

LOYALTY PROGRAMMES FOR SMALL AND MEDIUM ENTERPRISES APPLIED BY THE WORLD'S SAFEST BANKS

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Abstract. With the increasing service quality standards in financial organisations, customer retention tools gain more significance. The banking sector is not an exception in this context as loyalty programmes have become an important tool to retain small and medium enterprises (hereinafter – SMEs) as customers which generate a considerable portion of the bank's income. It is assumed that the world's safest banks also have their loyalty programmes in place to retain the SMEs segment, however the unclear extent and characteristics of these programmes presupposes the need for empirical research. First of all, the article elaborates on the concept of loyalty programmes and its typologies, furthermore, it proves the need and importance of bank loyalty programmes to SMEs and after the survey methodology is formed, the magnitude and specificity of the world's safest banks' loyalty programmes designed to SMEs are empirically analysed. The accomplished analysis of the national context, types, characteristics and reward parameters of loyalty programmes shows consistent empirical and statistical patterns, which are significant for the marketing science and practice.

JEL classification: M 21, M 31.

Keywords: bank, loyalty, loyalty programme, marketing, relationship, SMEs.

Reikšminiai žodžiai: bankas, lojalumas, lojalumo programa, rinkovada, santykiai, smulkus ir vidutinis verslas.

Introduction

Relevance of the subject. After a long-lasting emphasis on the customer search prerogative, organisations are now keener on the customer retention concept. The change is based on the attitude that investments in customer retention programmes are more efficient than spending funds on attraction of new customers. The costs of servicing a loyal customer are lower as such customers know the organisation well and where they can obtain its products, they do not need to be given so much information,

these customers can be called partners of the organisation as they recommend products to their friends. Special literature (Lindgreen *et al.*, 2000; Lindgreen *et al.*, 2004; Jang, Mattila, 2005) states that it may cost 3 to 10 times more to attract a new customer than to retain the current one. However, the costs incurred are not the only stimulus to encourage customer loyalty.

Organisations are also interested in retaining current customers as they generate higher added value by increasing the market share, income, profit and by accelerating business development and improving the organisation's image (Bagdonienė, Jakštaitė, 2007; Singh *et al.*, 2008; Gudonavičienė, Rutelionė, 2009; Omar, Musa, 2009; Terblanche, Boshoff, 2010).

Under intense competition, specialists find that the know-how in establishing and maintaining customer relationship has gained significance. Rewarding customer loyalty programmes are now among principal customer retention tools. Initiated in the 1980s with the aim to develop and strengthen customer relationship, loyalty programmes are still popular and are actively implemented in the retail, tourism, financial services and other sectors. The number of loyalty programs in the USA increased by 35.5 percent from 2000 to 2006 and stood at 1.5 billion (Liu, Yang, 2009, p. 93). According to the data of 2009, the USA had 1.8 loyalty programmes in place where one household participated in 14.1 loyalty programmes on the average (Washington, Miller, 2010, p. 93).

In order to retain current customers, the financial sector organisations are actively implementing loyalty programmes. The statistics also supports this statement: in 2009, the world's financial organisations were leading by the number of their members compared to other sectors (Washington, Miller, 2010). With the increasing service quality standards in financial organisations, customer retention tools gain more significance. The banking sector is not an exception in this context as loyalty schemes have become an important tool to retain SMEs as customers which generate a considerable portion of the bank's income.

Novelty of the subject. Loyalty programmes attract significant attention of scientists and experts. These programs are analysed as a subject of marketing research in various contexts by scientists from Lithuania (Bagdonienė, Jakštaitė, 2006; Žigienė, Maciūtė, 2006, Bagdonienė, Jakštaitė, 2007; Vilkaitė, 2008, Bakanauskas, Pilelienė, 2010, Zikienė, 2010, etc.) and abroad (Debelak, 2005; Berman, 2006; Daryanto *et al.*, 2006; Adams, 2007; Fest, 2007; Liu, 2007; Omar, 2007; Ha, Stoel, 2008; Singh *et al.*, 2008; Ho *et al.*, 2009; Liu, Yang, 2009; Meyer-Waarden, Benavent, 2009; Omar, Musa, 2009; Omar *et al.*, 2010; Terblanche, Boshoff, 2010; Washington, Miller, 2010, etc.). The scientific literature illustrates a multiplicity of attempts to empirically analyse customer loyalty programmes in organisations like shopping centres (Gomez *et al.*, 2006; Lacey, 2009), hotels (Hansen *et al.*, 2010), sports clubs (Daryanto *et al.*, 2006), grocery shops (Meyer-Waarden, Benavent, 2009), restaurants (Jang, Mattila, 2005), book-shops (Wendlandt, Schrader, 2007) and others following the sample of customer-oriented business. Attempts are also observed to analyse loyalty programmes in the business-to-business sector (Lacey, Morgan 2009). However, not enough attention is given to the

loyalty programmes initiated and implemented by banks. Loyalty programmes applied by the world's safest banks to SMEs segment have not been analysed until now. Empiric explorations become relevant in order to fill the gap.

The **problem of the research** may be formulated in the form of a question: do the world's safest banks apply loyalty programmes to the SMEs segment? And if they do, what is their specificity?

The object of the research: loyalty programmes applied by the world's safest banks to the SMEs segment.

The main purpose of the research: summarise the theoretical outline of loyalty programmes and establish the extent of their spread and specificity in the world's banks.

Tasks:

1. analyse the consumers' loyalty concept and typologies;
2. reveal the need and significance of the bank's SME loyalty programmes;
3. establish the application scales and specificities of loyalty programmes in the world's safest banks.

Methods applied in the research: scientific literature analysis, meta-analysis, logical comparative analysis and synthesis, systemic analysis, and content analysis.

1. Genesis, concept and goals of loyalty programmes

Loyalty programmes 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. After stamp reward programmes decreased in popularity, new varieties of programmes appeared (Lacey, Sneath 2006, p. 459). The first modern customer loyalty programme was introduced by the 'American Airlines' in 1981 (Berman 2006; Lacey, Sneath 2006). As permeability of the technologies became more intense, the popularity of loyalty programmes started rapidly increasing in hotels, car rentals, financial services and retail trade sectors in the USA and other economically strong countries. R. Lacey and J. Z. Sneath (2006) presume that the markets of the North America, the United Kingdom, and Australia are considered to be most mature in terms of loyalty programmes.

Loyalty programmes have a number of various definitions in special literature (see Table 1). The variety of definitions shows that the consensus as to the concept of loyalty programmes has not been reached yet (see Table 1).

Table 1. Loyalty programme definitions (*prepared by the authors*)

Author (authors)	Definition
B. G. Gomez (2006)	Rewardbased 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, membershipbased marketing actions aimed at strengthening close co-operation based relations between consumers and products offered by the programme owner
J. Leenheer <i>et al.</i> (2006); L. Bagdonienė, R. Jakštaitė (2007, p. 58)	Marketing integrated actions intended to strengthen loyalty of the programme participants
Y. Liu (2007, p. 20)	Programme 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 <i>et al.</i> (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, valueincreasing relations
M. Gable <i>et al.</i> (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 programme enabling the consumers to accumulate money in a particular form which may be 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

The variety of definitions for the loyalty programme provided in Table 1 shows that loyalty programmes comprise a multidimensional category and are considered as a system of marketing actions (Lacey, Sneath 2006; Leenheer *et al.* 2006; Bagdonienė, Jakštaitė 2007; Lacey 2009; Lacey, Morgan 2009; Meyer-Waarden, Benavent 2009), marketing strategy (Gomez 2006), marketing efforts (Sharp, Sharp 1997), processes (Omar *et al.* 2007; Omar, Musa 2009; Omar 2010), practice (Ha, Stoel 2008), barrier (Gable *et al.* 2008), or just a programme (Liu 2007; Liu, Yang 2009). These approaches are very unequal in their attitude and therefore raise doubts as to their validity. E.g. the concept of a loyalty programme as a marketing strategy is not clear as no marketing strategy indicated by the term of a loyalty programme could be found either in the theoretical or in the empirical base. The strategy closest by nature would probably be the consumer oriented strategy, however, it is also not limited to applying loyalty programmes. By stating that a loyalty programme is membership based marketing actions, R. Lacey, J. Z. Sneath (2006), R. Lacey (2009, p. 393), R. Lacey, R. M. Morgan (2009, p. 3) restrict

the consumer reward to the products offered by the programme owner, but the practice shows that the reward offered to the consumer may be absolutely not related to the organisation (e.g., a bank may offer a flight ticket with a discount to its most loyal customers). Y. Liu and R. Yang (2009) even more restrict the reward offered to the consumers up to accumulation of money. The definition of the loyalty programme provided by Y. Liu (2007) focuses on the behavioural loyalty, while the attitudinal loyalty is ignored. According to M. Gable *et al.* (2008), loyalty programmes are a barrier that prevents the customers from leaving or 'running away' to competitors, however, the fundamental function of these programmes is different; it could rather be perceived as an effect of the loyalty programme applied. S. Ha, L. Stoel (2008) emphasises only the reward to the consumer, but it should be noted that the programme itself is also useful to the organisation. The definition provided by L. Meyer-Waarden and C. Benavent (2009) is worth criticism due to the individualisation principle, as a considerable portion of the programmes do not follow this principle on the practical level and at best they distinguish only a few consumer groups that receive different benefit. Having performed the analysis, it is stated that the definition of the loyalty programme should comply with the following requirements:

- loyalty programmes should be considered as just a component of the marketing strategy but not as the whole of the strategy;
- not only money or products of the organisation should be indicated as reward but also products or various discounts offered by other organisations;
- integrate aspects of both: the consumer's positive attitude and behaviour favourable to the organisation;
- emphasise not only the effects of the loyalty programmes (or loyalty in general) but also the fundamental functions;
- take into consideration the reward provided by a loyalty programme to the organisation;
- focus not on the aspect of individualisation alone.

The definitions provided by B. Sharp, A. Sharp (1997), N. A. Omar *et al.* (2007), A. Omar, R. Musa (2009) and N. E. Omar (2010) comply with these requirements to the highest extent. Therefore, further research should follow any of them. The analysis of the loyalty programme concept allowed identifying the requirements set for this concept. However, compliance with these requirements still does not guarantee that the loyalty programme will be efficient. According to R. Ho *et al.* (2009), efficiency is guaranteed by the following:

1. Simple programme. Joining a programme should be simple and clear to the user. In order to avoid customers' disappointment the reward process should be straightforward;
2. Granting a special reward to most loyal customers. Otherwise the programme will not become efficient and the organisation might need additional efforts to promote sales;
3. Granting a reward that promotes a loyal user to remain loyal in the future. The reward should be valuable so as to stimulate positive emotions to the user;

4. Special reward. The reward should be special to the customer and it could be something the customer is not willing to buy at an ordinary price.

Loyalty programs have various goals, most are related to the organisation's goals, however, some scientists (Stauss *et al.* 2005; Liu 2007; Wirtz *et al.* 2007) claim that such programmes also aim at offering benefit to the customer (see Table 2).

Table 2 . Goals of loyalty programmes (*prepared by the authors*)

Author (authors)	Goals
B. Stauss <i>et al.</i> (2005); Y. Liu (2007); J. Wirtz <i>et al.</i> (2007)	Offer added benefit to clients
J. Wirtz <i>et al.</i> (2007)	Start and develop relations between the organisation and the client
B. Stauss <i>et al.</i> (2005); Y. Liu (2007)	Strengthen client loyalty
M. D. Uncles <i>et al.</i> (2003); D. Jang, A. S. Mattila (2005)	Retain current client base
D. Jang, A. S. Mattila (2005); L. Bagdonienė, R. Jakštaitė (2006)	Increase market share
D. Jang, A. S. Mattila (2005); B. Stauss <i>et al.</i> (2005)	Stimulate cross-sales
B. Stauss <i>et al.</i> (2005); L. Bagdonienė, R. Jakštaitė (2006)	Increase profitability
B. Stauss <i>et al.</i> (2005)	Develop individualised products or packages
B. Stauss <i>et al.</i> (2005); M. Gable <i>et al.</i> (2008)	Stimulate repeated sales
B. Stauss <i>et al.</i> (2005)	Increase marketing efficiency
M. D. Uncles <i>et al.</i> (2003); L. Bagdonienė, R. Jakštaitė (2006)	Increase sales income

It has been observed that some goals of loyalty programmes (offer added benefit to customers, start and develop relations between the organisation and the customer, strengthen customer loyalty, etc.) are indicated by some of the authors (Gomez 2006; Lacey, Sneath 2006; Leenheer *et al.* 2006; Bagdonienė, Jakštaitė 2007; Liu 2007; Omar *et al.* 2007; Sharp, Sharp 1997; Ha, Stoel 2008; Lacey 2009; Lacey, Morgan 2009; Omar, Musa 2009; Omar 2010) in the definitions provided.

To summarise, it can be stated that a loyalty programme, which was first discovered at the end of XX century and became widely used by the organisations only a hundred years later, should be considered as marketing efforts targeted at starting, keeping and developing mutually useful relations between the organisation and the customers. It is noteworthy that in practice loyalty programmes are expressed in many forms, therefore, classifications of loyalty programmes are analysed in the following section.

2. Typology of loyalty programmes

Scientific literature (Dowling, Uncles 1997; Neal 1999; Debelak 2005; Rosenbaum 2005; Berman 2006; Tripp 2009; Bilson 2010; Frey 2011) provides a wide variety of loyalty programme typologies. This variety is reflected in Table 3. Doubts arise only in relation

to the typology of loyalty programmes provided by G. R. Dowling and M. Uncles (1997), covering two overlapping types of programmes: events may also cover competitions, lotteries and games, meanwhile the author defined them as individual forms.

Table 3. Classifications of loyalty programmes (*prepared by the authors*)

Types of loyalty programmes	Author (authors)								Total (sources)
	G. R. Dowling, M. Uncles (1997)	W. D. Neal (1999)	D. Debelak (2005)	M. S. Rosenbaum (2005)	B. Berman (2006)	G. Tripp (2009)	J. Bilson (2010)	D. Frey (2011)	
Discounts	✓	✓	✓		✓	✓	✓		5
Accumulating points	✓				✓		✓		3
Rebate		✓	✓					✓	3
Partnership		✓	✓			✓			3
Co-operation		✓	✓			✓			3
Appreciation			✓		✓	✓			3
Community				✓				✓	2
Reward						✓		✓	2
Events	✓								1
Competitions, lotteries, games	✓								1
Coalitions			✓						1
Non-community				✓					1
Individualised					✓				1
Membership								✓	1
Other	✓								1
Total (authors)	5	4	6	2	4	5	2	4	32

The table reveals that the analysis of loyalty programme classifications provided by authors from Lithuania and from abroad indicates 15 forms of loyalty programmes. Scientists name 2-6 types of loyalty programmes. Having analysed the variety of loyalty programmes, the following types are defined: discounts (5 sources), accumulating points, rewards, partnership, co-operation and appreciation (3 sources each). These programmes most frequently defined by the scientists are discussed in more detail.

Based on the research performed by scientists (Dowling, Uncles 1997; Neal 1999; Debelak 2005; Berman 2006; Tripp 2009; Bilson 2010; Frey 2011) it can be said that most frequently mentioned loyalty programmes are characterised by certain features. **Discount programmes** are very widely used. The instrumentation of these programmes

integrates vouchers and one-off discounts. Discount programmes may be accumulative or non-accumulative. In case of an accumulative discount programme, elements of game dominate: the more often purchases are made and the higher the spending to purchase the products of the organisation, the higher discount is given. Programmes of this type are particularly often used to promote sales compared to other types.

Discount programmes have recently been actively criticised as many believe that these programmes only give a discount rather than develop customer loyalty. Such programmes in most cases are used in retail and catering sectors. In case of a **points accumulating programme**, by purchasing a product the user obtains points and can choose a desired reward for a pre-defined number of accumulated points. B. Berman (2006) states that such programmes are popular with airlines, hotels and credit institutions. Some organisations apply the **rewards programme**, when the customer is given products which are not related with the products purchased by the customer from the organisation. The programme is unique as it introduces the market of another product to the customers. **Partnership programme** is about providing an opportunity for the customer to choose one of the several rewards offered by the organisation. Thereby the customer chooses the reward that suits them best from the range offered. A **co-operation programme** is based on developing long-term mutually useful relations between the organisation and the customer. The co-operation programme aims at increasing the buyer's value by developing friendship with them and without rewards. In case of an **appreciation programme**, the amount of products received exceeds the customer's expectations. Any user of the products may join such a programme; in most cases these programmes are applied in the service sector (car wash, beauty salons, car parks located near airports, etc.).

At first sight, the above-described programmes could become the basis of the loyalty programme typology. However, the classification of loyalty programmes that covers discounts, accumulating points, rewards, partnership, co-operation and appreciation would be a contradiction in terms, since accumulative programs may mean both points and discounts. Besides, examples of applying loyalty programmes in practice indicate that cash can also be accumulated. Rewards, partnership, co-operation or appreciation programmes may also be based on the accumulation principle. Therefore, all loyalty programmes may be either accumulative or non-accumulative in their nature. Having regard to the abovementioned assumptions, a new classification of loyalty programmes was prepared on the basis of accumulation or non-accumulation (see Fig. 1).

Fig. 1 shows that loyalty programmes can be either accumulative or non-accumulative. The customer may accumulate points, discounts or cash. The customers may exchange the accumulated points into products of the organisation or other organisations and/or discount for the product offered by the organisation and other organisations. Participants of loyalty programmes are rewarded with products of the organisation or other organisations. In case of money rewards programme the reward is cash. Customers who participate in a non-accumulative loyalty programme receive products of the organisation or other organisations. It is likely that any of the abovementioned forms of loyalty programmes might be applied to enhance relations between a commercial bank and SMEs customers.

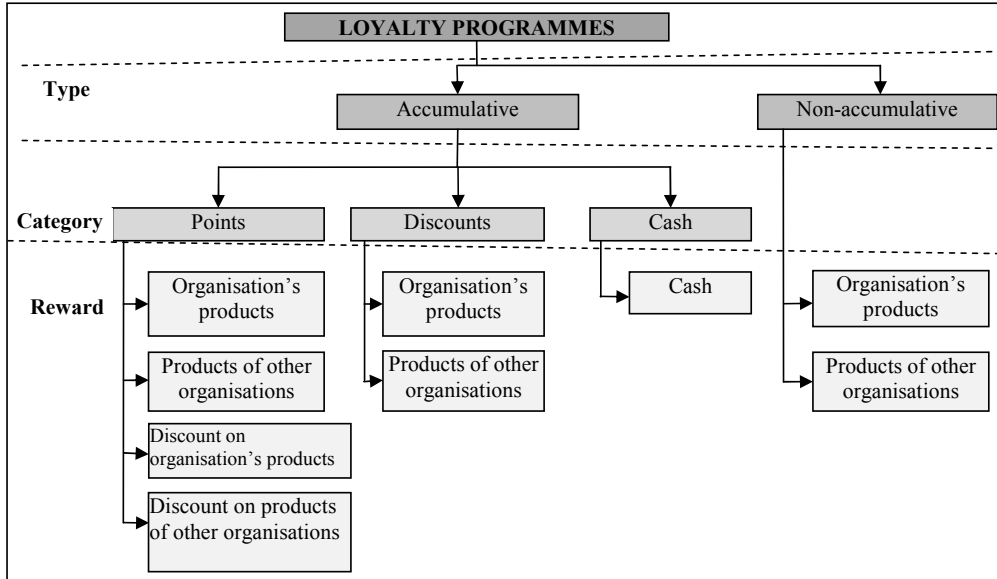


Fig. 1. Typology of loyalty programmes (prepared by the authors)

3. Need and significance of bank loyalty programmes for SMEs

Taking into consideration their contribution into the growth of the economy, both SMEs and commercial banks are undoubtedly important players in the market. The links between SMEs and a bank may be analysed in three sections as submitted in Fig. 2.

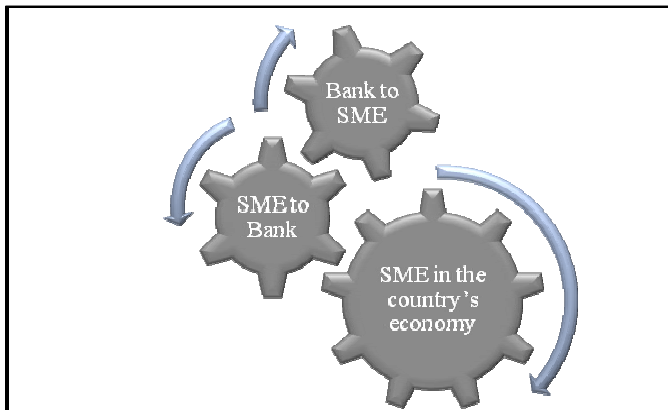


Fig. 2. Interaction between banks and SMEs (prepared by the authors)

SMEs account for 98–99.6 percent of all organisations and are significant for the economy as this business creates 52.4% of the overall added value, provides 50–70% of

the total jobs (Lam *et al.* 2009; Daukševičiūtė 2010). SMEs are beneficial customers to banks as they create higher profit share than private customers. The banking awards for enhancing SMEs relations indicate the significance of developing SMEs relations (e.g. in 2010 'Australia and New Zealand Banking Group' was awarded 'Canstar Cannex' for offering the **best value** to small business customers; in 2010 Singapore's 'DBS Bank' was named the best SMEs partner by the Hong Kong Chamber of Small and Medium Business). Without banks SMEs would not be able to fulfil their functions in any stage of their business cycle. Although the title SMEs contains the word 'small', this business is an important market player, which considerably contributes to the country's economic growth and to the banks' prosperity in particular. Therefore, it is beneficial to both the country and the bank to start and develop SMEs relationships. On the national level, relations between commercial banks and SMEs are developed with the help of mediators (Ministry of Economy of the Republic of Lithuania, Ministry of Environment of the Republic of Lithuania, Small and Medium Business Association, Business Support Fund, and other institutions). Banks, in their turn, create and develop immediate SMEs relations. These relations, according to the scientific literature analysis (Butler, Durkin 1998; Paulin *et al.* 2000; Bick *et al.* 2004; Vegholm 2011, etc.), are rather problematic. The basic problems are caused by standardisation of banking products, lack of individualised solutions. By ignoring the needs and specifics of SMEs, banks have negative influence on the development of SMEs relations. Furthermore, passiveness of both banks and SMEs also impedes development of beneficial relations. Supposedly, that passiveness results from the fact that both the banks and the SMEs are not aware of the benefit that relations development can offer (see Fig. 3).

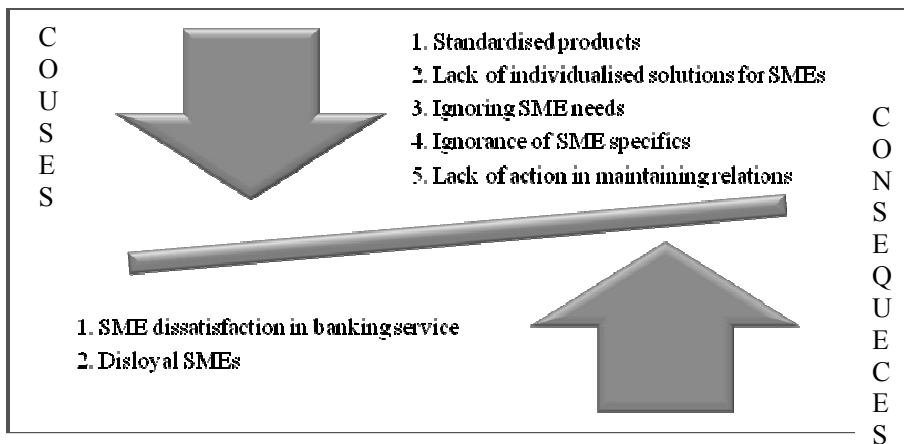


Fig. 3. Causes and consequences of poor relations between banks and SMEs
(prepared by the authors)

The aforementioned problems cause a negative result: SMEs that are not satisfied with the service and do not become loyal customers. Some banks are able to partially eliminate these consequences by implementing loyalty programmes.

In 2009, the loyalty programmes applied by the world's financial organisations were the most popular by the number of members and accounted for 23.1% in total. (see Fig. 4).

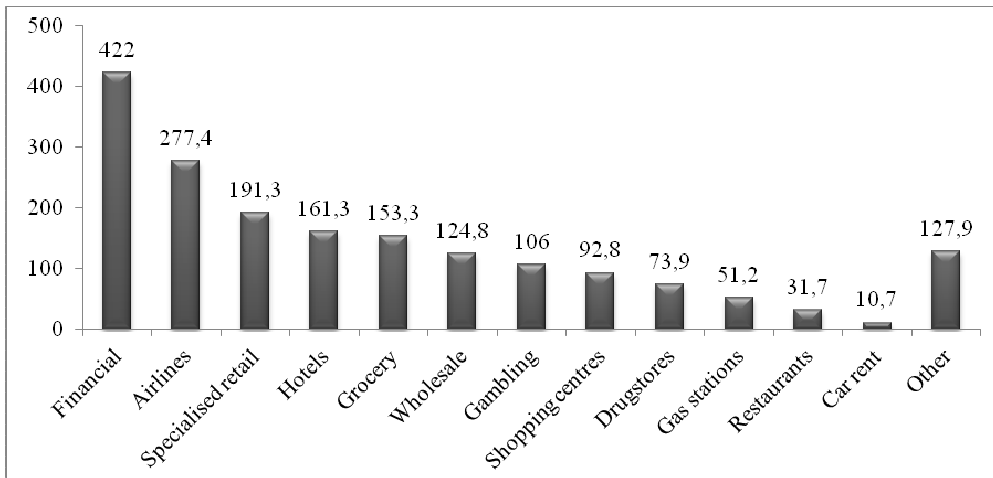


Fig. 4. Number of customer loyalty programmes by sectors in 2009, millions
(Washington, Miller 2010, p. 93)

Banks apply loyalty programmes to both private and corporate customers, including the SMEs segment. To summarise, it becomes obvious that developing loyalty of SMEs as the customer segment becomes a particularly significant challenge in modern turbulent environment. However, it is unclear whether commercial banks apply loyalty programmes to the SMEs segment and what programs are dominating.

4. Methods of research and limitations

Empiric research was carried out in order to analyse customer loyalty programmes offered to the SMEs segment by the banks.

Object: loyalty programmes applied to SMEs by the world's safest banks. The safest banks are selected on the basis of their sustainability, size, and experience in cross-border market. It is likely that such banks have developed loyalty programmes to the SMEs segment.

Purpose: analyse the spread, specifics and content of loyalty programmes applied by the world's safest banks with the intention to develop SMEs relations.

The analysis of theoretical aspects of loyalty programmes indicates that such programmes offer considerable benefit to each organisation, including banks. This assumption gives grounds for the **hypothesis** that with the aim to retain their customers the world's safest banks are actively applying loyalty programmes.

Method. Evaluation of various aspects of loyalty programmes is usually based on survey questionnaires (Jang, Mattila 2005; Lacey 2009; Lacey, Morgan 2009; Morrisson, Huppertz 2010; Hansen et al. 2010; Gomez et al. 2006) and interviews (Wendlandt, Schrader 2007), however, no research could be found that analysed loyalty programmes of the world's banks by the content analysis method. Therefore, attempts were made to look at the world's banks loyalty programmes by evaluating the statistical characteristics of texts. According to L. Vaškeliėnė and J. Šeļepen (2008), within the recent years the content analysis has become a particularly popular tool of qualitative analysis enabling an objective and systematic analysis of text or other information characteristics and allowing evaluation of the level of attention given to an individual social problem or phenomenon. The purpose of the method is to reveal, systemise and summarise the information recorded in various ways and variants about facts, events, phenomena, objective truth, and about human intellectual, creative, administrative and other practical activity (Tidikis 2003). This method enables analysing written, visual and audio information. The empirical research of loyalty programmes applied by the world's safest banks to SMEs selected website information as the analysis unit.

Banks selected for the research. The research includes the data of the world's 50 safest banks in 2010. The list of such banks, selected out of the world's 500 largest banks on the basis of the borrowing and assets criteria has been published for 19 successive years by the international business and financial markets journal 'Global Finance'.

Period of the research: 1 January – 28 February 2011.

Limitations. The information was collected from the websites of the following banks: 1) KfW; 2) Caisse des Depots et Consignations; 3) Bank Nederlandse Gemeenten; 4) Zuercher Kantonbank; 5) Landwirtschaftliche Rentenbank; 6) Rabobank Group; 7) Landeskreditbank Baden-Wuerttemberg-Foerderbank; 8) Nederlandse Waterschapsbank; 9) NRW.Bank; 10) Royal Bank of Canada; 11) National Australia Bank; 12) Westpac Banking Corporation; 13) Commonwealth Bank of Australia; 14) Banco Santander; 15) Toronto-Dominion Bank; 16) Australia and New Zealand Banking Group; 17) ASB Bank; 18) HSBC Holdings; 19) Scotiabank; 20) DBS Bank; 21) Caisse centrale Desjardins; 22) Credit Suisse; 23) Svenska Handelsbanken; 24) Pohjola Bank; 25) Barclays Bank; 26) Intesa Sanpaolo; 27) Bank of Montreal; 28) CIBC; 29) National Bank of Kuwait; 30) Deutsche Bank; 31) JPMorgan Chase; 32) Wells Fargo; 33) National Bank of Abu Dhabi. Due to the language barrier the research did not include 17 banks on the safest banks list. In addition, it should also be taken into account that even though a bank applies a loyalty programme to the SMEs segment, it does not necessarily publish this information on its website.

Issues raised for the research: 1) Which countries have banks with loyalty programmes? 2) What are the types of these programmes? 3) What reward is offered through these programmes to SMEs?

It is established that out of 33 safest banks included in the research 21 bank (64%) has loyalty programmes in place. These programmes have become the analysis units in the research.

5. Analysis of loyalty programmes applied to the SMEs segment by the world's safest banks

The analysis of the loyalty programmes applied by the world's safest banks with the intention to enhance SMEs relations starts with the evaluation of the extent of the loyalty programme. The data of the research indicates that 64% of the banks apply loyalty programmes to the SMEs segment. The remaining banks do not apply loyalty programmes to the SMEs segment as an important consumer segment.

Evaluation of loyalty programmes' spread by the national context dimension shows that loyalty programmes as a phenomenon are widespread in the Canadian, Australian, and US banks (see Fig. 5). The research results confirm the statements by R. Lacey and J. Z. Sneath (2006) that the markets of the North America, Great Britain, and Australia are considered the most mature in the sense of loyalty programmes. It is noteworthy that Great Britain does not appear on the statistical distribution and only two banks from that country participated in the research, however, having evaluated the potential of banks from that country it is observed that the SMEs relation developing tools used in those banks are very well developed (especially educational tools in HSBC Holdings and Barclay's banks). The distribution of loyalty programmes by countries indicates that banks from the Netherlands, France, Finland, and Sweden have no loyalty programmes in place.

The loyalty programmes of the analysed banks are grounded on a single tool: payment cards. However, the banks' functions cover payments but also credit financing, accepting deposits, and other transactions. Therefore, the loyalty programmes intended for developing SMEs relations in the world's safest banks do not fully exhaust their potential.

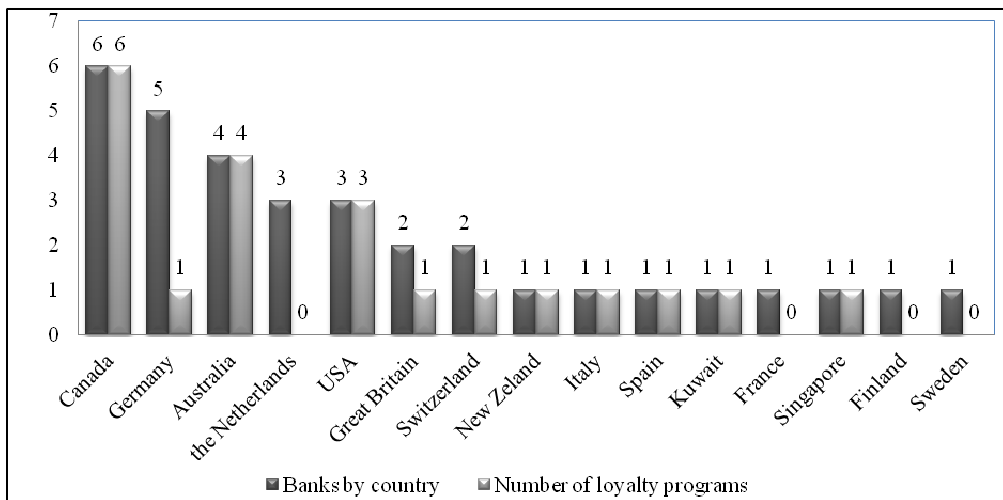


Fig. 5. Distribution of the analysed banks having loyalty programmes by country in 2011
(prepared by the authors)

Besides, it should not be forgotten that the largest portion of the banks' assets consists of credits and the highest income share is interest income. Therefore, it can be stated that loyalty programmes in the form of payment cards cover only a narrow range of banking services. Thus, loyalty programmes are far from being conceptually mature and do not have the status that can be expected from the bank's functional dimension.

The theoretical analysis of loyalty programme typology concentration has revealed that these programmes can vary greatly. The analysed banks have 38 loyalty programmes in place. Their number exceeds the overall number of banks included in the research as some banks apply more than one type of programme (see Fig. 6).

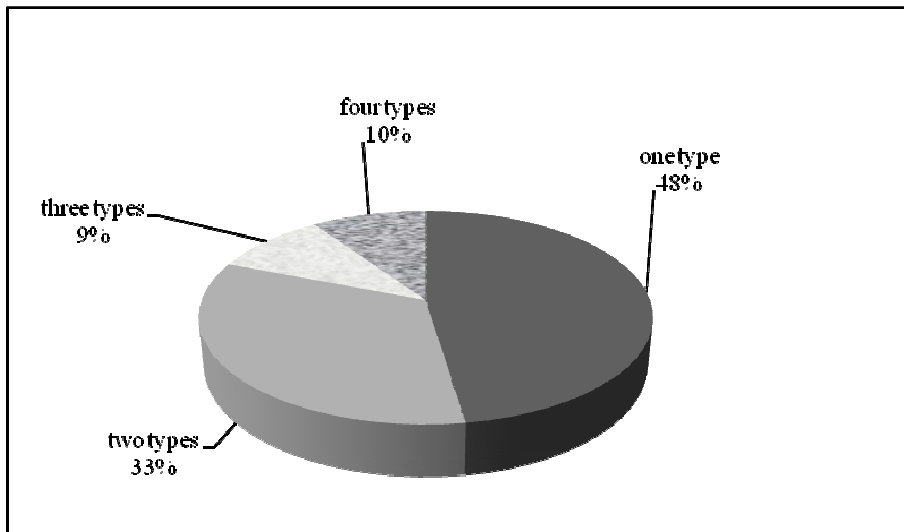


Fig. 6. Distribution of banks by the number of loyalty programme types in 2011, in %
(prepared by the authors)

The results of the research show that almost half of the banks (48%) apply one type of loyalty programmes. One third of the banks included in the research have two types of loyalty programmes in place for developing SMEs relations. The remaining banks apply three or four types of loyalty programmes; such banks accounted for 10 and 9% respectively in the total sample of the research.

As mentioned above, loyalty programmes may be accumulative or non-accumulative. The banks included in the research apply both types of loyalty programmes. Fig. 7 provides loyalty programme classification of the analysed banks by the accumulation principle.

In case of the accumulative loyalty programmes, the core is the pointbased programmes making 66% in the total sample of the research. These types of programmes are based on the requirement to collect a particular amount of points to be exchanged for various goods or services (rewards).

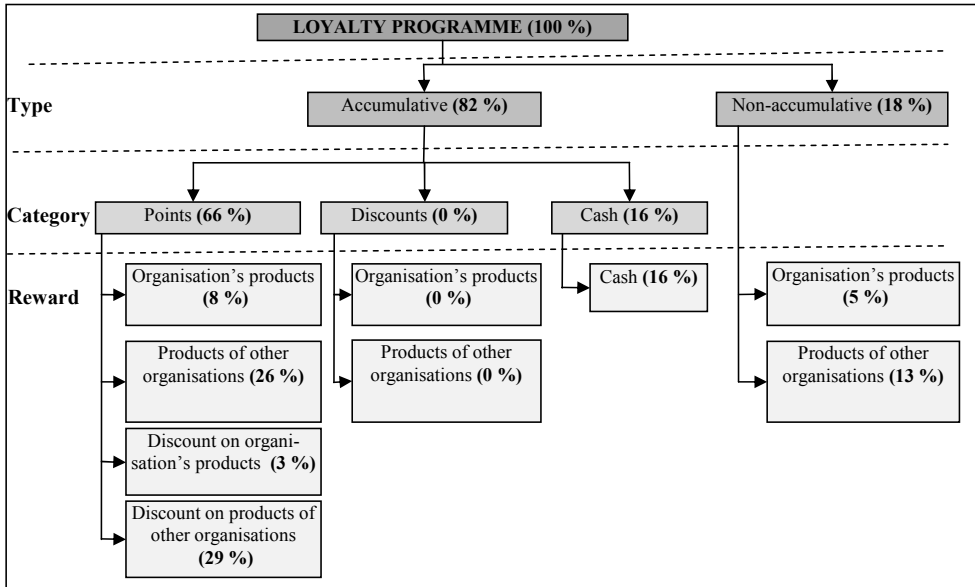


Fig. 7. Distribution of bank loyalty programmes by type in 2011 (prepared by the authors)

The main reward for both accumulative points programmes and non-accumulative programmes is products or services of other organisations. This shows that banks have a developed network of partners where the customers can obtain certain products, services or discounts. The network covers airlines, car rentals, on-line shops, petrol stations, hotels, drugstores, etc. (see Table 4).

Table 4. Reliance on loyalty programme types and offered rewards in 2011 (prepared by the authors)

Reward	Programme type				Total
	Accumulating points	Accumulating discounts	Accumulating cash	Non-accumulating	
Flight	6	0	0	1	7
Cash	0	0	6	0	6
Privilege on board / for flights	2	0	0	1	3
On-line shopping	3	0	0	0	3
Car rent	1	0	0	0	1
Bank's investment coupons	1	0	0	0	1

Gas	1	0	0	0	1
Technical maintenance on the road	1	0	0	0	1
Hotel services	1	0	0	0	1
Drugstores	1	0	0	0	1

A systematically recurring reward for point accumulation programs in the world's safest banks is a flight. Cash is also relevant; in such case a portion of purchasing expenses is returned to customers. The range of repaid funds makes 0.3–1% of the purchase amount or a certain pre-defined amount is repaid (up to 100 pounds). In less frequent cases banks offer on-board/flight privileges and an opportunity to shop on-line. It is obvious that banks have most developed relations with partners that offer flights (airlines, travel agencies, etc.). Other forms of reward are individual and offered in the form of point accumulation programme. The banks' initiative to reward the customers for purchasing is also observed.

The research allows establishing that the markets of the North America, Great Britain, and Australia are the most mature in the sense of loyalty programmes intended to develop SMEs relations. Banks usually apply one type of loyalty programmes to this segment of customers, however, the gap between the banks applying one type of loyalty programmes and those having two types of loyalty programmes is insignificant. Accumulative programs dominate in the analysed loyalty programmes in general and usually SMEs are offered products of other organisations or discounts on those products for participation in such programmes. The most popular reward in both accumulative and non-accumulative programmes is a flight, a discount on the flight price or a mere privilege. Banks have not developed their own products as reward of loyalty programmes.

The results of the research show that the world's safest banks devote rapt attention to develop customer loyalty by applying customer loyalty programmes. However, to develop and apply loyalty programmes is not enough, as setting the effect of such programmes on the customers' loyalty also becomes necessary. Identifying customer loyalty is a process which may result in the increased customer loyalty itself (Hunter, Michl, 2001). Diagnosing customer loyalty allows identifying the bank's loyal customers generating the highest profit. Since customer loyalty measuring also enables identifying groups of disloyal customers, proper tools can be chosen to encourage their favourable behaviour and attitude towards the bank and thereby their loyalty may be increased. The methods to measure customer loyalty, as the economic leverage, are diverse; these methods may be classified into three groups: behavioural, attitudinal, and multidimensional (Bivainis, Vilkaitė, 2010).

Behavioural loyalty is a complex measure based on the frequency of repeated purchases and relative purchasing expenses for particular products of the company. In identifying customer loyalty from the attitudinal perspective, some authors suggest measuring customer satisfaction as it is the principal condition for repeated purchases. The attitudinal loyalty is evaluated based on other ratios as well, therefore, this category should be perceived as a complex measure based on satisfaction, organisational char-

acteristics, and inclination to recommend. When loyalty measurement methods are based on behavioural evaluation, the aspects of motivation are ignored, meanwhile, customer behaviour is not taken into account in case of attitude based ratios. Some sources (Omar 1999; Satmetrix 2001; Bennett, Rundle-Thiele 2002) indicating methods with integrated behavioural and attitudinal loyalty are called multidimensional. Since such customer loyalty measurement methods integrate both components of loyalty, the world's safest banks are recommended to apply this group of methods to measure customer loyalty.

Conclusions

1. Loyalty programmes, which were first used to build loyalty at the end of XX century and became widely used in practice by organisations only a hundred years later, should be considered as significant marketing efforts beneficial to banks and bank customers. Loyalty programmes may be accumulative or non-accumulative. By accumulating points the customer may be given products of the bank or the bank's partner or granted a discount for purchasing these products. The main point of accumulating discounts is that at a certain accumulation level the customer is granted a discount for purchasing products of the bank or the bank's partner. The reward of the accumulative programme is cash. Non-accumulative loyalty programme offers products of the bank or the bank's partners to the customer as a reward.

2. Having analysed special literature, causes and consequences of poor relations between banks and SMEs are indicated. The main SMEs relation problems of banks are identified: standardised products, lack of individualised solutions for SMEs, ignored SMEs needs, ignorance of SMEs specifics, lack of action in maintaining relations. These problems result in: SMEs dissatisfaction in banking services and lack of loyalty to banks which in its turn causes financial and non-financial losses for the organisation.

3. The results of the research of loyalty programmes applied by the world's safest banks intended to develop SMEs relations support the suggested hypothesis: with the aim to retain their customers the world's safest banks actively apply loyalty programmes. Taking into consideration the extent of loyalty programmes intended to enhance SMEs relations, the markets of the North America, Great Britain, and Australia are the most mature in this sense. Accumulative programmes dominate in the context of the analysed loyalty programmes; usually SMEs are offered products of other organisations or discounts on those products for participation in such programmes. The most popular reward in both accumulative and non-accumulative programmes is a flight, a discount on the flight price or a mere privilege. Banks have not developed their own products as reward of loyalty programmes. Banks have not developed their own products as reward of loyalty programmes. It was established that loyalty programmes integrate only a narrow range of banking functions ignoring crediting, accepting deposits, and other transactions. Therefore, it should be concluded that bank loyalty programmes have a huge potential for development.

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SAUGIAUSIŲ PASAULIO BANKO LOJALUMO PROGRAMŲ SMULKIAM IR VIDUTINIAM VERSLUI ANALIZĖ

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Santrauka. Didėjančių reikalavimų finansų organizacijų paslaugų kokybei fone vartotojų išlaikymo priemonės įgyja vis didesnę reikšmę. Šiuo aspektu ne išimtis ir bankininkystės sektorius, kur lojalumo programos tapo svarbia smulkaus ir vidutinio verslo (toliau – SVV) kaip

virtotojų, generuojančių didelę banko pajamų dalį, išlaikymo priemone. Spėjama, jog saugiausi pasaulio bankai taip pat taiko lojalumo programas SVV segmentui išlaikyti, tačiau neaiškūs šių programų taikymo mastai bei specifika suponuoja poreikį atlikti empirinį tyrimą. Visų pirma straipsnyje aptarta lojalumo programos koncepcija, lojalumo programų tipologijos; atskleistas bankų lojalumo programų SVV poreikis ir reikšmė; parengus tyrimo metodiką, empiriškai iširti saugiausių pasaulio bankų SVV segmentui taikomų lojalumo programų mastai bei specifika. Lojalumo programų nacionalinio konteksto, tipų, pobūdžio bei atlygio parametrų nagrinėjimas leido nustatyti empirinius statistinius dėsningumus, kurie yra reikšmingi marketingo mokslui bei praktikai.

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