

Abstract

Organizations have long sought to reward the loyalty of preferred customers with enhanced services or price discount. Recently, loyalty rewards programs have become prevalent across a variety of service industries. In credit card industry, credit card issuers have stated to focus more of their attention on their existing customers. The costs of retaining customers have been found to be cheaper than the costs of acquiring customers. The research objectives encompass 1) To identify the relationship between repatronage intentions and subsequent repatronage decisions. 2) To study the influence of a loyalty reward program and service experiences on repatronage decision of credit card holders. 3) To study differences in repatronage decision between members of loyalty program and nonmembers.

Research methodology encompasses sampling survey, the sole research technique used in this study. Quota sampling, one of the non-probability sampling methods, is chosen. Data collection tools involve self-administered survey method, in which 300 sets of closed-form questionnaires were used. The respondents consist of 150 members of loyalty program and 150 nonmembers of loyalty program. Population element consists of male and female who have been using bank credit card from the past year (2000). There are totally five hypotheses conjectured for testing.

Binary Logistic Regression is used for testing the hypotheses, which is useful for situation in which one want to be able to predict the presence or absence of a characteristic or outcome based on values of a set of predictor variables.

The study findings points out that customers make repatronage decisions for the credit card service on the basis of their prior repatronage intentions or behavior, updating by comparisons of their prior satisfaction levels with the company versus their satisfaction with a competitor. Members in loyalty programs are generally less

sensitive to losses in the dimensions of billing aspects, product benefits and overall quality when comparing the company with competitors and less sensitive to overall price advantages that competitors could have vis-à-vis the company. Implications for banks will recommend the strategies in order to improve customer retention. Further implications for research are also discussed.

