ABSTRACT

Regulatory, structural and technological factors have significantly changed the credit card environment throughout the world during the past two decades. Increased competition in the credit cards market and the arrival of non-traditional credit card providers like retailers and airlines has not made the situation any easier for banks, who are the main players. This has resulted in a decrease in customer loyalty and higher customer churn. The retention of customers has become the ultimate determinant of the survival of any organisation and each company has to continuously improve its service offerings to ensure that it can retain its customers. It is critical that organisations understand and completely satisfy their customers' needs in order to retain them.

The purpose of this research was to explore the challenges that the South African credit card organisations face in their attempts to retain customers. More importantly, this study explored the challenges that are distinctive to South African credit card issuers, as perceived by the banks. In-depth, semi-structured interviews were used to obtain the views of customer retention analysts and practitioners, credit card associations (VISA and MasterCard), senior managers and executives involved in the credit card environment.

The main findings were that the credit card organisations would not be able to retain customers unless they provided a consistent quality of service and continually attempted to satisfy their customers' needs. The loyalty programmes that were in place generally didn't help to retain customers even though customers complained in instances where there was none. The competition in the South African credit card market was found to be not strong enough to result in a huge exodus of customers from one company to another. The high turnover of frontline employees was found to have a very negative impact on customer retention rates.

This report will assist credit card managers and executives that are involved in customer retention activities to appreciate the challenges that arise when implementing different customer retention strategies. With that insight, they will be in a better position to either refine their strategies or find other ways of mitigating these challenges.