The Effect of Customer Loyalty Programs on Customer Satisfaction in the Mobile Telecommunications Sector in Botswana

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Abstract: *The research sought to evaluate the effect of customer loyalty programs on customer satisfaction in the mobile telecommunications sector in Botswana. Particular focus of the study was on establishing customer familiarity with the loyalty programs being employed by the Mobile Network Operators (MNOs); Mascom Wireless, Orange Botswana and be Mobile. Descriptive research design was deployed. The research study used descriptive research designs to gather the data. Hence a questionnaire containing both closed and open questions was drawn and distributed to individual mobile subscribers selected through probability and non-probability sampling methods. The sample size consisted of 160 prepaid mobile subscribers selected from the three MNOs, in Gaborone, capital city of Botswana. The research findings were that not all customers are familiar with the loyalty programs that are being employed by the MNOs, which are; economic reward and the redemption option. Despite customer familiarity with programs, participation level in the programs is low. With regard to customer response towards discontinuation of both types of loyalty programs, findings revealed that loyalty programs have a weak effect on customer behavior. Pertaining customer perception, customers highly regard other factors such as corporate image and unwillingness to change mobile number as their main reasons for using a particular service provider. Finally, customers are somewhat satisfied with loyalty program rewards. The study also revealed that MNOs should differentiate loyalty programs from promotional incentives to enhance customer familiarity. MNOs should also improve loyalty programs to encourage customer participation. However it is recommended, that area for further research should focus on the observational method that allows customer behavioral changes to be watched and monitored during the implementation and eventually on the withdrawal of loyalty program over a period of time.*

Keywords: Customer Loyalty, Loyalty Programs, Customer Satisfaction, Mobile Network Operators (MNOs)

1. Background of the Study

The tremendous changes and growth in the telecommunications sector across the world has not alone accompanied opportunities for the mobile network operators (MNOs) but has also left them in a dilemma. Liberalization of the sector worldwide has witnessed the emergent of new mobile phone networks, which have posed an increasingly competitive environment. The ever-changing customer demands and preferences have left MNOs with no alternative but to focus on building and maintaining customer loyalty. Hence, loyalty programs have become the norm for the 21st century marketer. Every now and then MNOs are recurrently developing and introducing loyalty programs to entice and capture the attention of customers. Loyalty programs are all over, in banks, airlines, hotels, car rentals, and even in the mobile telecommunications sector. Having all these world-wide developments in the mobile telecommunications industry, Botswana is not an exception. For the past seventeen years, Botswana telecommunications sector has been undergoing changes. These changes were initiated by the establishment of its telecommunications licensing board in 1996, the Botswana Telecommunications Authority (BTA), now known as the Botswana Communications Regulatory Authority (BOCRA). BOCRA confirmed that these developments marked the liberalization of the telecommunications market, and consequently opened doors for competition from 2005 to date (BOCRA Annual Report, 2015). Above and beyond, the nation of Botswana is experiencing a growing economy. The African Economic Outlook projected the nation's economy growth rate as 3.5% and 4.1% in 2016 and 2017, respectively. The improvement in growth over the medium term is predicated on the government's Economic Stimulus Programme (ESP), a gradual recovery in the global diamond market, and increased energy availability following the completion of remedial measures at Morupule B Power Station.

According to BOCRA Annual Report (2007/8), the telecommunications sector was further liberalized, subsequent to the declaration by the Ministry of Communications, Science and Technology. Hence a neutral license that enabled all telecommunications operators to offer all types of services, from mobile, fixed to data services was introduced. This saw the opening of new competition doors for the two pioneer operators, Mascom Wireless and Orange Botswana. Conversely, Botswana's fixed landline operator, Botswana Telecommunications Corporation (BTC) successfully launched its mobile service, be Mobile in 2008. However, due to liberalization, market entry barriers have remained very low, and there is still potential for more competition from future market entrants. KPMG analysis have reviewed that there is still increasing competition from non-telecommunications providers, which mean that MNOs need to radically change their business strategies in order to survive. In other words, customer

loyalty has become a concern in the entire services industry and loyalty has become the most prized currency in the mobile giant wars. It is however not uncommon to find that all mobile network operators around the globe have adopted measures to influence positive customer behavior. One of the widespread measures that organizations have taken is the use of loyalty programs.

Consequently the Botswana mobile telecommunications market is now mature. Botswana is taking a leading position in tele-density, despite its small population ahead of South Africa and Nigeria, (Pheko; 2009 cited by Bwalya & Healy; 2010). The population in 2015 is estimated at 2.05 million. BOCRA 2011 Annual Report reviewed that, the three networks, Mascom Wireless, Orange Botswana and be Mobile is estimated to cover at least 95% of the Botswana population. In addition, the tele-density coverage has been pegged at 153% in March 2012- indicating market saturation. In addition, the country has been recording diminishing population growth rates estimated at 1.656% and 1.477% in 2011 and 2012, respectively (CIA World Fact book, 2011/12). These statistics prove that there is a limited pool of potential customers as vast areas of the market have been covered. This eventually has taken the mobile operators to the colonization era- „Scramble for Africa.' Thus three Mobile Network Operators are fighting for scarce resources (customers), and only 5% of the population is not yet covered.

Subsequently a report by BOCRA in 2014, reviewed the fluctuating market shares of the three operators. In March 2013 the market shares were as follows; 6% for be Mobile, 37% for Orange Botswana and 57% for Mascom Wireless. However; as at March 2015, the market shares changed as follows; 11% for be Mobile, 35% for Orange Botswana and 54% for Mascom Wireless. Generally there has been a loss of market share on the pioneer operators, Mascom Wireless and Orange Botswana, whilst the newly introduced be Mobile gained market share. These market developments indicated that customer behavior towards their service providers is not consistent. With the unremitting advances in technology, there has been so much progression of knowledgeable customers. Hence customers are now well-informed and know what they want; thus better services. Colgate and Hedge, (2001), cited by Ivanauskiene and Auruskeviciene, (2009) postulate that, more mobile customers and better informed all contrive to discourage loyalty. In the present day, it has become contemporary for a single subscriber to possess more than one sim card with different mobile operators. This means service providers have to acquire strategies that seek to win the heart of the consumer. All these factors are continually alarming in the telecommunications sector. Thus industry players every now and then are on the clock, developing loyalty programs that lure customers to continue doing business with them. Like the German proverb that says, „marrying is easy but housekeeping is hard,' (Chokera and Duve, 2011). The focus of this study is therefore to explore the effect of loyalty programs on customer behavior in the Botswana mobile telecommunications sector.

2. Literature Review

2.1 Customer Loyalty

The subject on the effect of customer loyalty programs on customer behavior can be inconclusive when customer loyalty is not comprehended. Auka (2012) defines customer loyalty as, a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive purchasing of the same brand, despite situational influences and marketing efforts. Customer loyalty can be viewed as customer‟s positive or negative reaction towards a product or service (Gao 2005). Positive reaction denotes customer‟s intention to repurchase a brand, whilst the negative reaction denotes, customer‟s unwillingness to repurchase the same brand. As postulated by Gao (2005), loyalty indicates customer‟s behavior to prefer specific brands and companies to other alternatives. However defining customer loyalty has been an expedition of complication, among various authorities. However, Uncles et al. (2002) revealed an attention-grabbing discovery made by researchers about customer loyalty. Research have found that few consumers are „monogamous‟ (100% loyal) or „promiscuous‟ (not loyal to any brand) but rather „polygamous‟ (loyal to a portfolio of brands). This kind of a predicament has some connotations attached to it. With monogamous loyalty, it is either customers are extensively satisfied with a particular brand or they have no other option. Whereas, the promiscuous or polygamous ones are still not finding hope in their service provider, hence they wander in search for better offers. O‟Dell & Pajunen (2000) also argues that there is nothing like loyal customers but rather customers have become transients, who are here today and flitting across the street tomorrow. This has even worsened the situation, to an extent that defining customer loyalty is continually obscurity. Early proponents such as Jacoby (1973) cited in the work of Pohl (2006), postulate that customer loyalty fall into two dimensions, which are attitudinal, also known as the psychological loyalty and the behavioral attributes. This idea of attitudinal and behavioral loyalty is also supported by Peppers and Rogers (2011). Attitudinal and behavioral dimensions have long been a lead for authorities who have attempted to define customer loyalty. Following are the definitions of attitudinal and behavioral customer loyalty suggested by various authorities.

2.1.1 Attitudinal Loyalty
Attitudinal can be seen as the unconscious decisions that a customer make about repurchasing a product or service. The unconscious aspect means that the customer‟s decisions are overly influenced by their high preference of the brand, thus without noticing the customer chooses the brand again. Krafft and Mantrala (2010) postulate that attitudinal attributes comprise of the favorable, potentially covert (hidden) beliefs and attitudes a customer holds about the brand or company. Krafft and Mantrala‟s definition is also supported by Hao et al., (2009) in that; attitudinal loyalty is a function of psychological processes. In other words the psychological aspect that Hao et al., (2009) emphasize encompasses the covert attributes as postulated by Krafft and Mantrala. Pepper and Rogers (2011) also emphasize on the aspect of the customer‟s state of mind, which still

complements the psychological aspect as postulated by (Hao et al., 2009). Peppers and Rogers (2011) therefore postulate that, with attitudinal loyalty, the customer likes the company, its services, and its brands and therefore prefers to buy from it rather than from the company's competitors. Thus customer is prepared to pay a premium, (Peppers and Rogers, 2011). Here the commonality of the postulations cited by all the preceding authorities is that they all agree that attitudinal customer loyalty has some emotional or mental attachment to it, which eventually influences customer behavior. This kind of attachment to a brand will mean that whether a service or product is not the best of all alternatives, the customer still requests for it. Conclusively, attitudinal loyalty measures constitute the overall feelings of a customer towards a brand, (Schiffman and Kanuk, 2004). Borrowing the words of Consumer Watchdog Botswana, loyalty cannot be manufactured at all but its origin is in the human heart. This means that, loyalty is not attained through enticing the customer but it is achieved through a set of internal decisions made by customer to bond with a certain brand.

2.1.2 Behavioral Loyalty

Behavioral loyalty is contrary to attitudinal loyalty in that it looks at the outward conscious actions or conduct presented by a customer when making a decision to purchase a brand. Krafft and Mantrala (2010) postulate that, behavioral loyalty entails overt (visible) repeat buying behavior due to various reasons, for example, convenience or price. Schiffman and Kanuk (2004) support Krafft and Mantrala's definition in that behavioral loyalty is based on observable responses to promotional stimuli, repeat purchase behavior rather than attitude toward the brand or product. In other words, it is customer's actual conduct regardless of their attitudes and preferences that underlie that conduct (Peppers and Rogers, 2011). In the event of a poor or better offer, customer can easily switch to a favorable alternative. Consequently in this case the customer has no intentions of loyalty but rather it is loyalty out of convenience, duress or unfavorable condition. However some proponents, such as (Krafft & Mantrala, 2010) argue that „true loyalty" or 100% loyalty is achieved through a combination of both attitudinal and behavioral loyalty. Gao (2005) also supports Krafft and Mantrala's view of true loyalty in that, when a customer show high preference and mental attachment to a specific brand, it means there is true loyalty. Simply expressing the equation, True loyalty = Attitudinal loyalty + Behavioral loyalty. Thus a customer to be able to move up the loyalty ladder and become a true loyal customer, there must be a kind of behavioral and attitudinal aspect that the customer portrays in order to realize this achievement.

2.2 The Customer Loyalty Programs

Customer Loyalty programs also generally known as retention programs or relationship marketing programs have long been an important element of customer relationship management for firms in travel related industries such as airlines, hotels, and rental cars, (Lewis, 2004). These loyalty programs can be historically traced back to the 1950s, even before they were known when supermarkets first introduced the bonus card to customers who repeated purchases, (Pohl, 2006). Later in the early 80s the programs were realized by

airlines, mid 80s by hotels, early 90s by retail, mid 90s by credit cards, late 90s by financial services and finally 21st century they are there in every industry, (Kumar, 2008). Hence today, everyone is talking loyalty programs and the mobile services industry is not an exception. The definition of loyalty programs have been varying with proponents. A close look on a few definitions by various proponents will help illustrate this fact. To start with, the loyalty program definition is outlined according to its characteristics as suggested by the International Financial Reporting Interpretations Committee, (IFRIC 13). IFRIC 13 is an accounting standard for customer loyalty programs. IFRIC 13 therefore defines a customer loyalty program as an incentive used by entities to trigger customers to buy additional goods or services. These entities thus grant credits (in the form of points) to customers with each purchase of goods or services. The customers will however redeem the points to receive free or discounted goods or services in the future. Thus customers are required to collect a minimum number or value of points before redeeming them. These points are earned either on a single purchase or on contract renewal over a specified period. Another definition is that given by Buttle (2009) who define a loyalty program as a scheme that offers delayed or immediate incremental rewards to customers for their cumulative patronage. Secondly, Krafft and Mantrala (2006), define a loyalty program as a marketing process that generates rewards for customers on the basis of their repeat purchases. Another definition is that given by Yi and Jeon (2003) that a loyalty program is a marketing program that is designed to build customer loyalty by providing incentives to profitable customers. In other words they meant that only those customers that bring more money to the organization can be rewarded because some customers can be frequent but bringing less. Lastly, the definitions by (Krafft and Mantrala, 2010; Yi and Jeon, 2003) both emphasized on marketing activities. Incorporating the American Marketing Association definition for marketing, the purpose for loyalty programs, is all about identifying, anticipating and satisfying the needs of the customers.

Last but not least another conclusive definition of loyalty programs was that suggested by Uncles et al. (2002). They defined loyalty programs as, "vehicles to increase single-brand loyalty, decrease price sensitivity, induce greater consumer resistance to counter offers or counter arguments (from advertising or sales-people), and dampen the desire to consider alternative brands, encourage word- of- mouth and endorsement, attract a larger pool of customers, and or increase the amount of product bought." This is quite a long definition but the most interesting part is the fact that their definition has managed to gather all the facts and aspects that have an impact on customer loyalty that many researchers have overlooked. For example most researchers have concentrated on the aspect of rewarding repeat patronage but they have not taken the consideration of other aspects that may greatly have an impact on customer behavior. Uncles et al. (2002) definition thus takes a new direction about loyalty programs. Thus loyalty programs cannot just be a marketing thing, but it should be a corporate strategic concept that integrates all functions within an organization. This means, there must be a function of every department, that is from the Human Resources, Research

and Development, Marketing, Advertising, Sales, Finance, to mention a few, in the making of a loyalty program.

2.2.1 Types of loyalty programs

2.2.1.1 Card Type Programs
Hoogenberg et al., (2010) identifies the Card Type as the general loyalty cards mostly used in retail shops. This card may vary in value levels, depending with the firm. Some cards can be viewed as the normal card and the gold card which offers extra benefits to selected members. The Card Type is suggested to be the lowest level type of loyalty program that is based on a cents-off sales promotion, (Berman, 2006). Each member receives the same discounts. Membership is however open to all customers and has no target communication directed to members, no information on customer name, demographics or purchase history. Berman (2006) argue that the Card Program does not encourage repeat purchasing and motivate much discretionary behavior (Robinson, 2011). In other words, customers have no motivation to follow up on the program as they know that they only get some few discounts especially during promotions.

2.2.1.2 Economic Reward Programs
Again the Economic Reward program is open to all customers and the firm does not maintain a customer database linking purchases to specific customers. Reward is based on discounts on frequency of purchase (Berman, 2006 & Hoogenberg, 2010). Thus members receive 1 free when they purchase (n) units. In the case of mobile services, this can mean that for every airtime recharge of a certain amount, customer receives extra airtime or free minutes. Generally, this type of loyalty program is based on quantity discounts, where a customer is compensated for every n^{th} purchased (Charania, 2011). Dowling and Uncles (1997) postulate that the immediate reward type directly supports the product's value preposition. In the case of mobile services, the rewards can range from bonus airtime recharges, call or sms discounts or a cell phone handset. The Top up program thus rewards customer each time they top-up. However this program may vary with mobile operators.

2.2.1.3 Redemption Option Programs
Hoogenberg et al., (2010) refer the Redemption Option as the currency redemption type of a program. The Redemption option is also similar to the Points program. Hence members receive rebates, privileges, cash backs or points based on cumulative purchase or spend (Berman, 2006; Zeidler, 2009 & Analysys Mason, 2011). According to Analysys Mason the points can be redeemed for either telecoms rewards such as a handset or non-telecoms rewards, which are not directly linked to the service. The redemption option is however versatile in that rewards can also be redeemed from partner companies rather than the issuer of the points alone (Zeidler, 2009). The Points based loyalty system allows subscribers to accrue points over a period of time, as a common currency, and facilitates the exchange of points for awards. The redemption option triggers repeat purchase as it encourages members to spend enough to reach a given value of points that qualifies them to purchase the rewards. Despite getting the rewards, the program attempts to enhance customer retention (Lewis, 2004). Thus for every recharge made,

subscriber gains a stipulated number of points, which will be retrieved at a later period. Here the firm has comprehensive database that track member's purchases and points. The Redemption option is also likened to yet again Dowling and Uncles''(1997) delayed/ indirect type of loyalty program that rewards customer at a later period prior to points accumulated. As an addition to Dowling and Uncles'', delayed/ immediate type of program, research has confirmed that most customers are skeptic about delayed rewards. For an example, a research carried out by Buongiorno (2011), an Italian research organization, revealed that points for a guaranteed prize such as a free or subsidized handset after 12 months were by far the most popular type of reward. Thus these findings indicated that most customers prefer immediate rewards than the delayed ones.

2.2.1.4 Privileges Programs
It is a „special treatment" type of a program (Furinto et al., 2009 & Baran et al., 2008). Members receive targeted offers and mailings (Berman, 2006). Program divides members into segments based on their purchase history. The program therefore requires a comprehensive customer database of customer demographics and purchase history. Though these programs can be point-based, they however offer individual members specialized communications, promotions and rewards based on their purchase history. Rewards are typically special, such as access to events, (Analysys Mason, 2011). However Furinto et al., (2009) postulate that, the special rewards trigger emotions of cheerfulness and excitement in the customer's mind. The postulation by Furinto et al., (2009) is quite valid when it comes to triggering emotions however, this might be a challenge as customer perceptions differ. This however requires the service provider to carry on a comprehensive research that will enable it to identify the varying customer values and thereby segment them accordingly.

2.3 Effect of Loyalty Programs on Customer Behavior
Organizations have been continuously implementing loyalty programs every now and then, which is a general indication of that the programs have positive effects on general customer behavior. Historically, as Lowenstein (2012) postulate, loyalty programs have at least some customer behavior effect, which can be easily measured in terms of Return on Investments (ROI). Lowenstein (2012) further emphasized that loyalty programs have two basic intentions which are: firstly to generate important customer profile data and secondly, leverage loyal behavior. According to research findings revealed by Lowenstein (2012), 13% of marketers indicated that loyalty programs were highly effective in leveraging loyalty and brand preference.

However Yi and Jeon (2003) review an interesting aspect on the effect of loyalty programs. They emphasize that a loyalty program accelerates the loyalty life cycle of a customer. In their argument, a loyalty program should encourage a first or a second year customer to behave like the company's most profitable ten year customer. However, in as much, Yi & Jeon (2003) proclaim that loyalty programs accelerates the loyalty life of a customer, it is still inconclusive on every customer, as customer behavior varies. For instance, at the inception of a loyalty program, when customers realize the monetary benefits involved, some customers are bound to

disguise their loyalty. They can portray positive behavior but in the long run when these benefits are no longer fulfilling that same customer can change behavior too. It might not always be the case. However in some instances, depending with the type of the loyalty program, the customer can hang around to receive the remuneration, that is, the accumulated points, especially with point-based programs.

Kumar (2008) also suggests loyalty programs as tools to establish and maintain a strong relationship with customers. Kumar further argues that after a customer enroll in loyalty program; they tend to purchase more from the focal company. In general loyalty programs are tools to stimulate customer into a behavior of, repeat purchase, preference of specific brand, relationship with service provider and loyalty. Dowles and Uncles (1997) however argue that polygamous loyalty is a better description of actual consumer behavior. Customers tend to prefer more than one brand and they can be so much devoted to all the brands. Such kind of loyalty is not only because customers want variety but in some cases they will be finding fulfillment in one area and the other areas being neglected by their principal service provider. This is also an indication that loyalty programs cannot just make it alone in the market, but they still need other supporting systems. Examples can be quality services offered by the service provider, good corporate image, excellent customer services, to mention a few.

Liu (2007) tend to argue that there has been limited evidence on long-term effects of loyalty programs and their effectiveness is also not well established. The reason might be that customer behavior is associated with studying covert customer traits which are difficult to measure. However according to a study reviewed by Liu (2007) on a convenience store, consumers who were heavy users at the beginning of a loyalty program were most likely to claim their qualified rewards but the program did not prompt them to change their purchase behavior. And on the other hand, consumers whose initial patronage levels were low gradually increased purchases and became loyal to the firm. These findings however, question the whole aspect on loyalty program effectiveness when it comes to customer purchasing behavior.

According to an observation that was also made by Pez (2008) on studies about loyalty programs, there has been a trend of evidence that the effectiveness of the loyalty programs is weak, regarding the large amounts of money that is invested to build them. This conclusion shows that the research emphasized on ROI, but not necessarily measuring the degree of change in behavior. Moreover research findings presented by Buongiorno (2011), on four European countries, indicated that loyalty programs had more effect on reducing churn than on driving spend or adoption of new services. Thus loyalty programs were not 100% effective to change customer behavior.

Krafft and Mantrala (2010) argue that though the whole aspect of loyalty programs is to entice the customers with rewards and bonuses, however these rewards are highly unlikely to work in the long run. Somehow these proponents meant that there will be a point in the future when customer behavior is no longer influenced by loyalty programs. This can be liken to a term commonly used in economics known as the Law of diminishing returns, which illustrate that adding more of an input will eventually lead to less of the output.

Furthermore, The Loyalty Research Centre also emphasized that, it is a misleading notion to assume that a customer is loyal just because they continue to buy an organization's brand. Instead they are several other reasons that could make customers repeat purchase, which mostly have little to do with being loyal. Among the so many reasons was the fact that a customer might hang in there because of a contractual arrangement with a company, convenience, or avoiding switching costs. Thus loyalty is therefore far more than repeat buying behavior of a customer, though firms have mostly concentrated on this behavioral kind of measurement. However this form of determining the effect of a loyalty program may be difficult to apply when it comes to attitudinal loyalty which measures the coverts. The question is whether firms are determining the effect of their programs or it is just a theoretical claim.

3. Research Methodology

Descriptive research was employed by researcher with the objective to define the characteristics of the research elements and be able to come up with quantifiable facts. The target population included all active prepaid mobile phone subscribers to all the three networks Mascom- 1 599 279; Orange - 1 014 918 and be Mobile - 403 687 (BOCRA Report 2015). Researchers used both probability and non-probability sampling tools in order to come up with a true representative sample. The techniques that were used for the probability type of sampling was random and stratified sampling method, whereas, convenience and judgmental sampling were used for the non-probability sampling. The subscribers were randomly selected from high schools, tertiary education institutions, business places, churches and shopping malls. For this research study, the sample selected was homogeneous as it comprised of only prepaid mobile operator customers. According to Johnson and Christensen (2012), the more homogenous a population, the smaller the sample size can be. Hence a homogenous sample is one that is composed of similar respondents. Researchers therefore adapted a minimum sample size of 160 prepaid mobile telecommunications customers. The researcher collected available data from both internal and external sources. Internal sources included general reports by the three mobile network providers, Mascom, Orange and be Mobile and the Botswana Communications Regulatory Authority (BOCRA). The external sources included other national and international publications, case studies, online databases, research associations, and the statistical sources such as the CIA World Fact Book and Botswana Statistical Offices. However, for the purpose of this study, the questionnaire was the main instrument used. The questionnaire type adopted for this research study was structured. It contained standardized questions and answers, which respondent had an option to choose from. This simplified the analysis of data as responses were standardized, and thereby improving the consistency and reliability of the results. Researchers used rating and ranking scales that allowed respondents a

free choice to rate their views. Further to the accomplishment of the questionnaire design, it was pre-tested with 10 selected individuals for validity and reliability purposes. After pre-testing, 160 questionnaires were distributed to customers of the three mobile operators, Mascom Wireless, Orange Botswana and be Mobile in Gaborone a capital city in Botswana. The questionnaires were distributed electronically, through drop-and-collect technique and collective administration. Researchers used Microsoft Excel to analyze the data in different readable forms. A number of data presentation tools such as frequency tables, bar charts and pie charts were used. The research questions that were outlined in the questionnaire were categorized in relation to the research objectives for enhanced analysis.

4. Analysis and Results

4.1 Effect of discontinuation of loyalty programs on customer behavior

Here the research study question focused on determining whether the withdrawal of loyalty programs has or does not have an effect on the customer loyalty life. Respondents were therefore asked whether they would continue using their service provider if the loyalty programs were to be discontinued. The results are shown in Figure 4.1 below.
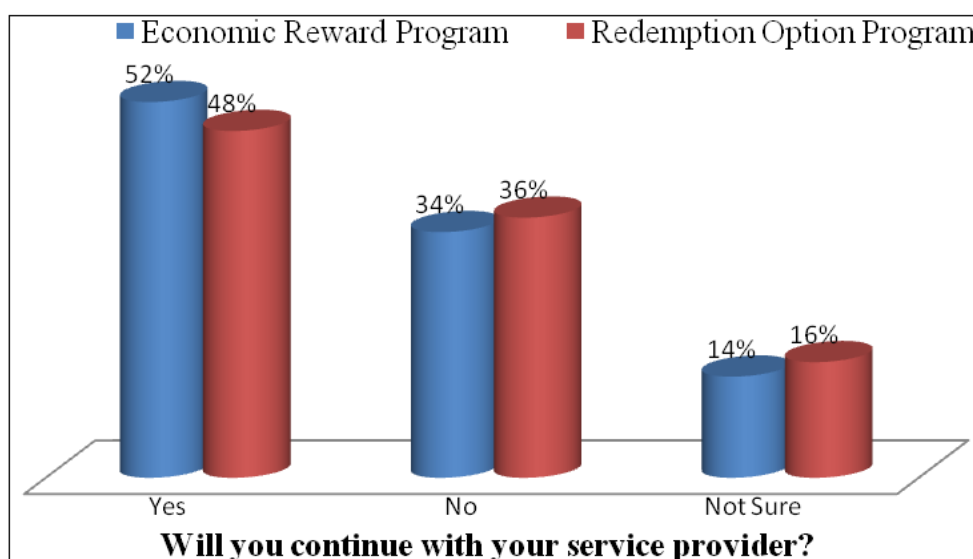

Figure 4.1: Effect of discontinuity of loyalty programs on customer behavior

Customer responses were noted according to each loyalty program type. From the data analysis in Figure 4.1 above, higher percentages of 52% and 48% of the respondents indicated their willingness to continue with their service provider despite the discontinuation of both programs. As an observation the frequency percentage of those who were willing to continue with each program respectively, were closer to an average of 50% of respondents as indicated by the 52% and 48% frequency percentages. This shows that another better half, of respondents were not for continuing. However, 36% and 34% showed no interest in continuing with the service provider if the two programs were to be discontinued, respectively. Only a few respondents, represented by 14% and 16% were not sure whether to discontinue or continue with service provider. This shows that the respondents who were not sure may be in a dilemma

about whether the loyalty programs were a necessity. A further observation on the results above reveals that 52% of respondents indicated that they were willing to continue even when the economic reward program was withdrawn, as compared to 48%, (34%+14%) of those who either indicated that they were not or not sure to continue. On the same note, under the redemption option program, 48% were willing to continue as compared to 52%, (36% + 16%) of those who were not or not sure to continue. The figures of those that will continue with service provider despite the withdrawal of both programs, as indicated- 52% and 48%, respectively.

4.2 Customer perception towards the loyalty programs

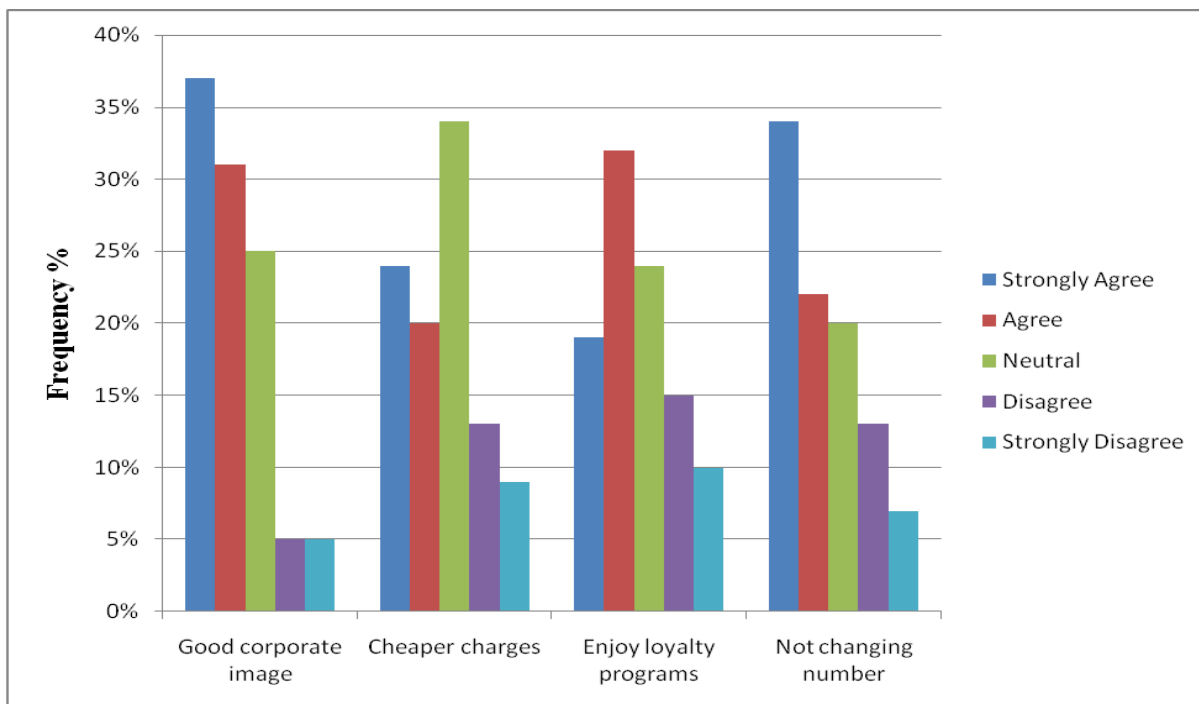### 4.2.1 Rating the reasons for using service provider

Figure 4.2: Reasons for using service provider

Figure 4.2 above, highlights some of the major reasons that customers postulated on why they were using a particular service provider. These included, the service provider's good corporate image, cheap charges, enjoy loyalty programs and not willing to change mobile number.

From Figure 4.2, under corporate image the highest frequency percentage of 37% were those who strongly agreed that their main reason for using the service provider was due to the company's good corporate image. Close to those who strongly agreed were 31% respondents who agreed, followed by 25% of those who were neutral. However lowest frequency percentages were simultaneously recorded as 10%, being those who either disagreed or strongly disagreed. The results depicted that a good number of respondents of 68%, that is (37% +31%) had a positive perception towards their service provider corporate image.

Under cheaper charges the highest frequency percentage of 34% indicated respondents who were neutral about the aspect of charges. 24% and 20% respectively indicated those who either strongly agreed or agreed that they were using service provider because of cheaper charges. The lowest frequencies of 13% and 9% were recorded for those respondents who either disagreed or strongly disagreed, respectively. The varying frequencies show that, most respondents (34%) were neutral, meaning they were neither agreeing nor disagreeing that they were using the service provider because of their cheap charges. The majority of respondents, 44%, that is (24%+20%) were at least positive about using service provider because of cheaper charges.

On the reason whether the respondents were using service provider because they enjoyed the loyalty programs, a highest frequency of 32% agreed, followed by 24% who were neutral. 19% strongly agreed that they enjoyed the loyalty programs. 15% and 10% either disagreed or strongly disagreed, respectively. Thus 51%, (32%+19%) were

positive about the fact of using service provider because they enjoyed the loyalty programs.

Lastly, Figure 4.2 presents frequencies for the reason of not willing to change mobile number. The highest percentage figure of 34% recorded represented those who strongly agreed that they were using service provide because they do not want to change their mobile number. 22% of the respondents agreed on same. Respondents highlighted that they were not willing to change their networks as they were afraid to loose their contacts. 20% were therefore neutral as compared to 13% and 7% of those who either disagreed or strongly disagreed. Comparing the figures, a total of 56%, that is (34%+22%) were positive about the fact of not willing to change as compared to only 20% who were negative of that fact.

Overall, the results depicts that a highest percentage of 68% was recorded on those that were positive about the corporate image of service provider as compared to only 10% who were negative about same. Another high percentage of 56% were those who were positive about not willing to change their mobile numbers, as compared to 22% who were negative. Closer to 56% was, 51% representing those who were positive for the fact that they enjoyed the loyalty programs, versus 25% who were negative. The lowest percentage was 44% representing those who were positive about the cheaper charges as compared to 20% who were negative about the same fact. Thus corporate image was the main reason for using service provider, followed by unwillingness to change number, then loyalty programs and lastly cheap charges.

4.3 Customer satisfaction with the loyalty program rewards

The research question sought to evaluate how satisfied the customers were with loyalty program rewards. The question

also intended to address the aspect of customer perceived value towards the rewards. . The value dimensions vary from the monetary value, social value, emotional value and many others. Figure 4.5 below shows the results from the survey.
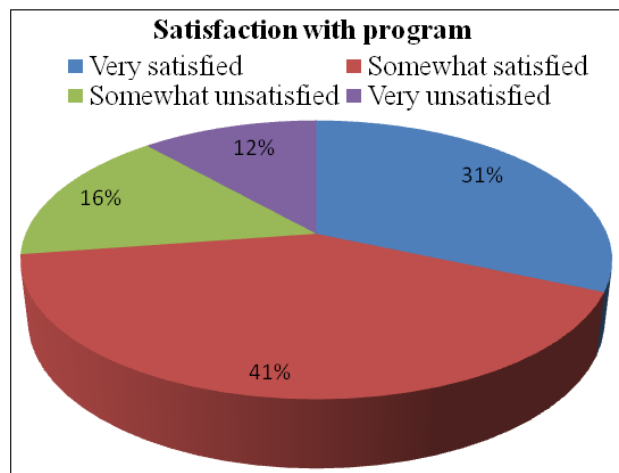

Figure 4.3: Satisfaction with loyalty program rewards

The results in Figure 4.3 above, shows that the highest frequency was 41% being those respondents who were somewhat satisfied with the loyalty program rewards. These were followed by 31% who were very satisfied. Lastly, Figure 4.3 above indicates that 16% and 12% represented respondents who were either somewhat unsatisfied or very unsatisfied. Comparing the figures, 41% indicated that there is still more that customers are expecting from the loyalty programs, hence they were somewhat satisfied. Though 31% indicated that they were very satisfied it was not a good enough figure to conclude that respondents are very satisfied as compared to 28%, (16%+12%) being those who were on the negative side, that is either somewhat unsatisfied or very unsatisfied.

5. Conclusions and Recommendations

The aim of the research was to evaluate the effect of loyalty programs on customer behavior in the Mobile Telecommunications Industry in Botswana. The study revealed that not all customers are familiar with the loyalty programs being employed by mobile network operators (MNOs) in Botswana. It has been an ongoing assumption by MNOs that all customers are familiar with the loyalty programs. As an observation made, MNOs use other promotional tools and incentives that tend to overshadow the loyalty programs, putting customers in a dilemma - not knowing the difference between a promotional incentive and a loyalty program. According to the research data, 30% of respondents indicated either not or not sure about their familiarity with programs. This is a sign that customers do not know, though the MNOs have been judging on the hypothesis that everyone knows. Generally customer level of participation in loyalty programs is low regardless of their familiarity with the programs. For example be mobile recorded lowest frequencies of 11% for its redemption option loyalty program and 20% on the economic reward type. Same applied to Orange that recorded low frequencies such as 31% and 27%, respectively. Mascom was at least showing better participation especially in its redemption

program, where it had 62% respondents participating. However some respondents indicated that they even participate in some loyalty programs unwary. Research study shows that most customers across the networks prefer the economic rewards program. Mascom was the only network that recorded a higher percentage on the redemption option type. Customers indicated that they preferred more immediate rewards than delayed ones. Comparing the statistics accordingly: with Economic reward, Mascom was 49% against 62% for redemption option; Orange on economic was 31% against 27% for redemption and be Mobile, economic was 20% against 11% for redemption. The major reasons for preferring the economic reward were that some customers wanted to avoid disappointments. These respondents highlighted that previously, they had failed to retrieve rewards though the points mainly because service provider had increased the value of points and also the respondent had forgotten to redeem the points and they were forfeited.

Most customers perceive company corporate image to have the highest value as compared to loyalty programs. This was shown by 68% respondents who were positive about the corporate image, 56% did not want to change their mobile numbers and 51% were positive about the loyalty programs. A few customers are satisfied with the loyalty programs. According to research findings only 31% indicated that they are very satisfied with the loyalty programs, whilst 41% are somewhat satisfied. However 28% indicated that they are very unsatisfied and somewhat unsatisfied, respectively. This shows that the rewards are not interesting enough to motivate positive customer behavior. Thus customers are still expecting more from the loyalty program rewards. MNOs are offering non-customized loyalty programs. MNOs are bracketing customers under the same rewarding system, despite their varying value dimensions. MNOs assume that every loyalty program launched in the market is the best for everyone. They are not taking take time to research on customer varying perceptions towards the program rewards. Survey findings indicated that about 65% of customers have once received a reward benefit of airtime, as compared to 8% and 1% that have received either a cell phone handset or laptop, respectively. Already it is a sign of inequity, as value dimensions vary from customer to customer.

Researchers recommended that MNOs should differentiate loyalty programs from other promotional tools and incentives and make them stand out. As an observation, customers are not familiar with the loyalty programs because there are too many promotional activities, service add-ons, too much this and that, which customers have lost count of. Thus there is need to effectively communicate and distinguish the loyalty programs. Behavior of a well-informed customer is better to manage than an uninformed one. It was also recommended that MNOs must redefine or revisit loyalty program objectives. As confirmed by some researchers, loyalty programs have become the subject matter in businesses, even the „me too‟s‟ are talking loyalty programs. Some MNOs have not clearly defined their program objectives. They are either implementing programs with either competitor or customer in mind. The reasons could be, they either want to obstruct or counterfeit the

actions of a competitor. In the process customers are neglected. Thus the loyalty programs are failing to completely benefit the customers. Survey findings indicated that some respondents were not switching to other service providers not because of the loyalty programs but rather other factors, such as the company corporate image and unwillingness to change their mobile numbers. Also in order to improve customer participation, MNOs should have new exciting and inspiring loyalty programs rewards; MNOs should consider partnerships with other companies to offer the rewards. The rewards can either be telecoms or non-telecoms rewards. For example the MNOs may partner with a company that manufacturers telecommunications accessecories such as Nokia or Samsung. Or other non-telecoms companies such as hotels, that will award a holiday reward to customers. Thus rewards will be awarded through such companies. In short, MNOs should improve and differentiate loyalty program rewards. The research findings indicated that the most common reward was airtime, as confirmed by 65% customers, against 8% and 1% of those that had once received cell phone handsets and laptops, respectively. MNOs should therefore avoid gluing on one reward (airtime), especially considering that the two types of loyalty programs, the economic reward and the redemption option are different. The loyalty programs should create an excitement that will stimulate the varying customer behaviors. For example, a Thus MNOs should desist from putting all customers in one bucket as it causes unnecessary pressure on both the organization and customer. Lastly MNOs in Botswana should consider trying out other types of loyalty programs that offer differentiated rewards. The Privileges type is one type of loyalty programs that the MNOs might consider. With the Privilidges, customers instead of receiving airtime rewards, they can have special treatment packages, such as personalized communications, rewards and promotions.

6. Area for Further research

Researcher recommends more researches to be carried out on the subject of evaluating the effect of loyalty programs on customer behavior with particular focus on using the observation method of research. The observation method will allow the customer behavioral changes to be watched and monitored during the implementation and eventually on withdrawal of loyalty program over a specified period of time.

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