IMPACT OF DIGITAL LOYALTY PROGRAM ON CUSTOMER SATISFACTION IN SRI LANKAN RETAIL BANKS

Mayoory Vimalachandiran

219129L

Degree of Master of Business Administration in Information Technology

Department of Computer Science and Engineering

Faculty of Engineering

University of Moratuwa

Sri Lanka

May 2023

IMPACT OF DIGITAL LOYALTY PROGRAM ON CUSTOMER SATISFACTION IN SRI LANKAN RETAIL BANKS

Mayoory Vimalachandiran

219129L

The dissertation was submitted to the Department of Computer Science and Engineering of the University of Moratuwa in partial fulfilment of the requirement for the Degree of Master of Business Administration in Information Technology.

Department of Computer Science and Engineering

Faculty of Engineering

University of Moratuwa

Sri Lanka

May 2023

DECLARATION

I declare that this is my own work, and this thesis does not incorporate without acknowledgement any material previously submitted for a degree or Diploma in any other University or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

Also, I hereby grant to University of Moratuwa the non-exclusive right to reproduce and distribute my thesis/dissertation, in whole or in part in print, electronic or other medium. I retain the right to use this content in whole or part in future works (such as articles or books).

……………………………….

Mayoory.V

(Signature of the candidate) Date:09.06.2023

The above candidate has carried out research for the master's thesis under my supervision.

31/07/2023

....

Dr PDJB Karunarathne

(Supervisor Name) Date

Signature of the Supervisor

COPYRIGHT STATEMENT

ABSTRACT

The banking industry is becoming competitive and dynamic with increased number of players in the market including Sri Lanka. As a result, the banks are forced to introduce differentiated products and services to achieve competitive advantage. With the digital revolution, banking customers are seeking products and services with online presence to ease banking operations. As customers are the key to success in the banking industry, it is essential to offer products and services that satisfy customers and establish long-term customer relationships. Therefore, the banks are introducing digital loyalty programs which is a proven strategic tool to enhance customer satisfaction and retain customers.

The purpose of the research is to assess the impact of digital loyalty program on customer satisfaction in Sri Lankan Retail Banks to propose an IT intervention. The research was conducted using quantitative analysis method. The sample was defined using Andrew Fisher’s Formula. The primary data was collected from 392 respondents and the Statistical Package for Social Science (SPSS) was used for data analysis. Multilinear Regression Analysis was conducted to analyze the data.

The findings reveal that digital loyalty program has an impact on customer satisfaction in Sri Lankan Retail Banks. It is also evident that independent variables such as point accumulation, reward redemption, usability, and security of digital loyalty program impact customer satisfaction. However, the digital loyalty program adoption rate is low in Sri Lanka as it is implemented only in five retail banks in the country. Further, the findings also revealed that there is a technological gap in the existing digital loyalty programs and the banks need to take necessary steps to improve the system based on the recommendations provided by the researcher.

Keywords: Digital Loyalty Program, Customer Satisfaction, Point Accumulation, Redemption, Usability, Security.

ACKNOWLEDGEMENT

First, I would like to extend my gratitude to the University of Moratuwa for providing the opportunity to follow a master’s in business administration program specializing in Information Technology.

I would like to extend my heartfelt gratitude to my supervisor Dr. Buddhika Karunarathne for the guidance and support provided throughout the research study. I appreciate and thank my supervisor for taking time amidst the busy schedule to conduct weekly meetings, review the work and for the valuable feedback provided to succeed in the research study. I extend my sincere gratitude to the course coordinator for MBA in IT 2021 batch Dr. Adeesha Wijayasiri for the immense support and guidance given throughout the program. Further, I thank the panel of examiners for providing valuable feedback and suggestions throughout the sessions to improve the research.

I would like to thank all my colleagues for the constant support rendered throughout the program. A special thanks to all the respondents who took time amidst their busy schedule to fill the survey and support me to proceed with the research.

Finally, I express my sincere gratitude and appreciation to my family and friends for the motivation and support.

TABLE OF CONTENTS

DECLARATION I
COPYRIGHT STATEMENT II
ABSTRACT III
ACKNOWLEDGEMENT IV
TABLE OF CONTENTS V
LIST OF FIGURES VIII
LIST OF TABLES IX
LIST OF ABBREVIATIONS X
1. INTRODUCTION 1
1.1. Background 1
1.2. Motivation 2
1.3. Research Scope 2
1.4. Problem Statement 3
1.5. Research Objectives 4
1.6. Research Significance 4
1.7. Outline 4
2. LITERATURE REVIEW 6
2.1 Digital Loyalty Program 6
2.1.1. Point Accumulation 9
2.1.2. Reward Redemption 9
2.1.3. Usability 11
2.1.4. Security 12
2.2. Loyalty Program Types 13
2.3. Importance of digital loyalty program in Retail Banks 15
2.3.1. Customer Satisfaction in Banking Industry 17
2.4. Existing digital loyalty programs in Sri Lankan Retail Banks. 17
3. RESEARCH METHODOLOGY 22
3.1. Research Problem 22
3.2. Research Method 22
3.2.1. Variables on Relationship 22
3.2.2. Conceptual Framework 25
3.2.3. Hypotheses of the study 25

3.3. Data Collection 26
3.4. Population and Sample Selection 27
3.4.1. Population 27
3.4.2. Sample Size 27
3.5. Process of Data Collection 28
3.5.1. Primary Data 28
3.5.2. Secondary Data 31
4. DATA ANALYSIS 32
4.1. Data Preparation for Analysis 32
4.2. Reliability and Validity Test 32
4.2.1. Reliability Test 32
4.2.2. Validity Test 33
4.3. Descriptive Analysis 34
4.3.1. Gender 34
4.3.2. Age Group 34
4.3.3. Education 35
4.3.4. Occupation Status 36
4.3.5. Banking Customer 36
4.3.6. Number of years as a banking customer 37
4.3.7. The banking products the customer is registered with. 38
4.3.8. Number of customers having digital loyalty program 38
4.3.9. Banking products applicable for digital loyalty program 39
4.4. Hypothesis Analysis 40
4.4.1. Hypothesis Test 40
4.5. Objective 3 Analysis 45
4.5.1. Technological Gaps in the Existing Digital Loyalty Programs 45
4.5.2. Technological Recommendations to enhance digital loyalty program. 50
5. RECOMMENDATIONS AND CONCLUSION 53
5.1. Empirical Findings 53
5.2. Limitation 54
5.3. Future Research 55
5.4. Conclusion 55
REFERENCES 57

APPENDIX A: SURVEY QUESTIONNAIRE 62
APPENDIX B: DATA ANALYSIS 67

LIST OF FIGURES

Figure 1 Conceptual Framework of the study 25
Figure 2 Gender distribution among the respondents 34
Figure 3 Age Group distribution among the respondents 35
Figure 4 Education distribution among the respondents 35
Figure 5 Occupation Status distribution among the respondents 36
Figure 6 Banking Customer distribution among the respondents 37
Figure 7 Number of years as a banking customer distribution 37
Figure 8 Banking Products distribution among the respondents 38
Figure 9 Number of digital loyalty program users' distribution 39
Figure 10 Digital Loyalty Program applicable products 40
Figure 11 Personalization ability of digital loyalty program 46
Figure 12 Monthly e statement of loyalty program Response distribution 46
Figure 13 Banking products for transaction-based point accumulation 47
Figure 14 Ability to offer bonus points via digital loyalty Response distribution 48

LIST OF TABLES

Table 1 Types of Rewards used in Loyalty programs.. 10
Table 2 Existing Digital Loyalty Programs in Sri Lankan Banks.............................. 18
Table 3 Sampath Bank Loyalty program rewards Ultramiles.................................... 19
Table 4 Sampath Bank Loyalty program Ultra Rewards... 20
Table 5 Commercial Bank Max Loyalty Rewards... 20
Table 6 HSBC Loyalty program Credit Card Rewards 20
Table 7 Standard Chartered Bank Loyalty program 360 Rewards 21
Table 8 Nations Trust Rewards Program.. 21
Table 9 Dependent Variable of the study... 22
Table 10 Independent Variables of the study... 23
Table 11 Operationalization of Variables 29
Table 12 Reliability Test on Variables of the Study 33
Table 13 Validity Test on Variables of the Study.. 33
Table 14 Model Summary of regression test on Variables of the Study 41
Table 15 Anova of regression test on Variables of the Study.................................... 42
Table 16 Coefficient result table of regression test on Variables of the Study.......... 42

LIST OF ABBREVIATIONS

e-Commerce	Electronic Commerce
Gen Z	Generation Z
HSBC	The Hongkong and Shanghai Banking Corporation Limited
IT	Information Technology
ICT	Information Communication Technology
IoT	Internet of Things
LCB	Licensed Commercial Bank
LSB	Licensed Specialized Bank
KMO	Kaiser-Meyer-Olkin
KPI	Key performance indicator
PLC	Public Limited Company
POS	Point of Sale
stdDev	Standard Deviation