust, commitment, communication, benevolence, conflict resolution and competence.

Social Exchange Theory holds that interdependence is necessary and must be mutual for parties involved to benefit. Dependence (based on another's effort) and independence (based on one's solo effort) decreases satisfaction. However, where exchange is strong, it increases satisfaction (Witt & Broach, 1993)

4. 5. Conclusion

This chapter started by describing the process of data collection and the approach to data analysis. It was stated earlier that the study gathered both qualitative and quantitative data using the questionnaire and semi structured interview. From the discussion, it was revealed that 180 questionnaires were sent out while 154 were retrieved and 150 used for analysis due to issues with the remaining four questionnaires retrieved. Also, the response rate from the questionnaire was 83.3 percent. In addition to this, 10 bank executives and 5 customers were interviewed.

The quantitative data revealed that customer loyalty programmes supported by smart banking instruments and effective banking operations have significant impacts on customer satisfaction and retention. The findings were found to corroborate the findings of Magatef & Tomalieh (2015) who maintained that banking operation has significant impact on customer loyalty and retention. Similarly, the introduction and application of smart banking instruments was discovered to have significant influence on customer satisfaction.

These findings were equally upheld by the qualitative data, with the majority of the respondents maintaining that smart banking instruments such as automated tellering machine, bank short codes, online banking among others have a major influence on the satisfaction achieved by the customers.

The point system was a major aspect of customer loyalty programme measured in the questionnaire. From the data, majority of the customers maintained that the point system often make them save and transact frequently which is good for the banks' profitability and revenue. The qualitative data revealed that banks employed several measures to determine customers' loyalty including but not limited to volume of transaction by customers, the number of referrals made by the customers for and on behalf of the banks, wallet share, banking activities engaged by the customers and whether the bank is the customer first point of contact.

Lastly, it was revealed that customer loyalty programmes have significant impact on the revenue base and profitability of banks as it is the goal of loyalty programmes employed by banks. This significant impact on profitability is due to the rewards to both parties in the exchange. Without reward to the customers which accrues majorly as redeemable points in addition to advisory services, constant communication and resolution of issues, the programme would have been unsuccessful and result in loss to the bank. Also, trust is built by both parties when each fulfills its obligation as and when required. Therefore, it is safe to conclude that the reward to both parties (first to the customers and thereafter the banks) and trust built over the course of interaction with themselves is responsible for the significant impact.

CHAPTER 5

DISCUSSION

5.1. INTRODUCTION

This chapter aims to build on the findings of the data collection and analysis presented in the previous chapter. It provides an in-depth discussion on the themes identified and presents the revised framework.

5.1.1. Chapter Structure

The chapter is presented in three sections. It first outlines the purpose of the research. This is followed by discussion of the findings of the study understood from the analysis of the questionnaires and interviews. The chapter progresses with an explanation of the research framework developed from the research findings. The chapter concludes with a summary before presentation of conclusions and recommendations in the next chapter.

5.2 PURPOSE OF THE RESEARCH

The aim of the research was to analyse the impact of loyalty programmes on customer retention in the Nigerian Banking Sector.

5.3. DISCUSSION

The study argued that customer satisfaction is necessary for continuous patronage and usage of an organisation's products and services. As a result of this, and in the bid of organisations to meet these needs, it becomes necessary for them to seek ways of satisfying their customers thereby increasing their loyalty. Furthermore, without customers' patronage, the survival and/or existence of an organization will be threatened. This stems from the assertion of Prentice & Correia (2017) and also Picon-Berjoyo et.al (2016). These researchers maintained that the organisation needs customer loyalty to remain in business in a competitive business environment. To achieve customer loyalty, organisations employ several strategies. One of the common strategies often employed by organisations to achieve customer loyalty is customer loyalty programmes. It is important to state that loyalty programmes are not the sole determinant of customer satisfaction and retention within an organisation as seen from the analysis in the previous chapter. However, customer loyalty programmes were seen to have significant impact on customer satisfaction and retention. As a result of the huge investments made by several banks on customer loyalty programmes, it became expedient for the researcher to evaluate its efficacy in both customer retention and bank profitability.

The researcher started by reviewing several empirical works on customer loyalty, customer loyalty programmes, customer satisfaction, and retention. From the literatures reviewed it was discovered that customer loyalty play a significant role in organisations' competitive advantage and revenue base. It was drawn from the literature that customer satisfaction is a necessary condition but not a sufficient condition to achieve customer loyalty. This assertion has been the driving principle in many organisations to give attention to customer loyalty it is safe to submit that loyal customers drives the performance of the twenty-first century organisation. Customer loyalty from literature saves marketing expenditure and is seen as the commitment of a current customer in respect to a particular store, brand, and service provider when there are other alternatives that the current customer can choose from (Rahman et. al 2013).

It was also discovered from literatures reviewed that customer satisfaction is an important factor pursued by every organisation because of its significant impact on customer loyalty and retention (Ukenna et al, 2012; Kamau, 2017). Customer satisfaction is seen as the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurxble level of consumption-related fulfillment, including levels of under or over fulfillment (Hom, 2000). For instance, Preeti (2018) maintained that every organisation aims at maintaining satisfied customer base in order to continue to maintain their existence as a business entity. As noted by Khan (2012), a dissatisfied customer may likely not have a long term relationship with the organisation. It was argued in the literature reviewed that customer loyalty programmes have long been adopted by several organisations especially retail organisation, telecommunications, and aviation industry. Thus organisations employ loyalty programmes to improve customer satisfaction, loyalty, and retention.

Having established from the literatures reviewed that customer loyalty programmes have an impact on customer satisfaction, loyalty, and retention, the researcher employed a two stage approach to investigate the relationship by gathering both qualitative and quantitative data. To gather the required data, the researcher employed interview and questionnaire in the data generating process.

The data gathered through the questionnaires informed the qualitative data gathering (interviews). A total of 15 respondents were interviewed. This comprised ten bank executives and five bank customers. Also, one hundred and eighty questionnaires were distributed to the bank customers with one hundred and fifty returned good and usable. The result from the questionnaire revealed that 57.3 percent of the respondents were male while 43.7 percent were female. The implication as noted earlier is that responses on customer loyalty programmes on customer satisfaction and loyalty were skewed to male dominance. The male dominance in the sample might be influenced by the suggestion that male in Nigeria are more liberal and open minded.

It was revealed that 50.7 percent of the respondents were married while 49.3 percent of the respondents were single. About 38 percent of the respondents 10 years and below banking experience. 48 percent of the respondents which constituted the majority had 11-20 years of experience banking in Nigeria. It was also discovered that bachelor’s degree holders constituted the majority of the respondents. The age bracket 30-39 constituted the majority of the respondents. Having taken an overview of the demographic information of the respondents.

In the succeeding sub sections, the researcher will discuss the findings from the research questions using the themes derived for them from the interviews. The outcome will be related to the theoretical underpinning of social exchange theory.

5.3.1. Satisfaction of customers

Based on the data analysis in the previous chapter, and in order to discuss the analysis of the first research question which is on the perceptions of bank managers and customers concerning the use and effectiveness of loyalty programmes in banks, the dominant theme is satisfaction. Considering this and evidences in literatures reviewed, customer satisfaction is an important factor in retaining them. According to Gerpott, Rams & Schindler (2001), satisfaction can be obtained because of what was expected. If the supply of a firm were according to expectations of customers, they would be satisfied. The level of satisfaction depends upon the level of supply that meets the level of expectation or fall below expectation. Guo, Xiao & Tang, (2009); Lin & Wu (2011) describe customer satisfaction as the necessary foundation for a company to retain the existing customers.

Based on the submissions above, it is safe to conclude that the banks and their customers' submission of satisfaction is based on expectations met by both parties. This satisfaction rests on the components of Social Exchange Theory - trust and reward

Trust

Trust is the feeling of security that a customer has due to interaction with an organisation and this is based on perceptions that the brand is reliable and responsible for the interest of its customers (Huang, 2017; Kabiraj & Shanmugan, 2010). In this bank-customer relationship, the customers' perception of the banks' dealing with them is that of cooperation. Their willingness to be vulnerable to the banks' actions is the result of a history of promise fulfilment which has developed into trust.

Customer D of QPR Bank's submission of his bank's record was based on the experiential knowledge he had concerning his bank as stated below

"My bank has never failed on its promise to deliver. We were informed that when we are consistent in our savings, we will win prizes from them. I have been doing this for three years and I have a card from them which I use at stores even when there is no money in my account"

This customer's submission about his bank not failing over a period of three years of his banking relationship with it gave him the confidence to maintain trust in the organisation. Trust in relationship and exchange stimulates cooperation (Song, 2008; Morgan & Hunt, 1994) and promotes goodwill that helps preserve the relationship (Cesarini et al., 2008) and decreases fear and greed (Hwang & Bergers, 1997; Kumar, 1996).

When trust is evident in exchanges, especially in this type of bank-customer relationship, it reduces the potential for fear and doubt and the ability of one party to keep its promise. As noticed in this submission, the trust was built over a period of time. Zucker (1986) suggest that building trust involves meeting customer expectations. He submitted that this type of trust known as *process-based trust* is built as a result of experience from past exchanges or expected future exchange. This submission is also confirmed by Customer E of KLM Bank as stated below.

"…Why do you think I am still with the bank? (Laughs). They have fantastic offers for their clients. I can go to bed knowing that at every point, there is something for me…"

Promise kept is at the fore of this satisfaction. Customer E knowing that there will always be something favourable accruable to him is responsible for his willingness to be vulnerable to the bank in this exchange. In relationship marketing, the aim is to establish, maintain, and enhance relationships with customers in order to meet the objectives of the parties involved (Lin & Wu, 2011). Evidenced from this research is the trust that customers have in their banks' applications in spite of risks involved. This is shown in their readiness to patronise their banks in spite of the associated risks which they consider of less value to the rewards. When customers have trust for their banks, the result is increased patronage. The analysis of the data gathered suggests that customers' perceive loyalty programmes as beneficial. The customers interviewed at no time mentioned accruable costs that are associated with the programmes. They were emphatic about the benefits they receive from the programmes. It is therefore safe to suggest that the cost associated with the taking part in the programmes (which includes but not limited to switching cost (to competition), premium paid on services such as debit card issuance fee, monthly account maintenance fee, opportunity cost of interest foregone as a result of saving money in the specific bank as against another etc.) is lower to the reward received as perceived by the customer. These rewards are not entirely economic in this exchange. There are psychological rewards such as the sense of belonging experienced from taking part in the programmes. An example is where a reward or loyalty card is issued to customers by their banks. The ability to use them in shopping malls or the effect they have on the customer when he or she is able to use it to gain access into prestigious circles such as upper class lounges at the airport, sport clubs and other upscale places as defined by the bank. Nevertheless, this is built on trust which results from a previous service experience.

Promise keeping also has a positive impact on the customer's perception of a service and future expectations. When kept, it will reflect in satisfaction and hence in the business. This makes future interaction seamless and may sustain the bank-customer.

Also, the bank trust their customers in this relationship. This may be summed up in the statement by the Chief Customer Engagement Officer at ABZ Bank below.

> *"Trust me when I tell you that our customers are wowed by the various retention programmes by ABZ. My team make weekly contact with them using our channels to assess their acceptance of these programmes. Listen, (smiles), the report has been encouraging. I am glad we made the right choice to do this. Good stuff"*

"We made the right choice to do this…" may imply that the banks believe that the customers will come back for repeat purchase. While rational choice and decision making may be unpredictable, the information gathered by the banks suggest that their customers are satisfied with the programmes. As a result of this, they are confident and trust these customers to continue patronage. The banks invested in the programmes because they knew that if their customers were satisfied, they would make repeat patronage. Trusting their customers was responsible for their commitment to making the programmes successful. The Directorate head, Retail Businesses at DBA Bank summed this up in his argument below. His perception of the relationship was based on reward which led to trust by customers. His statement suggests that the support and reward are of value to the customer and a deciding

factor in the exchange. This suggestion may be responsible for the mutual trust between both parties.

"…because of the support we have for our clients, we give to them goodies. They also stay with us because they enjoy this goodies. It is like marriage. Why do you think your wife is still with you today?" (Laughs)

From the submissions above, we may suggest that the perception of customers about loyalty programmes is that it is favourable and rewarding to them. They view their patronage in this exchange as both rewarding economically and psychologically. Also, the banks perceive their customers to be favourably disposed towards the loyalty programmes and confident of their patronage. Nonetheless, the findings suggests that this favourable disposition was built over time through relationship management and rests on trust.

A few suggestions are instructive in building trust between the bank and its customers. It is important in this exchange for banks to be relationship driven and not sales driven. From the analysis, customers are particular about knowing if their banks act in their best interest. Although banks must generate revenue and increase their organisation's bottom-line, giving consideration to the customers first will help build trust. This may in turn be reciprocated by the customers who will committed to the banks. The following are suggestions that may engender trust in banks by customers.

First, banks should reduce perceived risks by communicating effectively with their customers. It is important to make information available to them as and when due. This should include expectations on the loyalty programmes as well as other offering available by them. The quantity and quality of information can better equip customers and educate them on offerings by their banks. Examples of these perceived risks may be an understanding by the customers of the risks they are willing to take by taking part in the loyalty programmes or patronage of the bank. Communication helps to develop a shared understanding of expectations and is achieved when the parties involved keep an open dialogue between themselves, including conflict and complaint resolution, information dissemination on changes to products offering, terms and conditions of programmes etc. Secondly, banks should build customers' confidence by honoring its promise. Confidence is derived from past experiences. When customers are satisfied with a previous service, it builds trust in them that same will be available to them in the future. Thirdly, emphasis should be placed on competence by banks. Without competence, customers may not be served appropriately. The ability of banks to provide quality products and services and offer advisory services as and when due to customers is an advantage. However, without a competent workforce, this may have a negative impact on the relationship. Therefore, the ability of a bank's workforce to understand customers' requirements and assist them in meeting these requirements in accordance with regulations is necessary.

Fourthly, commitment plays a vital role in trust building by both parties. On the banks' part, it may be an adjustment of products to meet customer requirements, review of terms and conditions of services. An example is the banks' reviewing premium payment on services rendered to customers, however not to the detriment of the bank. Finally, trust can be strengthened in the bank-customer relationship through conflict and issue resolution. The time it takes to resolve issues is important in the bank-customer relationship. Conflicts and issues arise on a day-to-day basis. Therefore, it is important that bank executives and staff are empowered to take corrective actions as the need arise. Banks must also be responsible and where applicable, offer compensation to their customers when the need arise. When customers see this gesture, it engenders satisfaction and builds trust in them towards their banks. This trust is reciprocated by continued patronage.

Commitment

Commitment is one of the underpinnings of relationship marketing (Ndubisi et al, 2009; Veloutsou et al, 2002; Morgan & Hunt, 1994). It plays a major role in the bank-customer relationship. As suggested by the Regional Director of Sales at QPR Bank, efforts are put in place to meet their customers' expectations as stated below.

"…loyalty schemes are big deal to your people (referring to customers). We know this as we cannot afford to fail them. We have seen our net promoters score improve as a result of this. Even 'sef', we periodically do surveys to know if they are happy with the

schemes and the report has given us reasons to be happy. They are happy, we are happy"

His submission *"…we cannot afford to fail them"* suggests the bank's commitment towards keeping to their word and redeeming the offers promised to the customers as and when due. Commitment engenders loyalty. According to Oliver (1997), loyalty itself is a deep commitment held by a customer to rebuy their favourite product or service in the future, in spite of situational influences and marketing efforts that can modify the experience. In the bank-customer relationship, commitment is near impossible without weighing the value obtained from the relationship. The bank customers will be committed to their bank based on perceived value and their knowledge of their banks keeping promise made to them. The submissions by the bank executives corroborates the argument by Morgan & Hunt (1994) that commitment exists when one party involved in the exchange considers that the ongoing relationship with the other party is sufficiently important to exert the necessary effort to maintain it. Also, relationships are built on the foundation of mutual commitment, and the commitment level has been found to be the strongest predictor of the voluntary decision to pursue a relationship. This is in addition to the argument that committed customers form positive impressions about a product or organisation regardless of favourable or unfavourable circumstance (Ibrahim & Najjar 2008; David-Sramek et.al, 2008). The customers interviewed had positive impressions about their banks and stated their resolve to stay committed to their banks.

It may be safe to suggest that commitment thrives effectively on trust. When customers' needs are met by their banks, it creates a positive atmosphere for them to champion the course of the banks and also commit their time, resources and energy towards the banks' progress.

5.3.2. Retaining customers

Based on the data analysis, this sub section addresses the second research question which is on how loyalty programmes lead to customer retention in banks. Customer retention is fundamental to profitability. This is in part due to the submissions that it is more costly to gain a new customer than to retain one (Jyh-Fu & Bailey, 2012; Manoj & Sunil, 2011). In order to retain customers, banks used in this research put in place innovative procedures which they submit has been responsible in part for retaining their customers.

Customer loyalty programmes as practiced by the researched banks are point based. Here, customers accumulate points that are redeemable as they transact through the various platforms and channels of the banks especially using the smart banking instruments (mobile app, short code, online banking etc.). The aim of the point system is to encourage the frequent usage of the bank platform by customers for their banking transactions. The usage of these platforms are not without charges. Usually, customers pay a premium for these services which invariable adds to the bottom line and revenue of the banks. The Referral programmes is also used by banks. It involves customers referring their family members, associates and friends to the bank. This type of loyalty programme entail that customers are rewarded based on the referrals. The type of reward vary from one bank to another. While some may be tangible and are presented to customers in form of cash reward, others may be intangible such as access to platforms or channels such as lounges at airports, access to the banks' premium lounges etc. Others forms are gifts and interest rate to customers. Here banks reward their customers with free gifts and freebies such as tickets to the movie, smart phones, spa treatments and other gift items to encourage customers to continue patronizing them. Similarly, interests on customers' deposit encourage customers to save more and increase wallet share (wallet share was identified from the empirical data as among the measure of customer satisfaction and loyalty).

The interviews conducted show the customers' willingness to continue patronage with their banks partly as a result of the programmes they enjoy. This patronage is seen by the banks as retention. The believe that the benefits accruable to them from customers' patronage as a result of the programmes are increase in customers transaction volume, usage of multiple channels by customers, reduction in customer attrition and inactivity

These are summed up in the submission of Director Electronic Channels at KLM Bank who stated that:

"For us here, it is the basket of activities and products patronised. Do they use our loan products? Do they have products for their children from us? What about our advisory bouquet. Do they take advantage of it? Do they also use our debit cards"

The implication is that the more the customer transact with the bank with the intention of increasing and accumulating points in a loyalty programme, the better acquainted the customer becomes with the bank's products and services with an increase in patronage. From the study, it was discovered that customer loyalty programmes encourage customers to remain loyal to the bank and its products. This is corroborated by the findings of Magatef & Tomalieh (2015) who maintain that they encourage customers to transact more and use the services of the bank.

Customer loyalty programmes impacts on customer retention. Also, the analysis submits that banking operations, service quality and smart banking instruments also impact the loyalty of customers to banks. Bank customers agreed that customer loyalty programmes are not the only factors that enable patronage on their part towards the banks. They submitted that factors such as ease at which the services of the bank are accessed and the quality of the services received as captured by banking operation and smart banking instruments in the research framework are also important.

In addition to this, the relationship requires *Trust, Commitment and Communication.* It is important for the banks to be committed towards serving their customers and ensuring that their banking needs are attended to as and when due. The effect of this is that customers will also be committed to the bank. Kim & Yoon (2003) submitted that commitment is when an individual or organisation use the products and services of an organisation and refer same to others. The benefits accruable from this exchange is responsible for this. Secondly, trust is vital in the relationship. As mentioned earlier, risks are associated with using the banks' smart instruments. Also, the banks stand the risk of investing in the loyalty programmes and customers choosing to still move away to competition. Thirdly, communication is important in relationship management. Customers require the banks to give them information on products and services. Also, they require effective communication to solve issues pertaining to their accounts or financial dealings with the banks. Banks must effectively communicate these to their customers. From the research, the customers commended their banks for providing adequate information to them and submitted that their knowledge of products and service (including their response time) was in part responsible for their patronage. Also, there is the need for customers to communicate with their banks in times of poor service rendering by them. This type of communication helps banks to improve their service and look for better ways to serve their customers. There are customers that appreciate constant communication with their banks. For them, this makes them feel special. Therefore banks must have this as a critical strategy towards retention. It may thereby be safe to submit that trust, communication and commitment are vital factors necessary for retention. In conclusion, the researcher submits that without trust between the banks and their customers, there can be no commitment and effective communication. Also, commitment builds trust which then engenders effective communication. Communication is also vital to trust and commitment. When both parties are kept abreast

5.3.3. Factors to consider towards successful execution of loyalty programmes

This sub section addresses the third research question which is on influencing factors that banks must consider in enhancing the use of loyalty programmes.

Banking Service

From the result and analysis in Chapter 4, banking operations have significant impact on customer satisfaction.

From the quantitative analysis in chapter four, the items that measured the banking operation means were above the average bench mark mean. This was collaborated by the findings from the qualitative analysis where the majority of the respondents attributed effective customer service and products offered by their banks as the major driver of their loyalty and commitment to the bank. The result revealed that 28.7 percent of the respondents attribute their loyalty to efficiency and effectiveness of the banking services. One way of building customer satisfaction is for banks to pay attention to products and services offered by them to their customers. There is a need for banks to ask the question "*Are we meeting our customers' needs?"* An important factor that customers consider in patronizing companies is flexibility. Bank customers consider rigidity and toughness to access banking services as a bane to their patronage. Beyond the programmes, customers are concerned about access to their banks and ability to have banking options such as making funds transfers from the banking halls or alternatively from the comfort of their homes or offices or any place not necessarily the 'brick and mortar' location. As noted by Preeti (2018), organisations that are flexible in their mode of operation enjoy good patronage and their customers are more satisfied than those that deal with rigid or inflexible organisations. It is therefore safe to note that customers are not only interested in the quality of products availed them by organisation but also the ease at which those products are readily available to them.

Bank customers are also particular about branch network. In the event of a need for financial advisory service, they would prefer to walk into their bank and meet the account officers assigned to manage their banking relationship. In addition to this, customers of banks in Nigeria appreciates a 'one stop bank'. A one stop bank in this context refer to banks where customers can pay their utilities, access loans, deposit money, make investments and engage in other legal financial activities.

Responses to the questions on the impact of loyalty programmes on customer satisfaction reveal that the respondents believe that when effectively implemented, it has a positive impact on satisfaction in the following ways:

1. Prompt responses to customers.
2. Reduction in turnaround time for requests and resolutions.
3. Provision of banking information to customers as and when due
4. Improvement of relationship management
5. Building of trust between the bank and its customers
6. Improvement of customers' business performance arising from quality advisory services from banks.

Creating an enabling environment for customers requires commitment on the part of the banks. Customer satisfaction as revealed from the analysis show that psychological factors play vital roles in customer satisfaction. When banks are committed to meeting the financial needs of their customers, it builds reciprocity in the customers who in turn become committed to their banks.

Another part of service required by customers is one that engenders self-operation, hence smart banking instruments. The researcher investigated to see the extent to which the introduction and application of smart banking instruments within the banking sector improved customer retention. From the result and as discussed in the previous chapter, it was discovered that the introduction and application of smart banking instruments (automated teller machine, banks short code, and online banking) for banking transactions reduced customer attrition. The research findings reveal that the introduction of automated tellering machines, mobile apps, short codes and online banking platforms provides customers with varieties of options for their banking experiences. These options in part are responsible for their continued patronage and decision to continue banking relationship with a particular bank. Bank customers want to access their accounts as and when required. Sometime, the need to do so may be at times when the banks' branches are not in operation (bank / public/ national holidays) or during weekends. Their ease of access to their bank accounts is an important reason why they continue patronage. Items 19 and 20 on the administered questionnaire (stated below) overwhelmingly got positive responses from the survey.

I often use my smart card to transact in other banks other than my primary banks.

(Item 19)

"I am able to make transactions on weekends through either my mobile app, bank short code and through online banking".

(Item 20)

This ability to transact means that the bank must be up and running twenty four hours in the day. Smart banking is driven by web applications which are synced into banking applications. Also, all banks in Nigeria are linked together via a switching company which enables online real time transfers from one bank to another without restrictions. While this is a reward to the customers, it has associated risks especially because of its online nature of transaction which is outside the banks' environments. These risks range from identity theft, exposure of debit cards personal identification number (PIN), online hackers, exposure to malwares etc. There is a concerted effort by the Central Bank of Nigeria in conjunction with banks and other stakeholders in the financial ecosystem to continue to engage their customers and create an enabling environment which curbs these fraudulent practices appreciably. Such engagements include but are not limited to the following:

1. Investment in quality core banking applications.
2. Sensitisation of customers on usage of personal information and data
3. Banks to take precaution and be wary of third party applications that are synced into their banking applications.
4. Introduction of various levels of authentication for online transactions.
5. In the event of theft or loss of smart instruments such as debit cards, the ability of the customers to render the instrument unusable via a short code.
6. Training of bank staff on fraud mitigation and recovery.

While it may be impossible to completely eradicate these fraudulent practices, the responses by the bank customers suggest that some level of success is being experienced in the usage of smart banking instruments. For instance, the scale *"I have not lost my money before due to fraud or security breach from my bank"* with mean statistics of 4.45 was accepted as a factor influencing their decision to stay or not.

The research findings revealed in part that customers are particular about availability of smart banking instruments (smart card, mobile app, bank short code, and online banking). It may be safe to suggest that this ease results in patronage. The inability of banks to make these instruments available to customers may result in attrition. While smart banking instruments' availability is a factor that positively impact on retention of customers, user friendliness is important. The user-friendliness of mobile and online apps differ from one bank to another. Therefore, banks that have exciting user experience may experience higher patronage from customers, hence retention. Schmidt (2015) noted that customers face pressures on a daily basis. As a result of these daily activities, they gravitate towards situations and processes that help relieve the pressures. He argued that banks are not exceptions to this rule as customers will gravitate towards banks that provide seamless, time effective and user friendly services. By implication, customers are likely to patronize banks with efficient and flexible services and not those with rigid ones. As previously discussed, perception also play an important role in the exchange. This process of selecting, interpreting and arriving at conclusions was evident in the response by the customers suggesting that commitment and satisfaction with the bank was in part due to adequate staffing. Also, bank customers are usually at ease when they have a listening ear attending to them and are treated specially. Satisfaction is derived from quality service, prompt attendance to enquiries as and when due. There is therefore the likelihood of satisfaction when they perceive this from their banks. There is also the likelihood for repurchase intentions and recommendation of products and services to other users by them (Jana, 2014). Customers' perception varies one from another. This is in part due to their beliefs and attitudes. Banks must give attention to understanding these attitudes in order to design appropriate campaigns that satisfy the customers. Experience (or learning) plays an important role towards customers' satisfaction with their banks. While experience may be subjective due to repeated patronage, customers are in this instance concerned about ease of service, safety of their funds and a service void of complaint,

Finally, the customers' attitude is responsible in part for its commitment to the bank. This may be cognitive, affective or conative. In this regard, the affective antecedent may be key to commitment and hence satisfaction. The emotion that exuded from the item "*My bank has adequate staff to service all its customers"* may result from repeat patronage which has endeared the customers to the banking officers who attend to them. It may also be the result of familiarity and being at ease with the banking environment as a result of repeat visits. The customers' mood as a result of the ambience of the banking hall or the easy-to-use nature of its various applications also plays an important role in commitment towards the bank. Although the customers expect financial rewards, their commitment may be hampered without psychological factors. Also, banks must be aware that meeting their customers' needs is paramount for a satisfactory relationship.

Finally, bank customers perceive loyalty programmes by banks as the banks' commitment towards them.

Cost

Cost is an important factor to consider when setting up a loyalty programme. This is because it is capital and resources' intensive (Crowell, 2010; Ferguson and Hlavinka, 2007). Therefore, there is a need for banks to weigh the success of the programmes in relation to investment. Better put, the rewards accruable to banks must be evaluated with the cost expended. Without a proper evaluation of costs (and rewards) to the bank, the programmes may be short lived.

The bank executives suggested in their responses to the interviews that the essence of embarking on loyalty programmes is increased patronage. They argue that when patronage increase, it leads to revenue generation. They stated that their banks experienced increased patronage and revenue growth after embarking on the programmes. The Director Retail Banking at XYZ Bank projected growth in revenue based on repeat patronage from customers as stated below.

"Oh yes. Most definitely because when a customer is doing 60% of their business with your bank and maybe 40% with another bank, by the time you get 90% of his business, I expect to see a minimum of 20 – 25% increase in revenue over a twenty-four months period".

Also, the Group head Retail Businesses at QPR Bank claim that his bank earn premium on customers' patronage. He further stated that as long as these customers are satisfied, revenues will be generated from their continuous patronage as stated below.

"Yes, it does. The more a customer patronize me, the more I earn service fees and it also impacts on my liquidity. And you know that when customers are satisfied, they do more with us and our revenue shoots up. We have seen this in recent times"

It is safe to suggest that increase in patronage and volume of repeat patronage by customers increase the potential for fees earned by the banks. Also, when more deposits are made by customers into their accounts in a bid to earn points, it improves the banks liquidity. These deposits are low cost funds to the banks and generates interest income. A challenge may arise when the pay-outs exceeds the generated income. When this happens, the programme becomes a loss venture to the bank. However, this is not the case for the banks researched. They claim that they generate revenue from the programmes.

However, the Director of Retail products and channels at ABZ Bank was not optimistic about the impact on revenue generation. Although this executive agreed that loyalty programmes impact on revenue, he was cautious by submitting that the expectations by his bank is not the reality. He stated that *"Up to an extent, it brings in revenue. It might not be as we expect but it is there"*.

While it was generally accepted by the bank executives that loyalty programmes practiced by them results in revenue growth, there is the need for banks to understand their customers' need before designing a loyalty programme. Also an important issue that should be considered is continuity. When banks are unable to continue programmes as promised, it breaks the trust of their customers and invariably will in the long run affect negatively affect the banks' bottom line.

Relevance

As suggested by various authors, loyalty programmes have various advantages to companies. However, when retention activities are not adjusted to individual preferences and the situational context, this may lead to failure of the programme in the long run. When customers do not recognise the relevance of a programme, adoption will be low. While loyalty programmes depend on consumer acceptance, the responsibility is on the banks to constantly research customers' needs and meet those needs as and when due. In addition to this, questions should be asked and answered around what's the purpose of the programme? Who are the target audience? For what duration should the programme last? This is because loyalty programmes have a cycle similar to a product life cycle which concerns the life of a product in the market with respect to commercial costs and sales measures. It is therefore safe to suggest that programmes go through stages of introduction, growth, maturity and decline. While it is important to pay attention to the first three stages, it is equally important to know when a programme is no longer of relevance to the customers or when there is a need for it to be reengineered to serve the customers better. At the decline stage, the programmes' value may begin to shrink due to saturation or customers discovering alternatives and switch to a different bank. It is therefore imperative for constant research and insight by banks into customers' needs, market realities and relevance of programmes per time in order to serve the customers better. Without proper coordination of these variables, the bank-customer exchange may be hindered. Also, there is the need for constant communication between both parties to engender trust during the cycle of the programme. With regards to market realities, banks must pay adequate attention to external factors. Government policies and the apex bank (Central Bank of Nigeria) regulation may decide the direction of banks offering per time.

CONTRIBUTION

The research has shown that loyalty programmes impact on customer retention in Nigerian banks. A number of contributions have been made. This research has been able to address the gaps associated with limited research on loyalty programmes in Nigerian banks to measure its impact. The gap was addressed using the Social Exchange Theory as the underpinning theoretical lens. The findings stress that rewards to banks and its customers are not entirely economic. These rewards derivable to both parties are both economic and psychological. The economic exchange has shown that the banks and their customers receive financial rewards that are greater than the costs expended. On the banks' side, the cost which includes set up cost for the programmes, cost of redemption of points to customers, cost of infrastructure including technology etc. are seen as less than the reward accruable to them through increased patronage from the customers. Also, the reward include premium charged to customers for banking services rendered. These are seen as constituting an advantage to the banks in the exchange. On the part of the customers, the reward from their participation on the loyalty programmes is viewed by them as greater than the cost of patronising the banks.

While the economic rewards are important in this exchange, its value, as concluded from the research, will not be beneficial without the psychological rewards. These rewards are hinged on the underpinnings of relationship management which includes trust, commitment, communication and conflict or issue resolution. Figure 5.1 below shows a simple illustration between loyalty programmes and customer retention in banks.

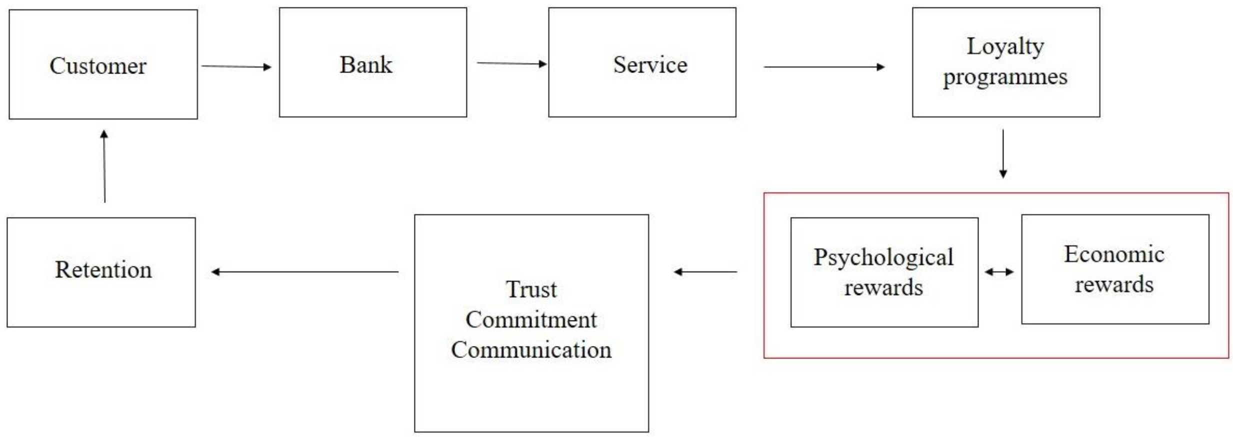


Figure 5.1: The interdependence between banks' loyalty programmes and customer retention.

Source: Researcher's schematisation

From Figure 5.1, the starting point is customers' patronage of the banks' products and services. When this is established, it is the responsibility of banks to provide quality service to customers. This service include but not limited to deposit taking from customers, financial advisory services and others as needed by the customers as occasion demands. It is important for the services provided to meet the expectations of the customers. At this stage, customers may switch to competition if their primary expectations are not met. It is therefore the responsibility of banks to invest in both human and material resources to meeting the expectations. The human resources include employment of deployment of well trained workforce to serve these customers at every touch point (both face-to-face and online). The material resources include investment in technology, research and development of relevant products and others as deemed fit. Customers want to be treated specially. They appreciate good service. In addition to this, they are comfortable when their banks show concern and give adequate attention to them. Note that the provision of quality service comes before the deployment of loyalty programmes. The danger in skipping the quality service stage is that the programmes may be short lived. The programmes do not have the capacity to thrive without quality service. While it may start well, the lapses will begin to show as the programme progresses through its life cycle. Banks must therefore pay attention to service quality and execute same appropriately. Afterwards, the banks may deploy loyalty programmes to customers. While on one part, these programmes are beneficial to customers because of the reward accruable through points generation, they also benefit the banks through repeat and increased patronage from customers. In this exchange, both parties are assured of rewards to them. However, care must be taken to ensure that these rewards are perceived as being of greater value than the cost expended by both parties.

The economic rewards engender growth and foster the bank-customer relationship. However, the research showed that the psychological rewards accruable to customers helps to sustain this growth. When banks fulfill their obligation to their customers, both in loyalty programmes initiated and ultimately in service rendered to them, it improves the trust by their customers for them. Secondly, customers become committed to the banks by patronising them regardless of products offerings from competition. Furthermore, it helps to create an atmosphere for open communication between both parties. This communication may be in part responsible for the banks understanding customers' needs and creating products and services to meet those needs as they arise. In addition, this communication may be helpful during times of conflict and issues resolution. Customers feel a sense of belonging when they have adequate correspondences with the banks. This is because their money is involved and at every turn, they want to be sure and secure knowing that their banks have their interest at heart. Ultimately, when trust, communication and commitment is evident in the bank-customer relationship, this leads to retention. At the retention stage, customers not only patronize the banks but at some point, they become advocates and champions for the banks.

The researcher therefore suggests this simple schematisation for banks in their development and deployment of loyalty programmes. In addition to this, banks must not only focus on the economic rewards from loyalty programmes. They must begin to build and sustain trust and cooperation with their customers. There is also the need for banks to understand that the psychological rewards are bigger weight to their customers and must consciously be creative and innovate in meeting this needs. The researcher concludes that if this is done, customer attrition will reduce and retention will be strengthened.

The research submits that loyalty programmes lead to customer retention in banks. To summarise, the main contributions made by this research are:

- The rewards to customers are not entirely economical but psychological/ intrinsic
- Customers value psychological rewards above the economic rewards.
- Communication is key towards building trust in the bank-customer relationship. The success of loyalty programmes' is hinged on trust in the bank-customer relationship.

In summary, it is safe to submit that loyalty programmes lead to customer retention in banks predicated on the following contributions stated below

Contributions

1. Application of smart banking (electronic banking channel) influence customer satisfaction and this play a major role in the success of loyalty programmes (customers appreciate ease of banking/ self-service more than the brick and mortar buildings)
2. Customers place psychological rewards above financial rewards in their relationship with their banks
3. Loyalty programmes are built on trust and not financial rewards.

In the next chapter, the researcher will endeavor to conclude by linking the findings to the research objectives and also make recommendations for practice and further studies.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS.

6.1. INTRODUCTION

The study investigated the influence of customer loyalty programmes on customer satisfaction and retention. This chapter considers the extent to which the research achieved its aim and objectives. It also looks at the limitations and make recommendations for further studies and policy implementation on loyalty programmes in banks

6.2. RESEARCH AIM AND OBJECTIVES

The aim of the research was addressed through the following objectives

Research objective 1: To conduct a critical literature review on the topics of loyalty, customer satisfaction, retention and loyalty programmes

This objective was met by identifying the relevant literature on customer loyalty and factors responsible for it. It also considered it in the light of the application of the Social Exchange theory to the subject. This review of literature was necessary to understand the scope of the study and then to make sense of the findings.

Research objective 2: To explore managers' and customers' perception of the relationship between loyalty programmes and customer retention

This objective was met by the in-depth interviews conducted with the banks' executives and their customers. This is in addition to the scoping study carried out using the questionnaires administered. These methods are described in chapter 3 and 4. The submission by the customers and the bank executives suggests continued patronage.

Research objective 3: To determine the key factors influencing how this relationship may impact on the success of loyalty programmes

This objective was met by the submissions that although service, cost and relevance of the programmes are important, the psychological rewards help to sustain the economic rewards. The analysis showed that the underpinnings of relationship marketing such as trust, commitment and communication are key factors that are needed for the success of loyalty programmes

Research objective 4: To develop model guidelines for the application of loyalty schemes in banks

This objective was met based on analysis of the surveys and interview. It will be discussed in detail in the management implication section.

The researcher based on the literature reviewed, suggests that organisation sustainability in a competitive business environment depends on customer satisfaction. The existence of any organisation is largely influenced by the pool of customers available to the organisation. The twenty-first century organisation understands this dynamics and importance of their customers. This understanding is in part responsible for strategic decisions and actions by organisations such as strategic development, financial planning, and inventory management. Also, technology play an important role as organisation builds their technology with a view to achieving customer satisfaction and retention.

For instance, Preeti (2018) maintained that an organisation like Amazon and Google develop their technology to suit their customers. By and large, organisations policy direction is customer-centric in this century. As was revealed by the study, customers' patronage is more influenced by service efficiency. Customers are interested in the quality of service they receive from the banks, the promptness at which their requests are attended to. They are also concerned about how these services make activities in their ecosystem work effectively and with ease.

The majority of the customers interviewed believes that banking operations and services impact their level of patronage and satisfaction. For instance, the introduction of several payment and transaction options influence the decision of a customer to stay with a particular bank since flexibility in the banking operation and services ease the customer experience. Beyond, the banking operations that target the improvement of banking services to the customers, the banks also embark on formal customer loyalty programmes targeted at keeping the customers engaged and excited. An excited and engaged customer will likely be satisfied with the organisation's services. This will invariably increase the customer's loyalty to the organisation. The data collected revealed that majority of the customers agree that customer loyalty programmes introduced by their banks influence their satisfaction and loyalty to the bank.

The researcher also concludes from the data as analysed in the previous chapter that customer loyalty programmes have a significant impact on customer retention. In both the qualitative and quantitative data, over 80 percent of the respondents were of the view that customer loyalty programmes employed by the organisation have a significant impact on customer retention. A satisfied customer will likely be loyal to the organisation leading to their retention. From the study, the researcher equally submits that customer loyalty programmes employed by the banking sector impact on their profitability. This provides justification for the huge investment by banks in setting up the programmes.

This study concludes that given the importance of customer relationship management in organisation profitability and sustainability, banks should view it as a business strategy that deserves proper planning, implementation, and evaluation. Following the argument of Dah, Chen & Prempreh (2015), the study argues that customer loyalty programme is an effective business strategy employed in a saturated and competitive industry like the Nigeria banking industry to achieve higher customer engagements, higher customer satisfaction, and higher customer retention. From the study, we draw a conclusion that achieving higher returns in investment (profitability), the organisation requires customer satisfaction, loyalty, and retention. Our study corroborates the earlier assertion of Xie and Chen (2014) who argued that customer loyalty programmes are among the leading strategies employed by organisations especially the service industry to attract, satisfy and retain customers over time.

6.3 Recommendations

Based on the findings from the research, it has become pertinent to have a model guideline for the practice of loyalty programmes in bank. This is in part also due to the fact that no proven research based guideline exist for its practice by banks. The following management implication may be drawn by the banks from the study.

6.3.1. Customer sensitisation

The success of loyalty programmes is hinged on both economic and psychological rewards accruable to the bank and its customers. Bank customers do not appreciate unsolicited surprises. Therefore, banks must put in place communication strategies in three phases. These are *pre-execution phase* of the loyalty programmes, *programme phase* and the *post programme phase.*

The *pre-execution* communication should take place before the initiation of the loyalty programmes. It is suggested that banks must sensitise its customers on its intention, the terms and conditions of the programmes, its duration (as and when required), the accruable rewards and expectations by all parties involved. This is important because when customers are not aware of the existence of a particular programme, they are unable to take advantage of its attendant rewards. This may lead to the failure of the programme at some point during the cycle of its existence. There is also the possibility of customers taking part in a programme unknowingly and unable to take advantage of the rewards from it. Therefore, banks must create awareness for its loyalty programmes.

In the *programme phase,* banks must create awareness which include but not limited to internal and external communication. Internal communication should go out to employees of the banks who will serve as champions for the programmes. They will be tasked with disseminating information by whatever means possible to customers using digital methods (such as social media platforms or mails messages) and word of mouth. The external communication to customers is also an effective way of intimating bank customers on the types of loyalty programmes that are available and what is expected of them from time to time. The communication will also involve revealing the names of winners as applicable.

When customers receive such information from banks, it builds confidence in them and solidifies trust for the banks. The external communication may be through the printed media, social media, television commercials, broadcasted short text messages etc. The researcher argues that this sensitisation will ensure that customers are engaged in the programmes and are able to appreciate the organisations' commitment to bettering their financial stance and hence continuous patronage from them.

The *post programme phase* comes up when the banks are at the point of winding down on a particular programme. As with products, loyalty programmes also have life cycles. It is therefore necessary to know how to transition seamlessly to another programme or stop the programme subject to the strategic direction of the bank or other factors that may arise. This stage is critical because customers do not want to be left in the dark about their patronage. They also deem it as unfair when there is a break in communication with the banks. The breach of trust must be avoided at this time because it may have a negative impact on patronage. The bank must also provide as occasion demands, information on their offerings to their customers. This must be followed up periodically with surveys to know the satisfaction level of their customers.

6.3.2. Improved Service Quality

From the study, it was discovered that majority of the respondents value quality services from banks. The work revealed that customers are excited about loyalty programmes and will appreciate banks employing them to reach out to customers and create a mutually beneficial stance. However, of importance to them is banks' ability to respond to needs, requests and expectations as and when due. They believe that loyalty programmes without the necessary service drivers may be unattractive to them. Some of the customers interviewed revealed that their loyalty to their bank stem from their banks' provision of alternate channels for transactions such as the opportunity to transact from the comfort of their homes without visiting the bank. Loyalty programmes cannot succeed without quality service. The daily operations of banks must be delivered in an efficient, customer friendly environment. The employees must be well trained to manage requests and resolve customers' issues as they arise. Furthermore, the required infrastructure that will help execute customer service must be invested in. In this age of technologically driven services, programmes will thrive more when driven by technology. Banks should invest in relevant technologies. The import of this is the ease of communication between banks and its customers. It was revealed that customer loyalty to the bank is basically measured through the volume of transaction, wallet share, the first point of contact among others.

With recent developments and usage of Omni channels, deployment of QR codes and mobile app optimization for customer engagements, banks should take advantage of this developments. This is also due to the fact that customers appreciate easy to use, self –service platforms for their daily transactions. It has therefore become imperative for banks to give attention to this in serving their customers and for the practice of loyalty programmes by them.

6.3.3. Clear measurement for loyalty

Based on the study, it was discovered that most banks measure loyalty by volume of transaction that the customers engages in via their platforms. This may be misleading as increased transaction does not equal loyalty. Other factors may come into play. Of such are the customer's wallet share and the value or percentage of that wallet that passes through a particular bank. It is important for banks to develop a policy document where the factors responsible for growth through loyalty programmes are well spelt out and are abided to by the organisation. This will help the marketing department and customer service department in handling various customers and track the progress and success of the programmes.

6.3.4. Region specific loyalty programmes

Banks in Nigeria practice loyalty programmes in their banks on a blanket basis. This means that these programmes are executed without consideration for the norms and beliefs in particular regions of the country. The banks may begin to consider running region specific loyalty programmes. Nigeria being a peculiar country has both Christianity and Islam as its major religion. The manner in which interaction takes place in the country is in some way affected by religion. Northern Nigeria is predominantly Muslim while Southern Nigeria is majorly Christian. There are other minority beliefs such as the traditional beliefs and non-believers alike. While the Christians, traditional believers and non-believers are not to interests and rewards from their banks or through transactions engaged in, the north is mostly driven by sharia practice which does not encourage interest earning. Therefore, in setting up loyalty programmes, a bank must do so with specific consideration for these regions. In the event that this is not put in consideration, the programme may be faulty. Banks may look employing loyalty programmes that are not interest bearing in regions with people who are sensitive to it. The onus will therefore be on banks to do a thorough work of investigating and scanning their environment in order to know which programme best fits specific regions. The impact of the programmes in the various regions may also be measured and compared against themselves to see traction and how successful the campaign toward retention has been.

Summary

Revenue generation is at the heart of loyalty programmes execution by banks. However, this economic reward is not enough to sustain the programmes. The factors that will sustain programmes are psychological. These factors are built on trust, commitment and communication. When this is established, the exchange becomes mutual and beneficial. Therefore, banks are encouraged through this research to focus on customers' needs and meet those needs effectively.

6.3.5. Loyalty programmes relevance per time

A loyalty programme may be relevant in one season and irrelevant in another. As stated earlier, loyalty programmes have life cycles. It may need reengineering or may require to be shut down at some point in its cycle. Banks must be vigilant, have an understanding of the micro and macro environment and measure same against its strategies and the programmes it set out to deploy. Various environmental factors (political, economic, and legal) may affect the effectiveness of loyalty programmes. Bank policies must be tweaked in a way to put in consideration the effects of these factors if and when they arise. Furthermore, banks should define and determine the duration of loyalty programmes, how to transition between one phase to another and what must be done to maintain continuity. Also, processes must be put in place on what must be done at the expiration of the programme. The responsibility is on the banks' executives to chart the course for these programmes as and when required is paramount. It is important to note here that each bank has a responsibility to drive this programmes based on their strategic intents. Based on the researcher's observation, the fact that one bank employs a particular programme is not a license for others to emulate same as is presently the case. Loyalty programmes must be carefully spelt out and thoroughly managed by banks.

6.4. IMPLICATION FOR FURTHER STUDIES.

To the best of the researcher's knowledge, there exist limited study on loyalty programmes in Nigerian banks. Therefore, data gathering was primary and result could not be compared to previous work done. Also, the location chosen was Lagos, primarily because all banks' headquarters are situated there. In future studies, locations outside Lagos may be considered and compared with Lagos. This has become necessary, especially in Northern Nigeria where some demographics are opposed to financial rewards from banking activities.

A number of areas have emerged as potential opportunities which may warrant further research consideration. While the study focused on the impact of customer loyalty programmes on customer retention, further studies may expand into the effects of technology, government policies and religious/traditional beliefs on the impact of the programme. Focus groups comprising of learned customers and executives may be explored. It is expected that this approach may draw rich and interesting data and research which will add to the credence of this study while expanding on options available for its success.

6.5. CONCLUDING REMARKS

This study focussed on the impact of loyalty programmes on customer retention in Nigerian banks. This work was necessitated by the researcher's search to know how successful these programmes are. This is because of various records suggest that the frequency of the programmes and capital investment deployed by Nigerian banks to these programmes are huge (This Day, 2017; Vanguard, 2017). This is in support of studies carried out by various scholars on the huge capital investments needed to execute loyalty programmes (Crowell, 2010; Ferguson & Hlavinka, 2007). Despite this development, there is little empirical evidence on the effectiveness of these programmes in Nigerian banks.

Based on the researcher's interpretivist philosophical stance, the social actors (banks and customers) were considered independent one from another. The research data collection and analysis was a two-staged analysis. The quantitative data collected through questionnaires with the aid of scales from empirical studies was a scoping study and enabled the preparation of interview questions used for the qualitative data collection and analysis. The implication is that the study collected two set of data using two different instruments – questionnaire and semi structured interview.

Also, the study population was derived from five banks (ABZ Bank, DBA Bank, XYZ Bank, QPR Bank, and KLM Bank). A total of one hundred and sixty five respondents were used. This comprised of one hundred and fifty for the questionnaires and fifteen interviews. The interviews were carried out on ten bank executives and customers.

The theoretical underpinning this study is social exchange theory. This theory was best suited for the study after consideration was given to others such as cognitive dissonance theory and the expectancy disconfirmation theory. Social exchange theory is apt for this study because of the predominance of its economic and behavioural models that are often combined. In order words, in addition to its behavioural stance, it gives attention to the economic stance of relationships and interaction by considering the financial costs and benefits in the relationship.

However, its suitability also results from the psychological stance in a relationship some of which are loyalty, satisfaction, trust and commitment from themes from

Casidy and Wymer (2016) define loyalty as "one's feelings of devoted attachment to the loyalty object, rather than repeated commercial transactions" (p.196). This 'feeling' is psychological.

Also other scholars studied satisfaction and view it as a customer's perception of a reward acquired from a purchase (Zhou, Kautonen, & Wei, 2015; Wang & Juan, 2016). The perception of customers to reward therefore becomes important. In addition, Babolca (2013) added that other variables such as trust and commitment to brand comes result from customer satisfaction. The intensity of a customer's trust in, commitment to and involvement with a brand is a key predictor of repeating the purchase.

With consideration given to these themes in literatures reviewed, the social exchange theory is most suited with its consideration for cost, rewards, trust and equitable justice in the bank customer relationship. The study showed that both the banks and their customers find the interaction meaningful because of the economic rewards to them. However, the study also showed that beyond the economic rewards, banks must focus on the psychological rewards and build trust and commitment with their customers. In essence, loyalty programmes will not be successful without adequate attention given to the behavioural aspect of rewards accruable to both parties and banks will do well to consider these when developing these programmes.

This thesis has been written and presented as partial fulfilment of the requirements of a Doctorate of Business Administration (DBA). It is considered important by the researcher that its outcome will contribute to the body of knowledge and practice and disseminated widely, in particular, to those who have the intent of using loyalty programmes as a tool for customer satisfaction and retention. The researcher finds himself in the position where he is involved in policy implementation around growth strategies of which loyalty programmes is one. This unique opportunity will enable him share the study's contribution across the banking sector in accordance to Edinburgh Napier University's research and ethics guidelines. It is also expected that the findings from this work will serve as building blocks for other researches to lean on and be developed.

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APPENDIX

A. Respondents demographic information

	Frequency	Frequency	Percent
	Male	86	57.3
Gender	Female	64	42.7
	Total	150	100.0
	Single	74	49.3
Status	Married	76	50.7
	Total	150	100.0
	Below 10 years	57	38.0
Experience	11- 20 Years	72	48.0
	Above 20 years	21	14.0
	Total	150	100.0
	SSCE	46	30.7
	OND/SSCE	18	12.0
Education	BSc/HND	67	44.7
	MSc/ MBA	14	9.3
	PhD (Doctor)	5	3.3
	Total	150	100.0
	Under 30 Years	23	15.3
	30-39 Years	65	43.3
Age	40-49 Years	32	21.3
	50-59 Years	30	20.0
	Total	150	100.0

Table A1: Respondents' gender

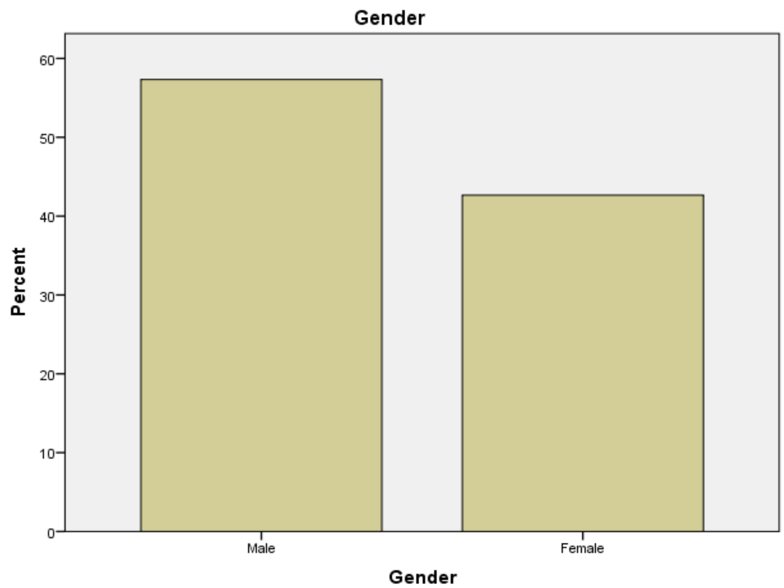
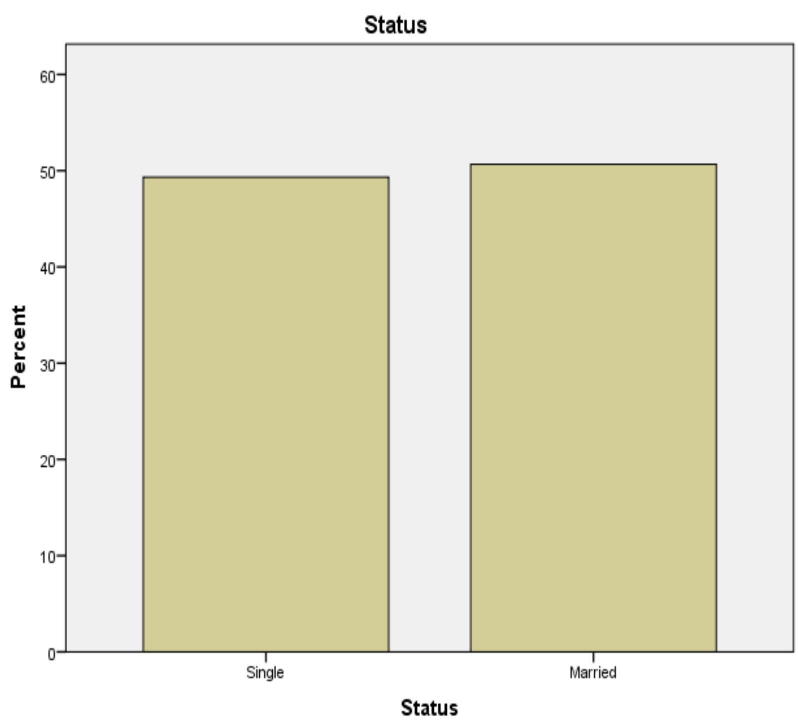
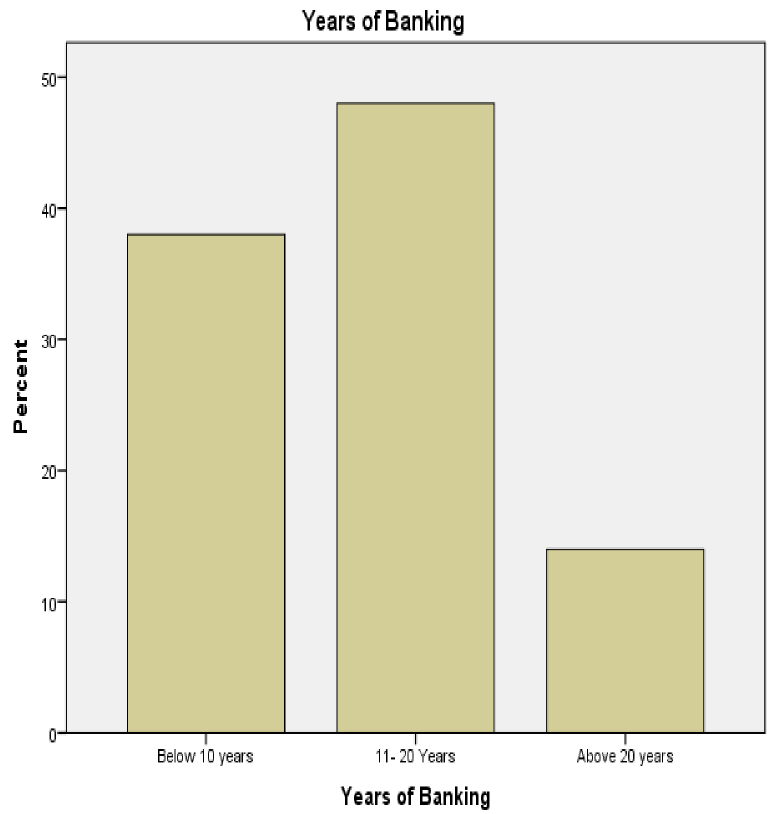


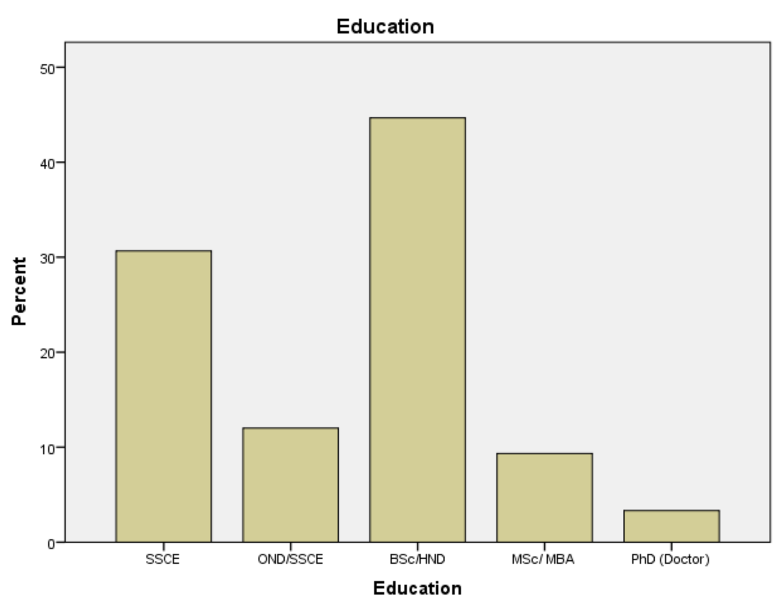
Table A2: Respondents' marital status



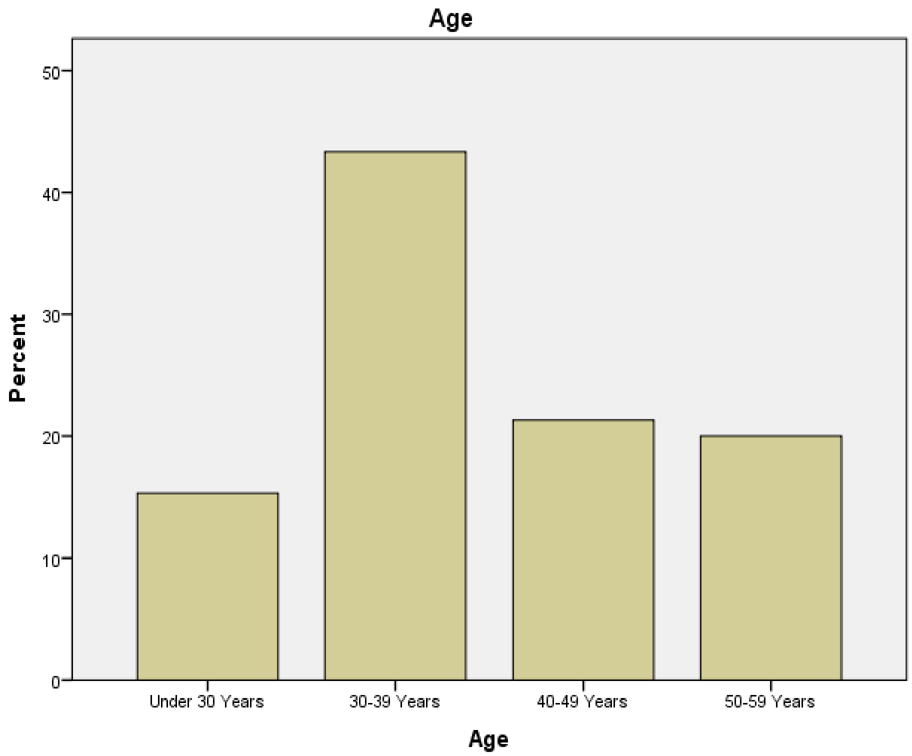
A3: Respondents' years of experience



A4: Respondents' educational qualification



A5: Respondents' age distribution



B: Questionnaire

RESEARCH INSTRUMENTS

In this section, the researcher would like to find out a little more about you

1.	**Gender**	Male ☐			Female ☐	
2.	**Status**	Single ☐			Married ☐	
3.	**Age**	Under 30 years ☐	30-39 years ☐	40-49 years ☐	50-59 years ☐	60 years and over ☐
4.	**How long have you operated with the bank**	Below 10 years ☐	10-20 years ☐		Above 20 years ☐	
5.	**Highest Level of Education**					
	First Learning certificate/ SSCE	1 ☐				
	OND/NCE	2 ☐				
	Certificate (professional courses)	3 ☐				
	Degree (BSc/HND/B.Ed.)	4 ☐				
	Masters (MSc/ MBA)	5 ☐				
	Doctorate (PhD)/Professional Doctorate (e.g. DBA/Executive PhD)	6 ☐				
6.	**Highest position held**					
	Supervisory	1 ☐				
	Management trainee	2 ☐				
	Manager	3 ☐				
	Senior Manager/ Director	4 ☐				

Section B

6. Show the extent to which you agree on the following statements regarding effects of Bank operation on customer retention in the bank. Use a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5

Indicators	**1**	**2**	**3**	**4**	**5**
Customer experience					
1. My bank have good understanding of customer services					
2. My bank listen to my concern and make effort to resolve them.					
3. My bank have competent and friendly workforce					
4. I perceive my bank to have flexible, honest and experienced workforce					
5. My bank services are efficient, speedy and acceptable					
6. My bank have branches close to my location					
7. My bank does not charge with secret and unfair charges					
8. My bank have adequate staff to service all its customers					
9. I can recommend my bank to my family and friends					
10. I made this bank my primary bank and am loyal to the bank					
Innovation					
11. My bank introduces several payment and option					
12. My bank allow cash deposit without visiting the banking hall					
13. My bank allow me to pay all my utilities at the comfort of my home					
External Environment					
14. My bank have several reward programmes for their customers					
15. My bank operates as a responsible corporate body within the law of the land					
16. My bank is socially responsible to its stakeholders					

7. Show the extent to which you agree on the following statements regarding effects of smart banking instruments (ATM, mobile app, short code and online banking) on customer retention in the bank. Use a scale of 1-5 with where strongly disagree =1, disagree =2, neither agree nor disagree = 3, agree = 4, strongly agree=5.

Indicators	**1**	**2**	**3**	**4**	**5**
Flexibility					
The introduction ATM, mobile app, short code and online banking provides me with options in banking.					
I frequently use my smart card to make transactions without having to go to banks.					
I often use my smart card to transact in other banks other than my primary banks					
I able to make transaction in weekends through either my mobile app, bank short code and online banking					
Security of transaction					
My smart card pin and private pin are only known by me					
My smart card, mobile app, bank short code and online banking have never been compromised before					
I have not lost my money before due to fraud or security issues from my bank					
Increased Spending					
I often made several transaction due to flexibility of my bank					
I spend beyond my expectation or budget due to several option of transaction					
I feel very satisfied with my bank for introducing smart card, mobile app, bank short code and online banking					

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

Indicators	**1**	**2**	**3**	**4**	**5**
Point Redemption Process					
I deposit and transact more with my bank in order to get more points and reach the limit on time.					

I make the decision to redeem my accumulated points before it expires.					
I often redeem my points when I want make small transaction					
Cash saved When you Redeem Points					
The cash I save from redeeming my point makes me excited					
The cash I get from redeeming my points makes me use the service again					
Customer Satisfaction Due to Point gained					
Am satisfied with the point I build-up, thus my continuous patronage and deposit to build more points					
The points build-up makes me to save a lot and am satisfied with the process					
I get excited when I get rewards from the points earned					

9. Developing model guidelines for the application of loyalty schemes in banks

Please indicate, the extent to which you agree on the guidelines for Royalty Model development of Banks the following 5-point Likert's scale:- where Strongly Disagree (SD) =1, Disagree (D) =2, Undecided (UD) = 3, Agree (A) = 4, Strongly Agree (SD)=5.

Views	SA	A	UD	D	SD
Royalty model development guidelines					
1. Identify the product needs of the customers.					
2. Identify their level of income.					
3. Identify the appropriate banking services that will be suitable.					
4. Apply the banking services					
5. Get feedback					
6. Find out the level of customer satisfaction, loyalty, patronage and retention					
7. Find out the level of Bank sales volume and profitability					

8. Adjust based on the feedback for continuous improvement.					

10. Do you think customer loyalty programmes (bank operation, smart banking instruments and point system) have improved your satisfaction with your bank? 1. Yes [ ], 2. No [ ]

11. Do you think customer loyalty programmes (bank operation, smart banking instruments and point system) have improved your loyalty with your bank? 1. Yes [ ], 2. No [ ]

12. Is this your primary bank and can you recommend your bank to your friends and family 1. Yes [ ], 2. No [ ]

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

Indicators	5	4	3	2	1
Banking operation					
Smart banking instruments					
Point System					
Others (specify and indicate their extent).....................................					