

**Loyalty Programmes as Predictors of Customer Satisfaction, Loyalty and  
Advocacy in Retail Banking**

Jabulile Mogale

Student number: 18361758

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## **Abstract**

### **Introduction**

Loyalty programmes have become significantly popular in retail industries globally and studies show that companies are spending billions of rands annually on these programmes. Despite their popularity, their effectiveness remains a widely debated topic and there is also no consensus on the design elements that differentiate successful loyalty programmes from unsuccessful ones.

### **Purpose**

This study's purpose is to determine whether loyalty programme satisfaction predicts overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty and customer advocacy, in the retail banking sector in South Africa, as well as to determine whether two loyalty programme design elements, loyalty programme structure and reward type, are predictors of loyalty programme satisfaction.

### **Research Methodology**

The study followed a descripto-explanatory research approach, where data was collected through electronic surveys. 420 of the survey responses were deemed valid for use and regression and ANOVA analysis techniques were used to test the hypotheses.

### **Findings**

The study found that the relationship between loyalty programme structure and reward type, and loyalty programme satisfaction to not be significant. However, the relationships between loyalty programme satisfaction and customer satisfaction, customer satisfaction and customer loyalty, as well as customer satisfaction and customer advocacy, were found to be significant.

**Keywords**

Loyalty Programmes, Customer Satisfaction, Customer Loyalty, Customer Advocacy, Relationship Marketing Theory, Social Exchange Theory

**Declaration**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Jabulile Mogale

11 November 2019

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## **CHAPTER 1**

### **1. Introduction to the Research Problem**

#### **1.1 Introduction**

Loyalty programmes have become significantly popular in retail industries globally and studies show that companies are spending billions of rands annually on these programmes (Steinhoff & Palmatier, 2016; Bazargan, Karray & Zolfaghari, 2017; Chaabane & Pez, 2017). Despite their popularity and the existing body of literature on loyalty programmes, their effectiveness in driving customer satisfaction and customer loyalty remains a widely debated topic (Yang, Yu & Bruwer, 2018; Kang, Alejandro & Groza, 2015; Lin & Bennett, 2014), with divergent academic views and contradictory research results (Lin & Bennett, 2014). Given that customer satisfaction and customer loyalty are issues that continue to have a heightened importance in most industries (Amin, 2016), there is still an academic and business need to explore the relationships that exist between loyalty programmes, customer satisfaction and customer loyalty. Furthermore, within the existing academic literature, there is also no consensus on what loyalty programme design elements differentiate successful loyalty programmes from the unsuccessful ones (Steinhoff & Palmatier, 2016), thus further necessitating research into loyalty programmes.

Although existing academic research on loyalty programmes has explored the impact of loyalty programmes on customer satisfaction and customer loyalty, few studies have taken this relationship further by examining the customer citizenship behaviour outcomes that arise as a result of loyalty programmes, specifically customer advocacy (Lien, Wu, Hsu & Wang, 2018). Given the growing importance of customer advocacy (or word of mouth) on business performance (Rozek & Karlicek, 2014), this study seeks to explore the impact that loyalty programmes have on customer advocacy and contribute to that gap in theory.

##### **1.1.1 The South African Banking Industry**

South Africa's banking sector is said to be well established and well governed and is said to parallel well with other global financial sectors. There are 17 registered banks, with five of the banks dominating the majority of the market, namely Standard Bank, ABSA, FirstRand, Nedbank and Capitec (Van Tonder & Petzer, 2018). The first four banks are commonly referred to as the 'big four'.

The sector is not only developed and sophisticated, but also very competitive (Petzer, De Meyer-Heydenrych & Svensson, 2017), compelling the banks to compete for main-bank customer relationships, as South African customers are increasingly becoming multi-banked and less brand loyal, due to a lack of differentiation across the banking sector (Consulta, n.d.). The battle for main-bank customer relationships is thus ultimately the battle for the largest share of the customer's wallet. The sector can overall be described as dynamic in nature and informed by competitive pressures, a high rate of regulatory changes, continuous changes in customer expectations and other macro environmental factors (Alhassan & Biekpe, 2016).

The emergence of new market entrants has created challenges for the 'big four' banks in the sector, with Capitec Bank being the most significant entrant to have entered the sector in the last two decades (Makhaya & Nhundu, 2015). Having been established in 2001, it now boasts a market capitalisation of R60-billion (Sharenet, 2019) and 11.4 million customers (Business Live, 2019). Other key market entrants include Discovery Bank, which has pioneered a new customer-centric business model referred to as behavioural banking; Tyme Bank, which is pursuing a low-cost branch-less business model; as well as Bank Zero, which is following a similar low-cost model (Ernest & Young, 2019). Furthermore, there has also been a surge in the entrance of Financial Technology (FinTech) companies, which have disrupted the financial services sector by using Information Technology (IT) applications to dramatically enhance the quality of some of the industry's financial services (Gai, Qiu & Sun, 2018).

Furthermore, operating in a country with one of the highest rates of inequality in the world, with a Gini coefficient of 0.63 (World Bank, 2019), where a significant portion of the population is excluded from financial services, the sector also faces the challenge of having to create financial solutions that are suitable for the unbanked or under-served segments of the population (Mail & Guardian, 2017). For example, studies show that most South Africans in lower LSMs (Living Standards Measures) are currently not participating in and benefitting from loyalty programmes (Corbishley, 2017).

## **1.2 Background to Research Problem**

### **1.2.1 Loyalty Programmes**

The advocates of loyalty programmes claim that there is a relationship between loyalty programmes and customer satisfaction (Zakaria, Rahman, Othman, Yunus, Dzulkpli & Osman, 2014; Stathopoulou & Balabanis, 2016), customer loyalty (Zakaria et al., 2014; Noble, Esmark & Noble, 2014; Kang et al., 2015; Vilches-Montero, Pandit, Bravo-Olavarria & Chao, 2018), as well as favourable reciprocal customer behaviours (Lee, Capella, Taylor & Gabler, 2014; Esmark, Noble & Bell, 2016; Steinhoff & Palmatier, 2016).

Opposers, however, dispute the effectiveness of these programmes and argue that loyalty programmes are only slightly effective or even wholly ineffective (East, Singh, Wright & Vanhuele, 2017), that they do not result in the growth of brands (Sharp, 2010; Romaniuk & Sharp, 2016), that they are only effective in the short term (Shugan, 2005) and that their increased popularity is merely driven by hype (Liu, 2007).

There is also no academic consensus on what loyalty programme design elements differentiate the successful loyalty programmes from the unsuccessful ones. Some studies argue that the structure of loyalty programmes is what results in their effectiveness (Eggert, Steinhoff & Garnefeld, 2015; Steinhoff & Palmatier, 2016; Yang et al., 2018; Dreze & Nunes, 2011; Dreze & Nunes, 2009; Dreze & Nunes, 2006); while other studies suggest that the type of rewards that are offered by the loyalty programme drive loyalty programme effectiveness (Noble et al., 2014; Bazargan et al., 2017; Dreze & Nunes, 2006). The academic views on loyalty programmes overall, remain widely divergent.

#### **1.2.1.1 Loyalty Programmes in the South African Banking Industry**

A business research study conducted by Truth (a customer relationship management organisation in South Africa) found that 75% of economically active retail consumers in South Africa use loyalty programmes (Truth, 2018). The report shows that First National Bank's (FNB, a division of FirstRand Bank) loyalty programme (eBucks) is the most used retail banking loyalty programme in South Africa (see Figure 1), with 36% of the respondents in the study confirming use of eBucks; while ABSA, Standard

Bank and Nedbank had 15%, 14% and 8% usage, respectively. Interestingly, Capitec Bank does not offer a loyalty programme (Truth, 2018).

The study also found that the level of a loyalty programme's reward redemption is a strong indicator of customer entrenchment and retention, and that there is a considerably strong relationship between loyalty programme reward redemption and customers' satisfaction with the loyalty programme. The study posits that the benefits of a high loyalty programme reward redemption rate is customer retention and increased sales and that the true measure of loyalty is whether or not the organisation's customers have become unofficial brand ambassadors of the organisation and its product and services, through positive recommendations (customer advocacy) to other customers (Truth, 2018).

Another business study by Consulta (a consulting firm that conducts market research on customer experience and customer satisfaction) found FNB's loyalty programme to be the market leader in achieving customer satisfaction (Consulta, n.d.). Similarly, a Business Tech (2019) report showed that FNB's loyalty programme has the highest net promoter score in the industry, which is a metric that measures the likelihood that customers would recommend the relevant product or service (customer advocacy) to their social networks (Business Tech, 2019).

Interestingly, of the 'big four' banks, FNB is said to be the fastest growing bank in South Africa (Romaniuk & Sharp, 2016) and given the relative success of its loyalty programme, it would be of value to ascertain whether there is a relationship between their loyalty programme and other factors that drive business success, such as customer satisfaction, customer loyalty and customer advocacy. This would be important knowledge for the other retail banks as well as the retail industry as a whole.

### **1.2.2 Customer Satisfaction**

Customer satisfaction is said to be one of the most vital concepts in the field of marketing, both in practice as well as in academia, as is it is one of the key drivers of customer loyalty, customer advocacy and repeat purchases (Marinkovic & Kalinic, 2017). Thus, it is of importance that companies have a sound understanding of the

factors that influence customer satisfaction, so that they can be more deliberate in developing business strategies to drive it.

### **1.2.3 Customer Loyalty**

Customer loyalty is becoming increasingly challenging for businesses to achieve, given the plethora of options that modern day customers have at their disposal. Studies have shown that there are numerous factors that drive customer loyalty, there are studies that have found customer satisfaction to be a reliable predictor of customer loyalty (Saleem & Raja, 2014; Liat, Mansori & Huei, 2014; Hapsari, Clemes & Dean, 2017; Mostert, Petzer & Weideman, 2016; Pappas, Pateli, Giannakos & Chrissikopoulos, 2014), while other studies have found quality of service, perceived value and value co-creation to be stronger predictors (Cossío-Silva, Revilla-Camacho, Vega-Vázquez & Palacios-Florencio, 2016). There are studies that have found that loyalty programmes have an impact on customer loyalty (Zakaria et al., 2014; Noble et al., 2014; Kang et al., 2015; Vilches-Montero, Pandit, Bravo-Olavarria & Chao, 2018), while other studies argue that loyalty programmes are ineffective in driving customer loyalty (East et al., 2017). Given the significant impact of customer loyalty on profits (Cossío-Silva et al., 2016; Yeh, 2015) and overall business success, this study thus aims to explore the relationship between loyalty programmes and customer loyalty.

### **1.2.4 Customer Advocacy**

Literature reveals three main constructs that underpin the concept of customer citizenship behaviour; namely customer advocacy, customer feedback and helping behaviour (Kim & Choi, 2016; Balaji, 2014). There is a growing importance of customer advocacy (or word of mouth) on business performance, particularly given the context of the constantly increasing strength of internet and social media usage, and its enablement of consumers to easily share their experiences of products or services (Rozek & Karlicek, 2014). In addition, customer advocacy has been shown to positively increase a company's profits at very little or no cost to the company (Van Tonder & Petzer, 2018; Barreto, 2014; Eisingerich, Auh & Merlo, 2014) and is said to generate more sales than other marketing streams (Rozek & Karlicek, 2014). Studies further show that customer advocacy is a more trusted form of information for customers than information that comes directly from companies, and that it results

in stronger purchase intentions (Lien et al., 2018; Berger, 2014), making it a crucial driver for business success.

There are clearly certain factors that motivate customers to proactively serve as promoters or advocates on behalf of companies. However, despite the value of customer advocacy, businesses generally battle to develop effective strategies for driving the advocacy (Abubakar & Mavondo, 2014). This study seeks to investigate some of those factors, in particular, as they relate to loyalty programmes. The implementation of effective customer advocacy programmes, particularly in the retail sector, can contribute to businesses remaining competitive as well as gaining market leadership (Abid & Ali, 2014). Furthermore, there has been limited academic research on the factors that motivate customers to voluntarily advocate for companies. Understanding these motivators would assist companies in predicting and driving customer behaviours (Choi & Lotz, 2016).

### **1.3 Research Problem**

Though there is existing academic research on the role of loyalty programmes in driving customer satisfaction, customer loyalty and other business success factors, there is still no consensus on whether or not loyalty programmes are effective in driving these factors, both in academia and in practice. In addition, there is also no consensus on what design elements result in successful loyalty programmes. Understanding both the drivers and success factors of effective loyalty programmes is important, given their current prevalence in retail sectors, as well as the significant company financial spend that goes into these programmes. Furthermore, though some studies have found a link between loyalty programmes and customer advocacy, the role of loyalty programmes in driving customer advocacy has not yet been extensively explored, both in academia and in business. The growing importance of customer advocacy in driving business success necessitates further exploration of this relationship.

### **1.4 Purpose of Research**

The purpose of this study is to determine whether loyalty programme satisfaction predicts overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty and customer advocacy, in the retail banking sector in South Africa, as well as to determine whether two loyalty programme design

elements, loyalty programme structure and loyalty programme reward type, are predictors of loyalty programme satisfaction.

The above purpose can be broken down into the below research objectives:

- 1a. To determine whether a loyalty programme's structure predicts the customer's satisfaction with their loyalty programme.
- 1b. To determine whether a loyalty programme's reward type predicts the customer's satisfaction with their loyalty programme.
2. To determine whether a customer's satisfaction with their loyalty programme is a predictor of the customer's overall satisfaction with their bank.
3. To determine whether a customer's satisfaction with their bank is a predictor of the customer's loyalty to their bank.
4. To determine whether a customer's satisfaction with their bank is a predictor of the customer's advocacy for their bank.

### **1.5 Scope of Research**

Though loyalty programmes are prevalent across most retail sectors, the focus of this study will be on the South African retail banking sector. Furthermore, only adult retail banking customers that utilise their bank's loyalty programme are studied in this study.

### **1.6 Relevance and Motivation for Research**

This study firstly seeks to contribute to the debate on loyalty programme effectiveness. Studies show that loyalty programme use in retail sectors continues to strengthen, at a significant cost to companies and despite this increased popularity, academics have not yet reached a consensus on the business outcomes of loyalty programmes as well as the elements that make some loyalty programmes more successful than others. Furthermore, from a South African context, there is limited academic research relating to the drivers and outcomes of successful loyalty programmes.

Secondly, customer satisfaction and customer loyalty are business subjects that continue to dominate marketing strategies in most industries, due to their impact on both short-term and long-term business success. Given that the academic and business views on the relationship between loyalty programmes and customer



satisfaction as well as customer loyalty are still divergent, this study seeks to contribute to that discussion.

Thirdly, though there are studies that have shown links between loyalty programmes and customer advocacy, this field of academic research is still in an infancy phase. There is also evidence that businesses have challenges with developing effective strategies for driving customer advocacy. Given the growing importance of customer advocacy, driven by increased internet usage, and the potential impact of customer advocacy on business profits, this study seeks to explore customer advocacy as it relates to loyalty programmes.

### **1.7 Structure of the Research Report**

This research report consists of seven chapters. Chapter 1 introduced the research problem, stipulated the research objectives and articulated the purpose and relevance of the study. A summary of the six chapters that follow is provided below.

#### **Chapter 2:**

Chapter 2 presents the academic literature arguments and theories that form the foundation of this study's research problem.

#### **Chapter 3:**

Chapter 3 provides the research hypotheses of the study, which are derived from the review of academic literature in Chapter 2. The study's conceptual model is also presented here.

#### **Chapter 4:**

Chapter 4 explains the research methodology and design of the study, describes the research approach that was followed and provides reasoning for the study's methodological choices.

#### **Chapter 5:**

Chapter 5 presents the study's research results, broken up into the demographic profile of the respondents, the descriptive statistics of the variables, the quality assurance analyses, as well as the hypothesis tests.

**Chapter 6:**

Chapter 6 discusses the study's research findings per hypothesis and compares these findings to the findings of prior research studies, as presented in chapter 2.

**Chapter 7:**

Chapter 7 summarises the key findings of the study, stipulates what the academic and business implications of these findings are, provides recommendations for retail banking managers in light of the study's findings, and tables the study's limitations as well as the suggestions for future research.

## **CHAPTER 2**

### **2. Literature Review**

#### **2.1 Introduction**

This chapter presents the academic literature arguments and theories that form the foundation of the research problem described in Chapter 1. The chapter focuses on academic literature that is relevant to the study's key research themes, namely loyalty programme structure and loyalty programme reward type as drivers of loyalty programme effectiveness (measured through loyalty programme satisfaction) and the relationships between loyalty programmes and customer satisfaction, customer loyalty as well as customer advocacy.

#### **2.2 Loyalty Programmes**

The subject of loyalty programmes is said to be grounded in the relationship marketing theory, which is a theory that describes an umbrella of marketing strategies that are intended to formulate methods of creating long-term bonds with customers, with an ultimate goal of creating customer loyalty (Beck, Chapman & Palmatier, 2015). This study's key constructs are embedded in the relationship marketing theory as well as the social exchange theory, which will be expanded on in a latter part of this Chapter.

Loyalty reward programmes can loosely be defined as incentive schemes that are offered by companies, that have been designed to influence the consumption behaviours of consumers (Steinhoff & Palmatier, 2016).

Consumers tend to engage in loyalty programmes so as to receive economic benefits such as cash rewards, cash discounts, as well as free goods or services (Kang et al., 2015), to access exclusive social benefits such as preferential treatment (Noble et al., 2014) and for affiliation and rapport (Kang et al., 2015); whereas companies offer loyalty reward programmes as a means for driving the retention of customers and for encouraging repeat purchases, with the aim of increasing revenues (Kang et al., 2015) and also because the costs of retaining a company's existing customers are significantly lower than that of acquiring new customers (Lin & Bennett, 2014).

Furthermore, some studies posit that over and above a company's core products and services, companies need to provide customers with additional relational benefits,

so as to encourage loyalty. These are benefits that arise from a long-term relationship with the company, such as discounts, product or service customisations, time-saving or convenience, special treatment and other additional products and services (Lien et al., 2018; Yang et al., 2018). The researchers suggest that customers have come to expect these benefits (Lien et al., 2018; Yang et al., 2018) and that loyalty programmes can be regarded as such relational benefits (Yang et al., 2018).

### **2.2.1 Loyalty Programme Effectiveness**

The advocates of loyalty programmes claim that the relationship between loyalty programmes, overall customer satisfaction and overall customer loyalty is a materially favourable relationship (Zakaria et al., 2014), that loyalty programmes create emotional social connections for consumers, resulting in a customer loyalty that is driven by the desire to maintain the social bonds (Noble et al., 2014), that loyalty programmes indirectly generate overall customer loyalty due to the loyalty that consumers have to the loyalty programme itself (Kang et al., 2015), and that the consumers' satisfaction with a company's loyalty programme can result in an attachment and loyalty to the company (Vilches-Montero et al., 2018). Vilches-Montero et al. further add that a customer's favourable attitude towards a loyalty programme could be a larger driver of loyalty than the attitude that the customer has towards the company itself, while Stathopoulou and Balabanis (2016) assert that, as far as loyalty programme effectiveness is concerned, a significant driver of loyalty is the customer's satisfaction with the loyalty programme.

Zakaria et al. (2014) posit that loyalty programme effectiveness is measured through the customer satisfaction levels that are accomplished by the programme and that there exists a positive significant relationship between loyalty programmes and customer satisfaction, where customers who participate in the loyalty programmes offered by companies have higher levels of customer satisfaction than those who do not.

While, Lee et al. (2014) argue that, loyalty programmes can be used as mechanisms for building customers' trust and for showing customers that the relationship that they have with the company is mutually beneficial. According to the principles of social exchange theory (SET), customers are likely to respond favourably towards companies that grant loyalty programme rewards. Similarly, Esmark et al. (2016)

posit that loyalty programmes result in a customer gratitude that triggers a need for reciprocity within the customer, which leads to customers feeling that they should remain loyal to the organisation as a form of returning the generosity from the organisation. This reciprocity view is also supported by Steinhoff and Palmatier (2016), who posit that rewards from companies result in customer gratitude, which results in a need for the customers to behave reciprocally. While Deepa and Chitramani (2014) posit that there is a positive relationship between loyalty programme satisfaction and overall store satisfaction.

Critics of loyalty programmes suggest that these programmes are only moderately effective or even completely ineffective (Lin & Bennett, 2014; East et al., 2017) and that in some sectors these programmes have merely increased the cost of doing business for all companies with no effect on loyalty (East et al., 2017). Sharp (2010) posits that the loyalty effects provided by loyalty programmes are very minimal and that these programmes do not result in growth of the relevant brand, because loyalty programmes do not effectively win over consumers who are not current buyers of the brand. Romaniuk and Sharp (2016) assert that increasing market presence is the most effective way to grow a brand and that strategies which target loyalty without concurrently targeting increased market penetration are likely to fail. Shugan (2005) argues that many loyalty reward programmes have short-term effects and do not seem to cultivate long-term customer brand loyalty, while Liu (2007) describes the rapid growth in loyalty reward programmes as a hype or a 'me-too scheme'.

### **2.2.2 Loyalty Programme Structure**

According to seminal work by Drezè and Nunes (2006), certain loyalty programme structures result in more effective loyalty programmes than others.

For example, loyalty programmes that accrue over time, such that the customer is required to have accumulated a certain amount of points before being able to redeem anything of value, make it harder for the customer to switch to another provider. This is due to the fear of losing rewards that have already been accumulated and having to start all over again, thus creating barriers to exit for the customer, in cases where the customer typically uses one vendor (Drezè & Nunes, 2006).

Another example would be loyalty programmes that have a convex reward structure. A convex structure is one where higher levels of expenditure result in proportionately higher rewards for the customer. These programmes encourage the customer to steer their consumption towards one supplier, thus encouraging the consolidation of purchases and the winning of a greater share of wallet in situations where the customer would typically consume small amounts from different suppliers (as is generally the case with groceries, air travel as well as credit) (Drezè & Nunes, 2006).

Drezè and Nunes further posit that tiered loyalty programmes (those with hierarchies) develop higher satisfaction among customers than those with no tiers (Drezè & Nunes, 2009). As such, multi-tiered programmes (for example programmes with a bronze, silver and gold status) where the higher tiers result in better rewards, prompt customers to consume more than they otherwise would have consumed, as the customer usually needs to maintain a certain level of consumption to stay in a particular tier. Borderline customers on the verge of achieving the next status level or those who are on the verge of dropping to a lower status level are prompted to consume more (Drezè & Nunes, 2006).

Other studies add to this hierarchy view, stating that – based on the social identity theory – having an advantageous status in comparison to others is a fundamental human concern (Eggert et al., 2015; Steinhoff & Palmatier, 2016). Companies exploit this human concern by offering loyalty programmes with hierarchies, where customers who are awarded an elevated status on the programme tend to have an appreciation for their status (in line with the social identity theory), resulting in increased loyalty and other relational outcomes that are of benefit to the company, such as customer feedback (Eggert et al., 2015; Steinhoff & Palmatier, 2016).

However, Steinhoff and Palmatier (2016) contrarily posit that the disadvantage of hierarchical loyalty programmes is that they may adversely impact customer loyalty, for example, the down-grading of a customer's status due to reduced spending may result in a reduction in loyalty. Similarly, Kang et al. (2015) assert that customer loyalty is unfavourably impacted when a customer's loyalty programme member status has been demoted.

In another study, Drezè and Nunes assert that programmes that are designed in such a way that effort is required from the consumer to achieve the reward stimulate repeat purchases. Once the consumer has successfully claimed their first reward, they are driven to obtain the reward again (Drezè & Nunes, 2011).

McCall and Voorhees (2010) add to the structure argument by positing that there are seven characteristics of an effective loyalty reward programme and these characteristics are said to be influenced by three key drivers. These drivers include the way in which the loyalty programme is structured, the way in which the rewards are structured, as well as customer dynamics (see Figure 2).

### **2.2.3 Loyalty Programme Reward Type**

Different academic studies classify loyalty programme rewards in different ways. Loyalty programme rewards can be categorised as tangible (such as cash, hotel accommodation, discounts and vouchers) or intangible (such as access to special events and preferential treatment) (Meyer-Waarden, 2015); functional (for example, household appliances and furniture) or hedonic (for example video games and theme park admission) (Drezè & Nunes, 2006); social (those that enhance intrinsic motivation, such as personalised attention or preferential treatment) or economic (such as cash or free goods and services) (Noble et al., 2014); as well as monetary and non-monetary (Bazargan et al., 2017). These studies posit that there is consequence in the type of rewards that consumers receive from their loyalty programmes and that some reward types are more effective in driving customer loyalty than others (Drezè & Nunes, 2006; Meyer-Waarden, 2015; Noble et al., 2014; Bazargan et al., 2017).

According to a study by Mimouni-Chaabane and Volle (2010), varying types of loyalty programme rewards have a varying impact on the levels of satisfaction derived by customers. The authors posit that rewards that are monetary in nature have the most significant impact on loyalty programme satisfaction. Similarly, Balci, Caliskan, and Yuen (2019), posit that relationship marketing strategies that are financial in nature, such as product discounts and other price incentives, have a larger impact on customer satisfaction than strategies that are not of a financial nature.

Drezè and Nunes (2006) posit that consumers generally prefer to receive rewards that they are able to derive pleasure from (hedonic rewards), more than those that are of a functional nature. The authors suggest that the business benefit of providing hedonic rewards is that the customer begins to associate the organisation's brand with sentiments of pleasure (Drezè & Nunes, 2006). While Noble et al. (2014) posit that social rewards tend to make a customer feel good and that, compared to economic rewards, they create more of an emotional connection and commitment between the customer and the business, resulting in stronger customer loyalty. Meyer-Waarden (2015) argues that consumers prefer tangible rewards to intangible ones and that tangible rewards are more effective in driving loyalty intentions.

While Bazargan et al. (2017) posit that, customers have separate 'mental accounts' that they use to bucket loyalty points versus cash rewards. This view is founded on the mental accounting theory and it states that the utility which is experienced by customers when receiving loyalty points is different to that which is experienced when receiving cash rewards. In the same way, the disutility which is experienced by customers when making payments is different when using loyalty points, compared to when using cash rewards.

In addition, Xiong, King and Hu (2014) argue that the flexibility to use loyalty points across multiple service providers and the ability to generate those points in multiple ways has also shown to be a significant determinant of loyalty programme effectiveness and customer loyalty. However, Yang et al. (2018) argue that the challenge with reward structures is that a particular reward structure that may be attractive to one group of customers may not be as appealing to another group, thus acting as a deterrent for customers who are not attracted to that particular reward structure. This is in line with the study by Mimouni-Chaabane and Volle (2010), who posit that companies should aim for variety in designing their reward types as customers do not have the same intrinsic motivators.

### **2.3 Customer Satisfaction**

Research explains customer satisfaction as an after-consumption comparison of the expectations that the customer had for a product or service and their actual experience of that product or service, where if the customer's expectations are exceeded by the product or service, satisfaction is accomplished, while



dissatisfaction occurs where there is a failure to meet the customer's expectations (Zhou, Ye, Pearce & Wu, 2014). Similar to this view, Mostert et al. (2016) state that customer satisfaction can be explained under the expectancy disconfirmation theory, which states that satisfaction or dissatisfaction is represented by the gap between the expectations of customers and the perceived performance of the service provider or product. When the performance of the service provider or product meets the customers' expectations, satisfaction occurs; when expectations are exceeded, delight occurs; and when the performance does not meet the expectations of the customer, dissatisfaction occurs. The larger the discrepancy between the customer's expectations and perceived performance, the greater the satisfaction or dissatisfaction (Mostert et al., 2016).

There are various academic views on what the drivers of customer satisfaction are. Koenig-Lewis and Palmer (2014) posit that there is a relationship between the emotions that are evoked from the experience that a customer has with a product or service and their level of satisfaction. The authors posit that positive emotions evoked by the customer's experience have an impact on the customer's behavioural intentions but not on satisfaction, whereas negative emotions are said to directly impact customer satisfaction. This means that there is a stronger relationship between negative emotions and customer satisfaction than there is between positive emotions and customer satisfaction (Koenig-Lewis & Palmer, 2014). Whereas Abubakar and Mavondo (2014) posit that the emotions from the experience that a customer has with a product or service are a major predictor of customer satisfaction and that customer happiness, in particular, is a strong predictor of customer satisfaction.

Marinkovic and Kalinic (2017) found, in an m-commerce study, that usefulness and enjoyment as perceived by the customer were important drivers of customer satisfaction, while social influence did not have a significant impact on customer satisfaction. While Izogo and Ogba (2015) found that service quality is a strong antecedent of customer satisfaction, where when the quality of the service provided exceeds the customer's expectations it results in customer satisfaction, which then drives customer loyalty. Similarly, Kaura, Durga Prasad and Sharma (2015) found that factors such as service quality dimensions, fairness of price as well as service convenience have shown to have a direct relationship with customer satisfaction and,

consequently, customer loyalty. Furthermore, reliability and responsiveness have also been shown to drive customer satisfaction, which in turn drives customer loyalty (Meesala & Paul, 2018).

## **2.4 Customer Loyalty**

Studies show that there are two types of loyalty that exist, behavioural loyalty and attitudinal loyalty (Cossío-Silva et al., 2016). Behavioural loyalty is evidenced by actions such as consistent and repetitive purchases, whereas attitudinal loyalty is indicated by purchase intentions, the customer's preference for the organisation as well as positive recommendations by the customer to others. Studies also suggest that a positive relationship exists between attitudinal loyalty and behavioural loyalty (Cossío-Silva et al., 2016).

Improving and maintaining customer loyalty is a strategic imperative for businesses, particularly in the context of ever-increasing competitive pressures across all economic sectors (Kamran-Disfani, Mantrala, Izquierdo-Yusta & Martínez-Ruiz. 2017) and because of its proven ability to generate positive returns through minimising a customer's propensity to switch to competitors (Yeh, 2015).

Studies also show that it is cheaper for businesses to service existing loyal customers than it is to attract and serve new customers and that the duration of the relationship between an organisation and its customer is of value, where a longer relationship has a positive impact on the organisation's profits (Cossío-Silva et al., 2016). Loyal customers are also said to be more likely to pay a premium on products and services, as well as to recommend products and services to potential customers (Cossío-Silva et al., 2016).

From an antecedent or driver perspective, studies have shown that there are numerous factors that drive customer loyalty, such as customer satisfaction, quality of service, perceived value and value co-creation (Cossío-Silva et al., 2016), while other studies show that there are co-predictors and moderators of loyalty such as quality of the relationship, price, image and trust (Kashif, Wan Shukran, Rehman & Sarifuddin, 2015).

### **2.4.1 The Customer Satisfaction - Customer Loyalty Relationship**

There are studies that have found customer satisfaction to be a reliable predictor of customer loyalty (Saleem & Raja, 2014; Liat, Mansori & Huei, 2014; Hapsari, Clemes & Dean, 2017; Mostert et al.; 2016; Pappas, Pateli, Picón et al., 2014; Giannakos & Chrissikopoulos, 2014), while others have found that mediators exist between this relationship (Picón, Castro & Roldán, 2014; Picón, Castro & Roldán, 2014; El-Adly & Eid, 2016; Kaura et al., 2015).

Mostert et al. (2016) argue that customer satisfaction drives customer loyalty and that when customers are dissatisfied, they are more likely to switch to a competing service provider or product. Similarly, Pappas et al. (2014) posit that the chances of repeat purchases are higher when a customer is satisfied and that repeat purchases are a strong factor for driving customer loyalty. Furthermore, Picón et al. (2014) have also posited that there is a positive relationship between customer satisfaction and customer loyalty. However, the authors also found switching costs can have a mediating effect on this relationship, where the higher the switching costs, the higher the loyalty.

However, customer satisfaction has also been found to impact the propensity for customers to repurchase without necessarily resulting in customer loyalty (Pandit & Vilches-Montero, 2015; Kursunluoglu, 2014). Kursunluoglu (2014) argues that repeat purchases do not always indicate loyalty, as in some instances repeat purchases are generated by situational factors such as location convenience and price. This suggests that repeat purchases do not necessarily mean customer loyalty.

Other studies have found that customer satisfaction on its own does not predict customer loyalty, but rather that it is the configuration of customer satisfaction and other factors such as the value that is perceived by customers, trust and quality that predict customer loyalty (Silva & Goncalves, 2016).

In some instances, studies have shown that customer satisfaction is a mediator of customer loyalty and other constructs, for example price, meaning that for price to drive loyalty, there has to be customer satisfaction (El-Adly & Eid, 2016; Kaura et al., 2015). This while other studies have found mediators between customer satisfaction

and customer loyalty, such as corporate social responsibility (Saeidi, Sofian, Saeidi, Saeidi & Saeidi, 2015). This is supported by a study in the banking sector that found that customer-oriented corporate citizenship leads to customer identification which, in turn, influences customer satisfaction and repurchasing behaviour (Pérez & Rodriguez del Bosque, 2015). This suggests that customers care about what a company stands for and that a company that is seen to have an interest in the social issues within the communities in which it operates is likely to draw some sort of customer affective responses (Saeidi et al., 2015). These responses tend to be coupled with behavioural responses such as buying more from that company (Perez et al., 2015).

It is important to highlight that customer satisfaction and customer loyalty are constructs that are not devoid of social, cultural and religious influences (Eid, 2015; Sayani, 2015; Kashif et al., 2015). As such, different customer segments will respond differently to the perceived value derived from a relationship with a company based on the above-mentioned influences. In addition, even when these influences are considered, a homogenous view of the relationship between satisfaction and loyalty may be misleading because customer segment nuances are also a major factor (Floh, Zauner, Koller & Rusch, 2014).

#### **2.4.2 Other Drivers of Customer Loyalty**

There are studies which show that trust is an antecedent of customer loyalty (Thakur, 2014). Customers who have high levels of trust are likely to purchase again from service providers (Chai, Malhotra & Alpert, 2015). In fact, companies that implement policies that deepen trust tend to attain customer loyalty in return (Sekhon, Ennew, Kharouf & Devlin 2014). Similarly, Gamboa and Gonçalves (2014) show that it is important that there is trust in place, to ensure sustainable customer loyalty, as trust builds commitment. Other than trust, the quality of a relationship with a service provider and the value generated from that relationship are also said to play a pivotal role in growing customer loyalty, as customers generally seek a mutually beneficial relationship which is underpinned by value (Yeh, 2016).

Other studies have found that it is mostly customer engagement, rather than customer satisfaction, that leads to customer loyalty (Hapsari et al., 2017). Accordingly, Shahin Sharifi and Rahim Esfidani (2014) posit that where customers

seem to have doubts after purchasing a product, customer engagement efforts to connect with that customer tend to result in peace of mind, which builds trust and translates into customer satisfaction and that, in turn, breeds customer loyalty. This suggests that after-sales interactions with clients are very important and can provide customers with a sense of being valued.

It has also been established that tangible and intangible dimensions of service impact customer loyalty. According to Sayani (2015), these factors include convenient access to the service and efficiencies in addressing customer service requests and complaints, while other studies have empirically linked perceived quality and perceived value to customer loyalty, specifically in the e-commerce world (Roger-Monzó, Martí-Sánchez & Guijarro-García, 2015). A study in the hotel industry showed that quality of service had a direct bearing on customer satisfaction and customer loyalty and that these in turn had a significant bearing on financial performance (Sertel, 2017).

Furthermore, Yeh (2015) suggests that organisations can deepen customer loyalty through corporate social responsibility and service innovation. Similarly, O'Brien, Jarvis and Soutar (2015) posit that when a company pursues local and global social issues that resonate with a particular customer segment, customer loyalty can be observed (O'Brien et al., 2015).

Another important dimension that is sometimes neglected is the element of social groupings. Social groupings and other forms of collectivism can drive customer loyalty at an individual level (Kashif et al., 2015). For example, a customer may resonate with a company because they believe that that company caters well for their religious community. In this regard, customers are likely to derive satisfaction and show loyalty if they see conventional products or services catering for the nuances of their belief systems (Eid, 2015).

Studies also show that at times, inhibitors to switching products or services, such as switching costs, can obscure customer loyalty (Blut, Beatty, Evanschitzky & Brock, 2014), meaning that the retention of customers cannot automatically be interpreted as customer loyalty. However, other studies show that there are certain service features that can moderate the relationship between loyalty and switching costs

These characteristics are both functional, such as effectiveness, and emotional, such as empathy (Blut et al., 2014).

## **2.5 Customer Advocacy**

Customer advocacy is one of three customer actions that fall under customer citizenship behaviour. Customer citizenship behaviour can be defined as voluntary actions by customers that result in benefits or added value for an organisation, including actions such as the promotion of the organisation or its products and services to others (customer advocacy), the sharing of knowledge on how others can use the products and services, as well as the provision of constructive criticism to the organisation on the customer's experience (Kim & Choi, 2016).

Customer citizenship behaviour is said to be based on the social exchange theory (Choi & Lotz, 2016). The social exchange theory aims to explain reciprocal interactions between two or more parties, where one party responds to a positive or valuable action from the other party by reciprocating that action (with another positive or valuable action). The same principle is said to hold in instances where the actions are perceived to be negative (Cropanzano, Anthony, Daniels & Hall, 2017).

Van Tonder and Petzer (2018) posit that customer citizenship behaviour can favourably contribute to improving the profitability of an organisation, at no increased cost to the organisation. In line with this view, Rozek et al., (2014) argue that positive customer advocacy is likely to generate relatively more sales than other sales and marketing efforts, at a much lower cost.

### **2.5.1 Word of Mouth**

A modern-day term for customer advocacy is the term word of mouth. Barreto (2014) explains that word of mouth can be described as an informal communication process between individuals who may or may not be in the same social networks, that is aimed at imparting or acquiring knowledge on certain goods, services as well as brands. With the rapid growth of internet usage across the world, the sharing and accessing of information has become a lot more effortless, resulting in a surge in electronic word of mouth. Accordingly, it can be said that word of mouth regarding

an organisation's goods or services is a form of customer citizenship behaviour, specifically customer advocacy.

Lien et al. (2018) posit that word of mouth is a more trusted source of information than communications that come from an organisation's promotional efforts; and studies in the banking sector have shown that favourable word of mouth from customers toward certain products have had a positive impact on other customers' intentions to purchase those products. In support of this view, Berger (2014) posits that people tend to buy more into something when it is promoted by people in those social ties compared to when it is promoted by strangers or by the service or product provider (Berger, 2014).

More interestingly, studies also show a positive relationship between word of mouth and the organisation's sales, where favourable word of mouth results in an increase in sales and adverse word of mouth results in a reduction in sales, making word of mouth a crucial phenomenon for businesses (Barreto, 2014). Similarly, Eisingerich et al. (2014) assert that customer satisfaction influences word of mouth, which significantly influences the future income of the organisation.

The rise of social media and the increasing reliance on the internet (for both information seeking and for purchasing) mean that electronic word of mouth has an increasingly significant impact on businesses (King, Racherla & Bush, 2014). Furthermore, research has shown an impact of electronic word of mouth not only on sales (Berger, 2014) but also on branding for companies (Pfeffer, Zorbach & Carley, 2014). Furthermore, studies show that strong social media relationships between companies and customers lead to a positive word of mouth, where a study on social media and emotions in the music festivals arena showed the positive emotional connection which social media relationships can create with customers (Hudson, Roth, Madden & Hudson, 2015).

### **2.5.2 Drivers of Customer Advocacy and Word of mouth**

According to Choudhury (2014), for customers to provide positive word of mouth, they need to be satisfied with the product or service. Similarly, Barreto (2014) suggests that word of mouth is influenced by the customer's sentiments and feelings of satisfaction (or dissatisfaction) with an organisation's products or services. Anaza

(2014) also argues that there is a strong positive relationship between customer satisfaction and customer advocacy. While, Van Tonder and De Beer (2018) also posit that customer satisfaction may be the antecedent for customer citizenship behaviour.

Choi and Lotz (2016) suggest that when a consumer has positive sentiments regarding their experience with an organisation's products or services, that consumer is likely to engage in customer citizenship behaviour. Similarly, Koenig-Lewis and Palmer (2014) argue that positive emotions post the customer's experience are more likely to result in a further purchase or in customer advocacy, whereas negative emotions do not necessarily result in a non-purchase or a non-recommendation (Koenig-Lewis & Palmer, 2014). While, Van Tonder and Petzer (2018) suggest that when customers receive benefits from an organisation, they may reciprocate those actions by engaging in customer citizenship behaviour.

Contrarily, Abubakar and Mavondo (2014) posit that customer satisfaction is not a sufficient driver or positive word of mouth, as customers rarely advocate after a satisfying experience. The authors posit that it is feelings of excitement and happiness that tend to drive advocacy. Rozek and Karlicek (2014) also suggest that the first step to customer advocacy is a happy customer.

In his study on corporate social responsibility and service innovation, Yeh (2015) found that not only does relationship quality predict customer loyalty, but it is also a determinant for customer advocacy. Additionally, the study found that customer participation, corporate citizenship and service innovation also drive customer advocacy. In 2016, in a follow-on study focusing on customer perceived value, Yeh (2016) found that customer advocacy is also predicted by customer market orientation. This means that if customer's needs are understood and met, they are likely to share those positive experiences with other people. While other studies have found that customer loyalty leads to customer advocacy (Rizan, Warokka & Listyawati, 2014; Cossío-Silva et al., 2016.)

Furthermore, trust has also been found to drive recommendations and positive word of mouth (Filiari, Algezau & McLeay, 2015), particularly in online channels where



the trusting of the technology or the platform itself is an important driver of customer advocacy (Boateng & Narteh, 2016).

## **CHAPTER 3**

### **3. Research Hypotheses**

#### **3.1 Introduction**

The purpose of this study is to determine whether loyalty programme satisfaction predicts overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty and customer advocacy, in the retail banking sector in South Africa, as well as to determine whether two loyalty programme design elements, loyalty programme structure and loyalty programme reward type, are predictors of loyalty programme satisfaction.

#### **3.2 Research Hypotheses Development**

##### **3.2.1 Loyalty Programme Structure and Reward Type as Predictors of Loyalty Programme Satisfaction**

As was discussed in Chapter 2, studies show that there are various loyalty programme design elements that drive loyalty programme effectiveness, such as the loyalty programme structure (Drezè and Nunes, 2006; Drezè and Nunes; 2009; McCall & Voorhees, 2010; Steinhoff & Palmatier, 2016; Eggert et al., 2015) as well as the types of rewards that are offered by the loyalty programme (Mimouni-Chaabane and Volle, 2010; Balci et al., 2019). In addition, according to Zakaria et al. (2014), a good measure of loyalty programme effectiveness is customers' satisfaction with the loyalty programme. Furthermore, Mimouni-Chaabane and Volle (2010) posit that different reward types result in different satisfaction levels, while Balci et al. (2019) argue that monetary reward types have a greater impact on customer satisfaction than non-monetary rewards. Based on the above academic arguments, the below hypotheses have been formulated.

H1a: A loyalty programme's structure predicts the customer's satisfaction with their loyalty programme.

H1b: A loyalty programme's reward type predicts the customer's satisfaction with their loyalty programme.

##### **3.2.2 Loyalty Programme Satisfaction as a Predictor of Overall Customer**

## **Satisfaction**

Studies suggest that there is a positive relationship between loyalty programme satisfaction and overall customer satisfaction (Deepa & Chitramani, 2014; Zakaria et al., 2014). Furthermore, studies have also found a relationship between the positive emotions evoked from customer experiences and customer satisfaction (Mavondo, 2014; Koenig-Lewis & Palmer, 2014). Given that loyalty programmes have been shown to evoke emotions of customer gratitude and appreciation (Steinhoff & Palmatier, 2016; Esmark et. al, 2016), it can be surmised that these programmes contribute to overall customer satisfaction. Based on the above academic arguments, the below hypothesis has been formulated.

H2: A customer's satisfaction with their loyalty programme is a predictor of the customer's satisfaction with their bank.

### **3.2.3 Customer Satisfaction as a Predictor of Customer Loyalty**

As discussed in chapter 2, various academic studies have found a relationship between customer satisfaction and customer loyalty (Mostert et al., 2016; Pappas et al., 2014; Picón et al., 2014), while other studies have found mediators and moderators between this relationship. Based on the academic arguments that support the customer satisfaction and customer loyalty relationship, the below hypothesis has been formulated.

H3: A customer's satisfaction with their bank is a predictor of the customer's loyalty to their bank.

### **3.2.4 Customer Satisfaction as a Predictor of Customer Advocacy**

As discussed in chapter 2, studies show that, for customers to provide positive word of mouth, they need to be satisfied with the product or service and that customer satisfaction is a positive driver of customer advocacy (Choudhury, 2014; Barreto, 2014; Anaza, 2014; Van Tonder & De Beer, 2018). Based on the above academic arguments, the below hypothesis has been formulated.

H4: A customer's satisfaction with their bank is a predictor of the customer's advocacy for their bank.

### 3.3 Conceptual Model

The above hypotheses are shown in the model below:

**Figure 1: Conceptual Model**



Source: Researcher's own construct

### 3.4 Summary of Hypotheses to be Tested

The hypotheses for this study can be summarised as follows:

H1a: A loyalty programme's structure predicts the customer's satisfaction with their loyalty programme.

H1b: A loyalty programme's reward type predicts the customer's satisfaction with their loyalty programme.

H2: A customer's satisfaction with their loyalty programme is a predictor of the customer's satisfaction with their bank.

H3: A customer's satisfaction with their bank is a predictor of the customer's loyalty to their bank.

H4: A customer's satisfaction with their bank is a predictor of the customer's advocacy for their bank.

## **CHAPTER 4**

### **4. Research Methodology and Design**

#### **4.1 Introduction**

This chapter describes the research methodology and design of the study as well as the study's research limitations. The methodology and design sections covered are, research design, population, sampling, unit of analysis, measurement instrument, data gathering process, analysis approach, assurance of quality as well as hypothesis testing.

#### **4.2 Research Design**

Zikmund (2003) defines a research design as an overall plan that details the approach, methods and processes that were followed in collecting and studying research data. This study adopted a positivist research approach, as data that is of a quantifiable nature was collected, using structured survey questions. According to Saunders and Lewis (2018), positivist researchers are those researchers that collect data that is of a quantifiable nature, allowing for statistical analysis by using structured methodology such as questionnaires. In similar previous published studies where standardised quantifiable information was required from a large number of banking customers – one by Lien et al. (2018) that sought to investigate the relationship between positive moods and word of mouth in the Taiwanese banking sector and another by Kim and Choi (2016) that sought to investigate the relationship between customer interaction types and customer citizenship behaviour in mass service settings in Korea – a positivism research approach was followed.

Hair, Bush and Ortinau (2003) describe a deductive research approach as one where hypotheses are developed based on a theoretical underpinning, following which a study is conducted so as to test the hypotheses. Saunders and Lewis (2018) explain that one of the key characteristics of a deductive approach is to explain a relationship of causality between two or more variables, while other characteristics include the collection and analysis of as well as the use of structured methodology data in answering the research question. Given that this study seeks to test several hypotheses that were developed using research literature and then to investigate the relationships between the constructs formed from the hypotheses, it can be said that a deductive research approach was followed.

#### **4.2.1 Purpose of Research Design**

According to Saunders and Lewis (2018), research can be classified as either descriptive, exploratory or explanatory, or a combination of thereof. Zikmund, Babin, Carr and Griffin (2010) define descriptive research as research that seeks to describe the features of a population, such as the characteristics of a particular group of consumers, while Saunders and Lewis (2018) define an explanatory study as one that seeks to investigate whether there is a causal relationship between certain variables. Zikmund et al. (2010) explain that descriptive research usually precedes a study that intends to examine a cause-and-effect relationship between variables, such as an explanatory study. Given that this study seeks to describe the characteristics of South African retail banking consumers in relation to loyalty programme satisfaction, customer satisfaction, customer loyalty, as well as customer advocacy; and to determine whether relationships exist between these variables, the study can be classified as a descripto-explanatory study, which is a combination of the descriptive and explanatory research designs.

#### **4.2.2 Research Strategy**

For a descriptive research study, Saunders and Lewis (2018) posit that a survey is a suitable method for data collection, particularly when collecting data where the same information is required from a large number of participants. Accordingly, in the similar previous published studies described above, where standardised information was required from a large number of banking customers, the research data was collected through researcher-administered survey questionnaires. Similarly, because this study required uniform information from a large number of retail banking consumers, a quantitative methodology in the form of surveys was found to be the most suitable method for sourcing data.

#### **4.2.3 Methodological Choice**

The study used a mono-method quantitative approach, using only surveys as the data collection method as it was believed that the data that was collected from the surveys would be sufficient for the purposes of answering the research questions, as was the case in the Kim and Choi (2016) and the Lien et al. (2018) research studies described above.

#### **4.2.4 Time Horizon**

From a time-horizon perspective, Saunders and Lewis (2018) define cross-sectional research as research that is collected at a single point in time, typically from various demographical groups. Due to the time constraints of the Master of Business Administration (MBA) course for which this study was conducted, a cross-sectional time horizon was used to collect data, where once-off surveys were sent out to a varied demographical range of respondents.

#### **4.3 Population**

Creswell (2012) describes a population as a group of members that have one or more common defining characteristic, while Saunders and Lewis (2018) define it as the full set of all members of a group from which a sample is taken. For the purposes of this study, the population comprises of all retail banking consumers in South Africa who make use of their bank's loyalty programme, and who are 18 years or older.

#### **4.4 Sampling**

According to Saunders and Lewis (2018), non-probability sampling techniques are those techniques that are used when the full set of the population to be studied is not feasibly attainable. Given that it would not have been feasible to obtain full list of all adult retail banking consumers in South Africa who make use of their bank's loyalty programme, a non-probability sampling technique was utilised in selecting the sample.

Obtaining a sample that is typical of the South African adult population in terms of demographics (gender, race and age, etc.) would have been ideal, so as to obtain results that are representative of the population; however, because the survey was purposively distributed to contacts and networks of the researcher through electronic media platforms, purposive sampling was utilised for the purposes of this study.

According to Hair et. al (2003), there is a theoretical notion that suggests that a sample size needs to be at least 384 for the researcher to "operate at a 95 percent confidence level with a tolerance in sampling error of  $\pm 5$  percentage points" (Hair et. Al., 2003, pg. 347). Creswell (2012) suggests that the appropriate sample size in a research study is dependent on the statistical procedures that are used in the study and that approximately 350 respondents are needed for a survey study. Accordingly,

in the research studies that were discussed at the beginning of this chapter, the first by Lien et al. (2018) and the second by Kim and Choi (2016), the sample sizes were 362 and 315, respectively.

Based on the above, the researcher's aim was to obtain at least 384 completed survey responses for this study. Of the 614 total survey responses that were received, 420 were valid and usable, while 194 of the responses were either incomplete or were disqualified through the qualification questions at the beginning of the survey. Therefore, a total of 420 responses were utilised in the study.

#### **4.5 Unit of Analysis**

Creswell (2012) explains that a unit of analysis is described who or what should provide the information required for the study and depends on the questions or hypotheses that the researcher seeks to answer. He further explains that the unit can be at various levels, for example at an individual level, at a family level or at an organisation level (Creswell, 2012). This study collected data at an individual customer level, as the study seeks to answer research hypotheses related to individual retail banking customers; therefore, it can be said that a single retail banking customer who makes use of their bank's loyalty programme and is 18 years or older forms the unit of analysis.

#### **4.6 Measurement Instrument**

Because this study collected opinion data from the respondents, rating scale questions were used in the survey. According to Saunders, Lewis and Thornhill (2009), rating scale questions most frequently use a Likert-type scale to collect data. Kline (2011) suggests that Likert-type scales with between five to ten points may be the most ideal for enabling respondents to appropriately distinguish between the scale values. This study therefore used five-point Likert-type scales to collect data and the survey was structured as follows.

The survey was accessed by respondents through a Survey Monkey online link and upon clicking on the link, the respondents were directed to the landing page of the survey, which had the informed consent letter detailing the study's purpose, the estimated time commitment required to complete the survey, a statement indicating that survey participation would be voluntary, a statement regarding the anonymity of



the survey, as well as the contact details of the researcher and the supervisor, as laid out in the questionnaire (see Appendix 2).

The consent letter was followed by a screening section with four questions that ensured that respondents could only proceed with the survey if they met the minimum criteria of being 18 years or older and that of making use of a loyalty programme from a South African bank. Respondents who did not meet these minimum criteria were thanked for their participation and the survey ended at this point. Respondents who met the minimum criteria were able to proceed to the below sections of the survey. All survey questions were designed as mandatory fields, ensuring that none of the questions could be skipped.

Section A requested that the respondents indicate which bank's loyalty programme they make use of the most, to indicate whether or not their loyalty programme has a tiered structure and to indicate what reward type they make use of the most from their loyalty programme.

Section B requested that respondents complete five-point Likert-type scale questions (where 1 is "Strongly Disagree" and 5 is "Strongly Agree") that were adopted from previous journal article studies. The questions in this section enquired on the respondents' satisfaction with their loyalty programme (adopted from Mimouni-Chaabane & Volle, 2010), their satisfaction with their bank (adopted from Dagger & O'Brien, 2010), as well as their loyalty to their bank (adopted from Dagger & O'Brien, 2010). Tables 1, 2 and 3 detail the scale items used.

**Table 1: Satisfaction with my Loyalty Programme**

| <b>Construct and scale items</b>  | <b>Source</b>                           |
|---|---|
| <b>Satisfaction with my loyalty programme</b>                                     | Mimouni-Chaabane, A. & Volle, P. (2010) |
| I made a good choice when I decided to participate in this programme.             |   |
| My overall evaluation of this programme is good.                                  |   |
| The advantages I receive, being a member of this programme, meet my expectations. |   |
| All in all, I'm satisfied with this programme.                                    |   |

Source: Mimouni-Chaabane and Volle (2010)

**Table 2: Satisfaction with my Bank**

| <b>Construct and scale items</b>                                   | <b>Source</b>                          |
|--|--|
| <b>Satisfaction with my bank</b>                                   | Dagger, T. S. & O'Brien, T. K. (2010). |
| My choice to bank with my bank was a wise one.                     |  |
| I am always delighted with my bank's service.                      |  |
| Overall I am satisfied with my bank.                               |  |
| I think I did the right thing when I decided to bank with my bank. |  |
| I feel good about banking with my bank.                            |  |

Source: Dagger and O'Brien (2010)

**Table 3: Loyalty to my Bank**

| <b>Construct and scale items</b>   | <b>Source</b>                          |
|--|--|
| <b>Loyalty to my bank</b>  | Dagger, T. S. & O'Brien, T. K. (2010). |
| I say positive things about my bank to other people.                       |  |
| I recommend my bank to someone who seeks my advice.                        |  |
| I encourage friends and relatives to do business with my bank.             |  |
| I consider my bank first choice when I purchase banking products/services. |  |
| I will continue to do business with my bank for the next few years.        |  |

|  |  |
|--|--|
| I am willing to maintain my relationship with my bank. |  |
| I am loyal to my bank.                                 |  |

Source: Dagger and O'Brien (2010)

Similarly, Section C requested that respondents complete five-point Likert-type scale questions (where 1 is "Strongly Disagree" and 5 is "Strongly Agree") that were adopted from previous journal article studies. The questions in this section enquired on the respondents' advocacy for their bank (adopted from Choi & Lotz, 2018). Table 4 details the scale items used.

**Table 4: Customer Advocacy**

| <b>Construct and scale items</b>  | <b>Source</b>                  |
|---|--------------------------------|
| <b>Customer Advocacy</b>  | Choi, L. & Lotz, S. L. (2018). |
| I have said positive things about my bank to other people, such as my friends, relatives or co-workers. |                                |
| I have recommended my bank to other people, such as my friends, relatives or co-workers.                |                                |
| I have encouraged other people such as friends, relatives or co-workers to use my bank.                 |                                |

Source: Choi and Lotz (2018)

Section D requested demographic information, namely gender, year of birth, South African province of primary residence, education levels, home language, as well as employment status. Respondents were then thanked for their participation and the survey ended.

#### **4.7 Data Gathering Process**

Once ethical clearance had been obtained from the ethical clearance committee, but before sending out the final survey, a pilot survey was sent out to 35 respondents to test the clarity of the survey's questions and to determine how long the survey would take respondents to complete. The process of completing the pilot survey was through a Survey Monkey online link and followed the same steps as described in the measurement instrument section above. Thirty-two completed pilot surveys were

completed and received, with feedback from the respondents. The majority of the feedback pertained to the seven-point Likert-type scales that were used in the pilot survey, the respondents found that the seven points in the scales were excessive and confusing, therefore in the final survey, the scales were reduced to five-point Likert-type scales.

Following the pilot survey, a message with a link to the final online survey was distributed to all of the researcher's contacts and networks via electronic mail (email), WhatsApp, LinkedIn and Facebook. The link directed respondents to the landing page as described in the measurement instrument section above. A request was also made to the researcher's networks to forward the message that contains the survey link on to their respective contacts and networks.

#### **4.8 Analysis Approach**

After the survey data was collected, it was statistically analysed using statistical packages, IBM SPSS (Statistical Package for Social Sciences) and Amos. Factor analysis was conducted to analyse the structure of the variables, as described in section 4.9.1 below, while the reliability and validity of the measurement instruments was tested as described in sections 4.9.2 and 4.9.3 below. Descriptive statistics were used to analyse the basic characteristics of the data, such as the demographic profile of the respondents, the general tendencies in the data (mean, median and mode) as well as the spread of the variable scores (standard deviation and range), while regression and ANOVA tests were conducted to test the study's hypotheses, as detailed in section 4.10 below.

#### **4.9 Assurance of Quality**

##### **4.9.1 Factor Analysis**

According to Hair et al. (2014), factor analysis is used for condensing a large number of variables into fewer variables, based on their common factors. The fewer variables better represent the structure or the patterns of the underlying variables. The authors recommend either confirmatory factor analysis (CFA) or exploratory factor analysis (EFA) as the most suitable techniques for analysing the structure of the variables.

For factor analysing, Hair et al. (2014), recommend that the sample size should be at least 5 times the number of variables that are being analysed. Given that our

measurement scales have a total of 19 variables, the minimum sample size appropriate for factor analysis would be 95. The number of valid observations for this study were 420, therefore factor analysis is appropriate.

In conducting the EFA, principal component analysis was used as the extraction method, with Varimax for rotation. In analysing the results of an EFA, Hair et al. (2014) explain that a Bartlett's test of sphericity value that is statistically significant (less than 0.05) indicates that there is sufficient correlation between the variables, while a Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) that is above 0.5 indicates sample adequacy. The results of this study's EFA are presented in Chapter 5, section 5.4.

#### **4.9.2 Reliability**

Saunders and Lewis (2018) assert that if research is to be reliable, it should produce findings that are consistent each time the research is conducted using the same methods and procedures, in the same way. According to Hair et al. (2014), the most widely used measure for determining scale reliability is Cronbach's alpha, where the higher the value, the more consistent the individual variables within the scale are in measuring the overall construct. An acceptable minimum Cronbach value is 0.7. Thus, the researcher used Cronbach's alpha for the purposes of assessing scale reliability. The results thereof are presented in Chapter 5, section 5.5.1.

#### **4.9.3 Validity**

Furthermore, Saunders and Lewis (2018) posit that, if the research study is to be valid, the questions in the study need to correctly collect the data that is intended to be collected to address the research questions. This is known as construct validity, which can be split between convergent and discriminant validity. Hair et al. (2014) describe convergent validity as the extent to which the variables within a particular construct are correlated, whereas discriminant validity measures the extent to which the constructs in a study are distinct from one another.

According to Hair et al. (2014), the convergent validity of measurement instruments can be assessed using confirmatory factor analysis (CFA), where all factor loadings should ideally be higher than 0.7 and the average variance extracted (AVE) values should be above 0.5, to indicate sufficient convergent validity. While the discriminant

validity of measurement instruments can be measured by comparing the AVEs of the individual constructs against the squared correlations between those constructs. AVEs that are higher than the squared correlations indicate discriminant validity. This method of testing for discriminant validity was also used in a study by Balci et al, (2019), that sought to investigate the impact of various relationship marketing strategies on customer satisfaction and customer loyalty in the container shipping business. Therefore, convergent validity and discriminant validity were assessed in this study as per the above recommendations of Hair et al. (2014) and the results thereof are presented in Chapter 5, section 5.5.2 and 5.5.3

#### **4.10 Hypothesis Testing**

Hair et al. (2014) posit that a regression analysis is a suitable analysis method when the purpose of the analysis is to predict the changes in a dependant variable, in response to changes in an independent variable. According to Field (2009), the assumptions of a regression analysis are as follows (these assumptions have been tested and proven in Chapter 5):

1. Both the independent and dependent variables must be quantitative in nature. However, categorical independent variables can be used in instances where only two categories exist, these categories can be coded as 0 and 1, while the dependent variable must always be quantitative and continuous. This view is supported by Hair et al. (2014) who posit that a regression can be utilised with a categorical independent variable, through dummy variable coding.
2. In the case of multiple regression, the independent variables should not have a perfect linear relationship with each other (no perfect multicollinearity), which can be tested through the variance inflation factor (VIF) value.
3. There should be a lack of auto-correlation in residuals, which can be tested through the Durbin-Watson (DW) test, where values should be between one and three.
4. There should be a normal distribution of variables.

Given that the research questions sought to determine whether a prediction relationship exists between the constructs in the study, a regression analysis was deemed suitable for testing the hypotheses. However, hypothesis 1b could not be tested through a regression analysis as the independent variable was categorical in nature, with three groups. Therefore, the ANOVA (analysis of variation) was used to

test hypothesis 1b. According to Field (2009), the assumptions of an ANOVA analysis are as follows (these assumptions have been tested and proven in Chapter 5):

1. There should be one continuous dependent variable, and at least one categorical independent variable, with three or more groups.
2. The groups within the independent variable should be independent of each other.
3. There should be homogeneity of variances in each group, which can be tested through the Levene's statistic.
4. There should be a normal distribution of variables.

All the hypotheses of this study were tested at a 95% confidence interval.

#### **4.11 Limitations**

As with any study, this study is expected to have limitations that will require caution to be exercised when using the results of the study.

From a geographical perspective, most respondents (approximately 85%) were geographically based in the Gauteng province of South Africa due to the heavy concentration of the researcher's contacts and networks within the Gauteng province. This will result in a limitation in the sample's ability to be geographically representative of the entire South African adult population.

In addition, the potential influence of demographical factors such as income levels, age and gender on the relationships between the various constructs in this study were not tested, thus creating a limitation in the interpretation of the results.

Furthermore, the study only researches loyalty programmes from a financial services perspective, even though loyalty programmes are common in many other industries across South Africa such as retail clothing, retail food, restaurants and hotels. Caution will have to be applied in generalising the results across all these other industries.

Lastly, the study was conducted specifically from a South African context. The findings of the study can be used in retail banking industries globally; however, caution will need to be applied in generalising the results to other countries.

#### 4.12 Research Methodology and Design Summary

Table 5 summarises the main elements of the research methodology and design section.

**Table 5: Research Methodology and Design Summary**

| <b>Elements</b>            | <b>Approach</b>   |
|----------------------------|---|
| Research Design            | Positivism, deductive research approach   |
| Methodological choice      | Mono-method quantitative approach   |
| Purpose of research design | Descripto-explanatory   |
| Scope of research          | South Africa  |
| Population                 | All retail banking customers in South Africa, 18 years or older, who make use of their bank's loyalty programme       |
| Unit of analysis           | A retail banking customer in South Africa, that is 18 years or older, who makes use of their bank's loyalty programme |
| Sample size                | 420   |
| Sampling method            | Non-probability purposive sampling  |
| Research strategy          | Structured online surveys that were administered by the researcher  |
| Timeframe                  | Cross-sectional   |
| Statistical tools          | IBM SPSS and Amos   |

Source: Author's own, adopted from Singh (2017)



## CHAPTER 5

### 5. Results Presentation

#### 5.1 Introduction

The purpose of this chapter is to report the results of this study. The chapter has been broken up into the demographic profile of the respondents, the descriptive statistics of the variables, the reliability, validity and factor analyses of the measurement scales, as well as the results of the hypothesis tests.

#### 5.2 Demographic Composition of the Respondents

The survey that was used for data collection had a total of 614 responses, of which 420 were fully completed or valid, while 194 of the responses were either incomplete (these surveys were terminated by the respondents prior to survey completion) or were disqualified through the qualification section at the beginning of the survey. Therefore, a total of 420 valid responses have been analysed in this chapter. Table 6 presents the demographic profile of the valid responses.

**Table 6: Demographic Profile of the Respondents**

| <b>Survey Question</b>                                       | <b>Possible Choices</b>              | <b>Frequency<br/>(n)</b> | <b>Percentage<br/>(%)</b> |
|--|--------------------------------------|--------------------------|---------------------------|
| What is your gender?   | Female                               | 225                      | 53,6                      |
|  | Male                                 | 195                      | 46,4                      |
|  | <b>Total</b>                         | <b>420</b>               | <b>100,0</b>              |
| In which South African province do you predominantly reside? | Gauteng                              | 357                      | 85,0                      |
|  | KwaZulu-Natal                        | 25                       | 6,0                       |
|  | Western Cape                         | 4                        | 1,0                       |
|  | Eastern Cape                         | 4                        | 1,0                       |
|  | Northern Cape                        | 5                        | 1,2                       |
|  | Limpopo                              | 13                       | 3,1                       |
|  | Free State                           | 2                        | 0,5                       |
|  | Mpumalanga                           | 3                        | 0,7                       |
|  | North West                           | 4                        | 1,0                       |
|  | Other: please specify in space below | 3                        | 0,7                       |
|  | <b>Total</b>                         | <b>420</b>               | <b>100,0</b>              |

|  |                                      |              |              |
|--|--------------------------------------|--------------|--------------|
| What is your highest level of education? | Matric completed                     | 8            | 1,9          |
|  | Some Tertiary education              | 46           | 11,0         |
|  | Diploma/degree completed             | 366          | 87,1         |
|  | <b>Total</b>                         | <b>420</b>   | <b>100,0</b> |
| What is your home language?              | Afrikaans                            | 21           | 5,0          |
|  | English                              | 117          | 27,9         |
|  | SeTswana                             | 48           | 11,4         |
|  | IsiZulu                              | 87           | 20,7         |
|  | SePedi                               | 34           | 8,1          |
|  | SeSotho                              | 33           | 7,9          |
|  | Tshivenda                            | 23           | 5,5          |
|  | xiTsonga                             | 16           | 3,8          |
|  | isiNdebele                           | 3            | 0,7          |
|  | isiXhosa                             | 25           | 6,0          |
|  | siSwati                              | 8            | 1,9          |
|  | Other, please specify in space below | 5            | 1,2          |
| <b>Total</b>                             | <b>420</b>                           | <b>100,0</b> |              |
| What is your employment status?          | Full-time employee or self-employed  | 392          | 93,3         |
|  | Part-time employee                   | 5            | 1,2          |
|  | Student                              | 7            | 1,7          |
|  | Stay-at-home wife or husband         | 5            | 1,2          |
|  | Retired                              | 5            | 1,2          |
|  | Unemployed                           | 6            | 1,4          |
|  | <b>Total</b>                         | <b>420</b>   | <b>100,0</b> |
| In which year were you born?             | Before 1950                          | 1            | .2           |
|  | 1950-1960                            | 10           | 2.4          |
|  | 1961-1970                            | 30           | 7.1          |
|  | 1971-1980                            | 107          | 25.5         |
|  | 1981-1990                            | 210          | 50.0         |
|  | After 1990                           | 62           | 14.8         |

|  |              |            |              |
|--|--------------|------------|--------------|
|  | <b>Total</b> | <b>420</b> | <b>100.0</b> |
|--|--------------|------------|--------------|

As can be seen in Table 6, more than half of the responses, 53.6%, were from female respondents (n = 225), while 46.4% were from male respondents (n = 195). A majority of the respondents 85.0% (n = 357), primarily reside in the Gauteng province of South Africa, followed by those who reside in the KwaZulu-Natal province at 6% (n = 25), whilst the lowest proportion of respondents 0.5% (n = 2) reside in the Free State province of South Africa.

From an education perspective, a majority of the respondents, 87.1% (n = 366), indicated that they had completed a tertiary diploma or degree, whilst 11.0% of the respondents (n = 46) had some tertiary education (albeit not completed) and 1.9% of the respondents (n = 8) had completed a matric qualification.

Furthermore, 27.9% of the respondents (n = 117) were English-speaking, followed by those who selected IsiZulu as their home language at 20.7% (n = 87), while 0.7% (n = 3) of respondents indicated that they were Ndebele-speaking.

It can also be seen that 93.3% (n = 392) of the respondents indicated that they were full-time employees or self-employed, followed by students at 1.7% (n = 7), while 1.4% of the respondents (n = 6) were unemployed.

Lastly, the results show that 64.8% of the respondents (n = 272) were born from 1981 onwards (38 years old and younger), while 35.2% of the respondents (n = 148) were born prior to 1981 (older than 38 years old), with an average respondent age of 37.

## **5.3 Descriptive Statistics**

### **5.3.1 Loyalty Programme Structure and Reward Type**

The descriptive statistics of the loyalty programme structure and reward are presented in Table 7, below. From a loyalty programme structure perspective, the results show that of the 420 survey respondents, 74.3% (n = 312) indicated that their loyalty programme had a tiered structure, while 25.7% (n = 108) indicated that their loyalty programme did not have a tiered structure. The respondents were then required to indicate the loyalty programme reward type that they made use of the most, and the results show that a majority of the respondents mostly made use of

points or currency that can only be used to purchase other goods or services, at 59.8% (n = 251), followed by those who indicated that they mostly made use of points or “currency” that can be translated to physical cash, at 32.4% (n = 136), while 6.9% (n = 29) indicated that they mostly made use of the access to exclusive benefits reward type.

**Table 7: Descriptive Statistics of the Loyalty Reward Programme Structure and The Reward Type**

| <b>Variables</b>  |  | <b>Frequency<br/>(n)</b> | <b>Percent<br/>(%)</b> |
|---|--|--------------------------|------------------------|
| Does your loyalty programme have a tiered structure? A tiered structure relates to hierarchies or different statuses, which qualify a customer for differing levels of benefits | Yes  | 312                      | 74.3                   |
|   | No   | 108                      | 25.7                   |
|   | <b>Total</b>   | <b>420</b>               | <b>100.0</b>           |
| Which ONE of the following reward types provided by your loyalty programme do you make use of the most?   | Points or “currency” that can be translated to physical cash                                     | 136                      | 32.4                   |
|   | Points or “currency” that can only be used to purchase goods or services such as household items | 251                      | 59.8                   |
|   | Access to exclusive benefits   | 29                       | 6.9                    |
|   | Other, please specify in space below   | 4                        | 1.0                    |
|   | <b>Total</b>   | <b>420</b>               | <b>100.0</b>           |

### 5.3.2 Customer's Satisfaction with their Loyalty Programme

Table 8 presents the descriptive statistics of the customer's satisfaction with their loyalty programme construct, the mean values ranged from a low of 3.53 to a high of 3.96, all with medians of 4. The skewness values ranged from -1.005 to -0.441 with a standard error of 0.119, while the kurtosis values ranged from -0.632 to 0.477 with a standard error of 0.238. The overall construct mean was 3.71 (SD = 1.023), with a skewness of -0.581 and a kurtosis of -0.261. According to Singh (2017), normality can be tested using skewness and kurtosis amounts, where values of between negative two and positive two indicate a normal distribution, therefore the below values indicate a normal distribution.

The highest mean value was for variable 1 (I made a good choice when I decided to participate in this programme) with a mean of 3.96 (SD = 1.095), while the lowest mean was for variable 3 (the advantages I receive, being a member of this programme, meet my expectations) with a mean of 3.53 (SD = 1.171).

**Table 8: Descriptive Statistics for Customer's Satisfaction with Loyalty Programme Construct**

|   | Variable   | Mean | Median | Std. Deviation | Skewness | Kurtosis |
|---|--|------|--------|----------------|----------|----------|
| 1 | I made a good choice when I decided to participate in this programme             | 3,96 | 4,00   | 1,095          | -1,005   | 0,477    |
| 2 | My overall evaluation of this programme is good                                  | 3,75 | 4,00   | 1,072          | -0,617   | -0,308   |
| 3 | The advantages I receive, being a member of this programme, meet my expectations | 3,53 | 4,00   | 1,171          | -0,441   | -0,632   |

|   |   |      |      |       |        |        |
|---|---|------|------|-------|--------|--------|
| 4 | All in all, I'm satisfied with this programme | 3,60 | 4,00 | 1,123 | -0,454 | -0,547 |
|---|---|------|------|-------|--------|--------|

### 5.3.3 Customer's Satisfaction with their Bank

Table 9 presents the descriptive statistics of the customer's satisfaction with their bank construct, the mean values ranged from 3.62 to 4.00, with medians of 4, the skewness ranged from -0.911 to -0.439 with a standard error of 0.119, while the kurtosis ranged from -0.621 to 0.256, with a standard error of 0.238. The overall construct mean was 3.83 (SD = 0.990), with a skewness of -0.728 and a kurtosis of -0.077, therefore indicating that the data was normally distributed (Singh, 2017).

The highest mean value was for variable 5 (my choice to bank with my bank was a wise one) with a mean of 4.00 (SD = 1.052), while the lowest mean value was for variable 6 (I am always delighted with my bank's service) with a mean value of 3.62 (SD = 1.118).

**Table 9: Descriptive Statistics for Customer's Satisfaction with their Bank Construct**

|   | Variable  | Mean | Median | Std. Deviation | Skewness | Kurtosis |
|---|---|------|--------|----------------|----------|----------|
| 5 | My choice to bank with my bank was a wise one                     | 4,00 | 4,00   | 1,052          | -0,911   | 0,256    |
| 6 | I am always delighted with my bank's service                      | 3,62 | 4,00   | 1,118          | -0,439   | -0,621   |
| 7 | Overall, I am satisfied with my bank                              | 3,79 | 4,00   | 1,052          | -0,740   | 0,041    |
| 8 | I think I did the right thing when I decided to bank with my bank | 3,88 | 4,00   | 1,068          | -0,765   | -0,064   |
| 9 | I feel good about banking with my bank                            | 3,85 | 4,00   | 1,075          | -0,774   | -0,050   |

### 5.3.4 Customer's Loyalty to their Bank

Table 10 presents the descriptive statistics of the customer's loyalty to their bank construct, the mean values ranged from 3.55 to 3.89, with medians of 4. The skewness ranged from -0.901 to -0.434 with a standard error of 0.119, while the kurtosis ranged from -0.733 to 0.044 with a standard error of 0.238. The overall construct mean was 3.76 (SD = 1.024), with a skewness of -0.624 and a kurtosis of -0.355, therefore indicating that the data was normally distributed (Singh, 2017).

The highest mean value was for variable 14 (I will continue to do business with my bank for the next few years) with a mean of 3.89 (SD = 1.123), while the lowest mean value was for variable 12 (I encourage friends and relatives to do business with my bank) with a mean of 3.55 (SD = 1.185).

**Table 10: Descriptive Statistics for Customer' Loyalty to their Bank Construct**

|    | Variable  | Mean | Median | Std. Deviation | Skewness | Kurtosis |
|----|---|------|--------|----------------|----------|----------|
| 10 | I say positive things about my bank to other people                       | 3,79 | 4,00   | 1,093          | -0,759   | 0,044    |
| 11 | I recommend my bank to someone who seeks my advice                        | 3,71 | 4,00   | 1,157          | -0,628   | -0,480   |
| 12 | I encourage friends and relatives to do business with my bank             | 3,55 | 4,00   | 1,185          | -0,434   | -0,733   |
| 13 | I consider my bank first choice when I purchase banking products/services | 3,77 | 4,00   | 1,206          | -0,755   | -0,396   |
| 14 | I will continue to do business with my bank for the next few years        | 3,89 | 4,00   | 1,123          | -0,901   | 0,115    |

|    |   |      |      |       |        |        |
|----|---|------|------|-------|--------|--------|
| 15 | I am willing to maintain my relationship with my bank | 3,89 | 4,00 | 1,085 | -0,784 | -0,119 |
| 16 | I am loyal to my bank                                 | 3,70 | 4,00 | 1,220 | -0,627 | -0,570 |

### 5.3.5 Customer's Advocacy for their Bank

Table 11 presents the descriptive statistics of the customer's advocacy for their bank construct. The mean values ranged from a low of 3.59 to a high of 3.78, with medians of 4. The Skewness ranged from -1.673 to -0.399 with a standard error of 0.119, while the Kurtosis ranged from -0.748 to 0.300 with a standard error of 0.238. The overall construct mean was 3.67 (SD = 1.071), with a skewness of -0.516 and a kurtosis of -0.506, therefore indicating that the data was normally distributed (Singh, 2017).

The highest mean value was for variable 17 (I have said positive things about my bank to other people, such as my friends, relatives or co-workers) with a mean value 3.78 (SD = 1.085), while the lowest mean was for variable 19 (I have encouraged other people such as friends, relatives or co-workers to use my bank) with a mean value of 3.59 (SD = 1.145).

**Table 11: Descriptive Statistics for the Customer's Advocacy for their Bank Construct**

|    | Variable   | Mean | Median | Std. Deviation | Skewness | Kurtosis |
|----|--|------|--------|----------------|----------|----------|
| 17 | I have said positive things about my bank to other people, such as my friends, relatives or co-workers | 3,78 | 4,00   | 1,085          | -0,673   | -0,300   |
| 18 | I have recommended my  | 3,64 | 4,00   | 1,144          | -0,483   | -0,666   |



|    |  |      |      |       |        |        |
|----|--|------|------|-------|--------|--------|
|    | bank to other people, such as my friends, relatives or co-workers                      |      |      |       |        |        |
| 19 | I have encouraged other people such as friends, relatives or co-workers to use my bank | 3,59 | 4,00 | 1,145 | -0,399 | -0,748 |

#### 5.4 Factor Analysis

Exploratory factor analysis (EFA) was conducted to analyse the structure of the variables in the study, and principal component analysis was used as the extraction method, with Varimax for rotation.

A Bartlett's test of sphericity value that is statistically significant (less than 0.05) indicates that there is sufficient correlation between the variables, while a Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) that is above 0.5 indicates sample adequacy (Hair et al., 2014).

Table 12 summarises the results of the exploratory factor analysis (a more detailed presentation of the results can be found in Appendix 3). As can be seen in table 14, the KMO values for all the constructs were above 0.5 and the Bartlett's test of sphericity values were all statistically significant at 0.00 (less than 0.05).

Furthermore, for loyalty programme satisfaction, one factor was extracted from the four variables, representing 84.142% of the variance and an Eigen value of 3.366; for bank satisfaction one factor was extracted from the five variables, representing 85.270% of the variance and an Eigen value of 4.264; for customer loyalty, one factor was extracted from the seven variables, representing 79.180% of the variance and an Eigen value of 5.543; and for customer advocacy, one factor was extracted from

the three variables, representing 90.660% of the variance and an Eigen value of 2.720.

**Table 12: Exploratory Factor Analysis Results**

| Construct  | KMO  | Bartlett's test of sphericity | Number of components extracted | Eigen Value | Cumulative % |
|--|------|-------------------------------|--------------------------------|-------------|--------------|
| Customer satisfaction with the loyalty programme | 0.83 | 0.00                          | 1                              | 3.366       | 84.14        |
| Customer satisfaction with the bank              | 0.89 | 0.00                          | 1                              | 4.264       | 85.27        |
| Customer loyalty                                 | 0.91 | 0.00                          | 1                              | 5.543       | 79.18        |
| Customer advocacy                                | 0.75 | 0.00                          | 1                              | 2.720       | 90.66        |

## 5.5 Reliability and Validity Testing

### 5.5.1 Reliability

The reliability of the measurement scales used in this study was assessed using Cronbach's alpha, an acceptable minimum Cronbach value is 0.7 (Hair et al., 2014). As can be seen in in Table 13, all constructs in this study had Cronbach alpha values well above the minimum of 0.7, thus indicating that the scales are reliably measuring the constructs that are intended to be measured. The Cronbach alphas ranged from 0.94 for the loyalty programme satisfaction construct, to 0.96 for the customer loyalty and bank satisfaction constructs.

**Table 13: Cronbach's alpha per construct**

| Construct  | Cronbach's Alpha |
|--|------------------|
| Customer satisfaction with the loyalty programme | 0.83             |
| Customer satisfaction with the bank              | 0.89             |

|                   |      |
|-------------------|------|
| Customer loyalty  | 0.91 |
| Customer advocacy | 0.75 |

### 5.5.2 Convergent Validity

The convergent validity of the measurement instruments was assessed using confirmatory factor analysis (CFA), where all factor loadings should ideally be higher than 0.7 (Hair et al., 2014) and the average variance extracted (AVE) values should be above 0.5 to indicate sufficient convergent validity (Hair et al., 2014). As can be seen in Table 14, all factors loaded above 0.7, ranging from 0.78 to 0.96, and the construct AVEs were above 0.5.

**Table 14: Convergent Validity Results**

|                                       | Variable   | Cronbach's Alpha | Factor Loading | AVE  |
|---------------------------------------|--|------------------|----------------|------|
| <b>Loyalty Programme Satisfaction</b> | I made a good choice when I decided to participate in this programme             | 0.94             | 0.78           | 0.79 |
|                                       | My overall evaluation of this programme is good                                  |                  | 0.87           |      |
|                                       | The advantages I receive, being a member of this programme, meet my expectations |                  | 0.96           |      |
|                                       | All in all, I'm satisfied with this programme                                    |                  | 0.94           |      |
| <b>Bank Satisfaction</b>              | My choice to bank with my bank was a wise one                                    | 0.96             | 0.82           | 0.82 |
|                                       | I am always delighted with my bank's service                                     |                  | 0.84           |      |
|                                       | Overall, I am satisfied with my bank   |                  | 0.93           |      |
|                                       | I think I did the right thing when I decided to bank with my bank                |                  | 0.96           |      |

|                          |  |      |      |      |
|--------------------------|--|------|------|------|
|                          | I feel good about banking with my bank   |      | 0.96 |      |
| <b>Customer Loyalty</b>  | I say positive things about my bank to other people  | 0.96 | 0.85 | 0.76 |
|                          | I recommend my bank to someone who seeks my advice   |      | 0.87 |      |
|                          | I encourage friends and relatives to do business with my bank  |      | 0.82 |      |
|                          | I consider my bank first choice when I purchase banking products/services                              |      | 0.87 |      |
|                          | I will continue to do business with my bank for the next few years                                     |      | 0.92 |      |
|                          | I am willing to maintain my relationship with my bank  |      | 0.93 |      |
|                          | I am loyal to my bank  |      | 0.82 |      |
| <b>Customer Advocacy</b> | I have said positive things about my bank to other people, such as my friends, relatives or co-workers | 0.95 | 0.87 | 0.87 |
|                          | I have recommended my bank to other people, such as my friends, relatives or co-workers                |      | 0.96 |      |
|                          | I have encouraged other people such as friends, relatives or co-workers to use my bank                 |      | 0.96 |      |

### 5.5.3 Discriminant Validity

Hair et al. (2014) explain that discriminant validity can be measured by comparing the AVEs of the individual constructs against the squared correlations between those constructs. AVEs that are higher than the squared correlations indicate discriminant validity.

Table 15 presents the discriminant validity results. As can be seen in the table, all the AVEs of the individual constructs are greater than the squared correlations

between the constructs, which indicates that the measurement instruments that are used in this study have discriminant validity.

**Table 15: Discriminant Validity Results**

| <b>Constructs</b>              | <b>AVE</b> | <b>Squared Correlations</b> |
|--------------------------------|------------|-----------------------------|
| Loyalty Programme Satisfaction | 0.79       | 0.334                       |
| Bank Satisfaction              | 0.82       |                             |
|                                |            |                             |
| Bank Satisfaction              | 0.82       | 0.753                       |
| Customer Loyalty               | 0.76       |                             |
|                                |            |                             |
| Bank Satisfaction              | 0.82       | 0.573                       |
| Customer Advocacy              | 0.87       |                             |

## 5.6 Hypothesis Testing

### 5.6.1a Loyalty Programme Structure as a Predictor of Customer Satisfaction

The first objective of this study was to determine whether a loyalty programme's structure is a predictor of the customer's satisfaction with the loyalty programme and can be hypothesised as follows.

H<sub>1a</sub>: A loyalty programme's structure predicts the customer's satisfaction with their loyalty programme.

A simple linear regression was conducted in order to test this hypothesis and the results are presented in table 16 and 17 below. As can be seen in table 16, only 0.1% of the customer's satisfaction with their loyalty programme can be explained by loyalty programme structure, evidenced by an adjusted R square value of 0.001. Table 17 shows that the standardised regression Beta was 0.062, with a statistically insignificant p-value of 0.207 at a 95% confidence interval, indicating that a loyalty programme's structure is not a statistically significant predictor of loyalty programme satisfaction. Hypothesis 1a is thus not supported.

The assumptions of a regression analysis were tested and proven, as both the construct variables for this hypothesis are continuous in nature (the data is Likert-type scale data); there was no auto-correlation in the regression residuals, evidenced by a DW value of 2.028 (the value should be between 1 and 3); while normal distribution was assessed through the skewness and kurtosis values in Section 5.3, above.

**Table 16: Linear Regression Model Summary**

| Model | R    | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|------|----------|-------------------|----------------------------|---------------|
| 1     | .062 | 0.004    | 0.001             | 1.02240                    | 2.028         |

a. Predictors: (Constant) Loyalty Programme Structure

b. Dependent Variable: Loyalty Programme Satisfaction

**Table 17: Linear Regression Coefficients**

| Model             | Unstandardised Coefficients |            | Standardised Coefficients | t      | Sig.  |
|-------------------|-----------------------------|------------|---------------------------|--------|-------|
|                   | B                           | Std. Error | Beta                      |        |       |
| (Constant)        | 3.602                       | 0.098      |                           | 36.611 | 0.000 |
| Bank Satisfaction | 0.144                       | 0.114      | 0.062                     | 1.263  | 0.207 |

a. Dependent Variable: Loyalty Programme Satisfaction

### **5.6.1b Loyalty Programme Reward Type as a Predictor of Loyalty Programme Satisfaction**

The second objective of this study was to determine whether a loyalty programme's reward type is a predictor of the customer's satisfaction with the loyalty programme and can be hypothesised as follows.

H<sub>1a</sub>: A loyalty programme’s reward type predicts the customer’s satisfaction with their loyalty programme.

Given that the reward structure data for this study was categorical in nature, where the independent variable was made up of three independent groups, a regression analysis could not be conducted to test this hypothesis. Instead a difference in means test was conducted between three of the four reward type groups, using the one-way ANOVA test, and the results are presented in Table 18 to 20, below. The fourth reward type group, which was the “other” group, only had one respondent, therefore it could not be statistically tested. As can be seen in Table 19, the p-value was statistically insignificant at 0.390, indicating that the means of the three groups were not significantly different. Hypothesis 1b is thus not supported.

The assumptions of an ANOVA were tested and proven, as the dependent variable (loyalty programme satisfaction) was continuous in nature (the data is Likert-type scale data); the three groups that make up the independent variable were independent of one another (the survey respondents were only able to select one of the groups); while normal distribution was assessed through the skewness and kurtosis values in Section 5.3, above. The p-value in the Levene’s test of homogeneity of variances table (Table 20) was above 0.05, therefore violating the homogeneity of variances assumption, however the p-values in the Games-Howell test (see Appendix 3, Table 5) were all greater than 0.05, thus proving that the homogeneity assumption is not violated (Chiba, 2015).

**Table 18: Descriptive Results for Loyalty Programme Reward Type Groups**

| Group | N          | Mean          | Std. Deviation | Std. Error     | Interval for Mean |               | Minimum     | Maximum     |
|-------|------------|---------------|----------------|----------------|-------------------|---------------|-------------|-------------|
|       |            |               |                |                | Lower Bound       | Upper Bound   |             |             |
| 1     | 29         | 3.5776        | 1.23039        | 0.22848        | 3.1096            | 4.0456        | 1.00        | 5.00        |
| 2     | 136        | 3.6379        | 1.08646        | 0.09316        | 3.4536            | 3.8221        | 1.00        | 5.00        |
| 3     | 254        | 3.7648        | 0.96250        | 0.06039        | 3.6458            | 3.8837        | 1.00        | 5.00        |
|       | <b>419</b> | <b>3.7106</b> | <b>1.02376</b> | <b>0.05001</b> | <b>3.6123</b>     | <b>3.8089</b> | <b>1.00</b> | <b>5.00</b> |

|   |            |  |
|---|------------|--|
| 4 | 1          | The “other” group (group 4) only had one respondent, therefore it could not be statistically tested. |
|   | <b>420</b> |  |

*Group 1: Access to exclusive benefits (e.g. airport lounge etc.)*

*Group 2: Points or “currency” that can be translated to physical cash (i.e. physical cash that you can withdraw from an ATM).*

*Group 3: Points or “currency” that can only be used to purchase (or to have discounts on) goods or services such as household items, petrol, groceries, flights, hotels*

*Group 4: Other*

**Table 19: Differences in Means Results**

|                | <b>Sum of Squares</b> | <b>df</b> | <b>Mean Square</b> | <b>F</b> | <b>Sig.</b> |
|----------------|-----------------------|-----------|--------------------|----------|-------------|
| Between Groups | 1.978                 | 2         | 0.989              | 0.943    | 0.390       |
| Within Groups  | 436.123               | 416       | 1.048              |          |             |
| Total          | 438.100               | 418       |                    |          |             |

**Table 20: Test of Homogeneity of Variances**

|               | <b>Levene Statistic</b> | <b>df1</b> | <b>df2</b> | <b>Sig.</b> |
|---------------|-------------------------|------------|------------|-------------|
| Based on Mean | 3.384                   | 2          | 416        | 0.035       |

### **5.6.2 Loyalty Programme Satisfaction as a Predictor of Bank Satisfaction**

The third objective of this study was to determine whether a customer’s satisfaction with their loyalty programme is a predictor of the customer’s satisfaction with their bank and can be hypothesised as follows.

H<sub>2</sub>: A customer’s satisfaction with their loyalty programme predicts the customer’s satisfaction with their bank.



A simple linear regression was conducted in order to test this hypothesis and the results are presented in Table 21 to 23 below. As can be seen in Table 21, 33.3% of the customer's satisfaction with their bank can be explained by the customer's satisfaction with their loyalty programme, evidenced by an adjusted R square value of 0.333. In addition, as per Table 22 the ANOVA table in the regression output had a p-value of 0.000, thus indicating that the model is a good fit for the data. Furthermore, Table 23 shows that the standardised regression Beta was 0.578, with a significant p-value of 0.000 at a 95% confidence interval, indicating that loyalty programme satisfaction is a predictor of bank satisfaction. The hypothesis is thus supported.

The assumptions of a regression analysis were tested and proven, as both the construct variables for this hypothesis are continuous in nature (the data is Likert-type scale data); there was no auto-correlation in the regression residuals, evidenced by a DW value of 2.101 (the value should be between 1 and 3); while normal distribution was assessed through the skewness and kurtosis values in Section 5.3, above.

**Table 21: Linear Regression Model Summary**

| Model | R    | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|------|----------|-------------------|----------------------------|---------------|
| 2     | .578 | 0.334    | 0.333             | 0.80874                    | 2.101         |

a. Predictors: (Constant) Loyalty Programme Satisfaction

b. Dependent Variable: Bank Satisfaction

**Table 22: Linear Regression ANOVA**

|            | Sum of Squares | df | Mean Square | F       | Sig.              |
|------------|----------------|----|-------------|---------|-------------------|
| Regression | 137.247        | 1  | 137.247     | 209.838 | .000 <sup>b</sup> |

|          |         |     |       |  |  |
|----------|---------|-----|-------|--|--|
| Residual | 273.398 | 418 | 0.654 |  |  |
| Total    | 410.646 | 419 |       |  |  |

a. Dependent Variable: Bank Satisfaction

b. Predictors: (Constant) Loyalty Programme Satisfaction

**Table 23: Linear Regression Coefficients**

| Model                          | Unstandardised Coefficients |            | Standardised Coefficients | t      | Sig.  |
|--------------------------------|-----------------------------|------------|---------------------------|--------|-------|
|                                | B                           | Std. Error | Beta                      |        |       |
| (Constant)                     | 1.754                       | 0.149      |                           | 11.808 | 0.000 |
| Loyalty Programme Satisfaction | 0.559                       | 0.039      | 0.578                     | 14.486 | 0.000 |

a. Dependent Variable: Bank Satisfaction

### 5.6.3 Bank Satisfaction as a Predictor of Customer Loyalty

The fourth objective of this study was to determine whether a customer's satisfaction with their bank is a predictor of the customer's loyalty to their bank and can be hypothesised as follows.

H<sub>3</sub>: A customer's satisfaction with their bank predicts the customer's loyalty to their bank.

A simple linear regression was conducted in order to test this hypothesis and the results are presented in Table 24 to 26, below. As can be seen in Table 24, 75.3% of the customer's loyalty to their bank can be explained by the customer's satisfaction with their bank, evidenced by an adjusted R square value of 0.753. In addition, as per Table 25 the ANOVA table in the regression output had a p-value of 0.000, thus indicating that the model is a good fit for the data. Furthermore, Table 26 shows that the standardised regression Beta was 0.868, with a significant p-value of 0.000 at a 95% confidence interval, indicating that bank satisfaction is a predictor of bank loyalty. The hypothesis is thus supported.

The assumptions of a regression analysis were tested and proven, as both the construct variables for this hypothesis are continuous in nature (the data is Likert-type scale data); there was no auto-correlation in the regression residuals, evidenced by a DW value of 1.915 (the value should be between 1 and 3); while normal distribution was assessed through the skewness and kurtosis values in Section 5.3, above.

**Table 24: Linear Regression Model Summary**

| Model | R    | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|------|----------|-------------------|----------------------------|---------------|
| 3     | .868 | 0.753    | 0.753             | 0.50954                    | 1.915         |

a. Predictors: (Constant) Bank Satisfaction

b. Dependent Variable: Customer Loyalty

**Table 25: Linear Regression ANOVA**

|            | Sum of Squares | df  | Mean Square | F        | Sig.              |
|------------|----------------|-----|-------------|----------|-------------------|
| Regression | 331.152        | 1   | 331.152     | 1275.471 | .000 <sup>b</sup> |
| Residual   | 108.526        | 418 | 0.260       |          |                   |
| Total      | 439.678        | 419 |             |          |                   |

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant) Bank Satisfaction

**Table 26: Linear Regression Coefficients**

| Model | Unstandardised Coefficients | Standardised Coefficients | t | Sig. |
|-------|-----------------------------|---------------------------|---|------|
|-------|-----------------------------|---------------------------|---|------|

|                   | <b>B</b> | <b>Std. Error</b> | <b>Beta</b> |        |       |
|-------------------|----------|-------------------|-------------|--------|-------|
| (Constant)        | 0.678    | 0.091             |             | 7.413  | 0.000 |
| Bank Satisfaction | 0.839    | 0.023             | 0.868       | 35.714 | 0.000 |

a. Dependent Variable: Customer Loyalty

#### **5.6.4 Bank Satisfaction as a Predictor of Customer Advocacy**

The fifth objective of the study was to determine whether a customer's satisfaction with their bank is a predictor of the customer's advocacy for their bank and can be hypothesised as follows.

H<sub>4</sub>: A customer's satisfaction with their bank predicts the customer's advocacy for their bank.

A simple linear regression was conducted in order to test this hypothesis and the results are presented in Table 27 to 29 below. As can be seen in table 27, 57.3% of the customer's advocacy for their bank can be explained by the customer's satisfaction with their bank, evidenced by an adjusted R square value of 0.573. In addition, as per Table 28 the ANOVA table in the regression output had a p-value of 0.000, thus indicating that the model is a good fit for the data. Furthermore, Table 29 shows that the standardised regression Beta was 0.757, with a significant p-value of 0.000 at a 95% confidence interval, indicating that bank satisfaction is a predictor of customer advocacy. Therefore, the hypothesis is supported.

The assumptions of a regression analysis were tested and proven, as both the construct variables for this hypothesis are continuous in nature (the data is Likert-type scale data); there was no auto-correlation in the regression residuals, evidenced by a DW value of 2.077 (the value should be between 1 and 3); while normal distribution was assessed through the skewness and kurtosis values in Section 5.3, above.

**Table 27: Linear Regression Model Summary**

| Model | R    | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|------|----------|-------------------|----------------------------|---------------|
| 4     | .757 | 0.573    | 0.572             | 0.64751                    | 2.077         |

a. Predictors: (Constant) Bank Satisfaction

b. Dependent Variable: Customer Advocacy

**Table 28: Linear Regression ANOVA**

|            | Sum of Squares | df  | Mean Square | F        | Sig.              |
|------------|----------------|-----|-------------|----------|-------------------|
| Regression | 331.152        | 1   | 331.152     | 1275.471 | .000 <sup>b</sup> |
| Residual   | 108.526        | 418 | 0.260       |          |                   |
| Total      | 439.678        | 419 |             |          |                   |

a. Dependent Variable: Customer Advocacy

b. Predictors: (Constant) Bank Satisfaction

**Table 29: Linear Regression Coefficients**

| Model             | Unstandardised Coefficients |            | Standardised Coefficients | t      | Sig.  |
|-------------------|-----------------------------|------------|---------------------------|--------|-------|
|                   | B                           | Std. Error | Beta                      |        |       |
| (Constant)        | 1.263                       | 0.113      |                           | 11.190 | 0.000 |
| Bank Satisfaction | 0.700                       | 0.030      | 0.757                     | 23.695 | 0.000 |

a. Dependent Variable: Customer Advocacy

### 5.6.5 Summary of Hypothesis Test

In summary, hypotheses 1a and 1b of the study were not supported, while hypotheses 2, 3 and 4 were supported, evidenced by positive standardised regression Betas with significant p-values at a 95% confidence interval, as shown in Table 30, below.

**Table 30: Summary of Hypotheses Testing Results**

| <b>Hypothesis</b>  | <b>Beta</b> | <b>Sig.</b> | <b>Supported or Not Supported</b> |
|--|-------------|-------------|-----------------------------------|
| <b>H1a:</b> Loyalty Programme Structure : Loyalty Programme Satisfaction   | 0.062       | 0.207       | Not supported                     |
| <b>H1b:</b> Loyalty Programme Reward Type : Loyalty Programme Satisfaction | N/A         | 0.390       | Not supported                     |
| <b>H2:</b> Loyalty Programme Satisfaction : Customer Satisfaction          | 0.578       | 0.000       | Supported                         |
| <b>H3:</b> Customer Satisfaction : Customer Loyalty                        | 0.868       | 0.000       | Supported                         |
| <b>H4:</b> Customer Satisfaction : Customer Advocacy                       | 0.757       | 0.000       | Supported                         |

## **CHAPTER 6**

### **6. Discussion of Results**

#### **6.1 Introduction**

This chapter discusses the findings of this study with regards to the hypotheses that were framed in Chapter 3. The findings are then contrasted against the findings from other studies that were discussed in the literature review section of this study. Thereafter, recommendations are made for company managers, in light of the findings of this study as well as other studies.

#### **6.2 Hypothesis Discussion**

##### **6.2.1 Hypothesis 1a**

H<sub>1a</sub>: A loyalty programme's structure predicts the customer's satisfaction with their loyalty programme.

Hypothesis 1a sought to determine whether loyalty programme structure predicts loyalty programme satisfaction in retail banking customers. The results found loyalty programme structure to not be a predictor of overall bank satisfaction, evidenced by a standardised regression Beta of 0.062, with an insignificant p-value of 0.207. This hypothesis is thus not supported.

It is surprising that the results of this study suggest that customers are indifferent to the structure of their loyalty programmes and that all the structures result in the same level of customer satisfaction. Particularly given the studies that found that the social identity theory suggests that customers prefer hierarchies in loyalty programmes so as to have an advantageous status in comparison to others (Eggert et al., 2015; Steinhoff & Palmatier, 2016).

The findings of this study are also in contrast with the findings in the seminal work of Drezè and Nunes (2009), who posited that loyalty programmes with tiered or hierarchical structures yielded more loyalty programme satisfaction in customers, than those without tiers, as well as the seminal work of McCall and Voorhees who posited that loyalty programme structure is a driver of loyalty programme effectiveness.

The findings of this study are also in contrast with the findings of Steinhoff and Palmatier (2016) who posited that hierarchical loyalty programmes have an adverse impact on loyalty programme effectiveness and satisfaction as the down-grading of customers' statuses may lead to dissatisfaction and reduced loyalty. Similarly, Kang et al. (2015) posited that loyalty programme satisfaction and customer loyalty are unfavourably impacted when a customer's loyalty programme member status has been demoted.

It could be possible that though loyalty programme structure is not a predictor of loyalty programme satisfaction, it could play a mediating or moderating role between another design element and loyalty programme satisfaction. Managers could potentially look into other design elements that could be predictors of loyalty programme satisfaction, as well as explore the possibility of a mediating or moderating role that could be played by loyalty programme structure.

In summary, the findings of this study surprisingly show that there is no predictor relationship between loyalty programme structure and loyalty programme satisfaction. Managers and academics should explore other loyalty programme design elements that could be predictors of loyalty programme satisfaction, as well as explore a potential mediating or moderating role that could be played by loyalty programme reward types.

### **6.2.2 Hypothesis 1b**

H<sub>1a</sub>: A loyalty programme's reward type predicts the customer's satisfaction with their loyalty programme.

Hypothesis 1b sought to determine whether loyalty programme reward type predicts loyalty programme satisfaction in retail banking customers. The results found loyalty programme reward type to not be a predictor of overall bank satisfaction, evidenced by an insignificant p-value of 0.390. This hypothesis is thus not supported.

The findings of this study are in contrast with the findings of a study by Mimouni-Chaabane and Volle (2010), who found that the varying types of loyalty programme rewards have a varying impact on the levels of satisfaction derived by customers, where the authors found that rewards that were monetary in nature have the most



significant impact on loyalty programme satisfaction. Similarly, a study by Balci et al. (2019), found a relationship between the types of incentives offered by companies in the container shipping industry and customer satisfaction, positing that relationship marketing strategies that are financial in nature, such as product discounts and other price incentives, have a larger impact on customer satisfaction than strategies that are not of a financial nature.

It is therefore surprising that the results of this study suggest that customers are indifferent to the types of rewards that they receive from their loyalty programmes and that all the rewards result in the same level of customer satisfaction. As was suggested in the loyalty programme structure discussion above, it could be possible that though reward type is not a predictor of loyalty programme satisfaction, it could play a mediating or moderating role between another design element and loyalty programme satisfaction.

The findings of this study could potentially also be explained by the studies that have found that loyalty programmes generally result in customer gratitude and appreciation (Esmark et al., 2016; Steinhoff and Palmatier, 2016), so it could be possible that customers feel gratitude and satisfaction from receiving the loyalty rewards from companies, regardless of the type of rewards that they receive, and that this gratitude translates to loyalty programme satisfaction.

In summary, the findings of this study surprisingly show that there is no predictor relationship between loyalty programme reward type and loyalty programme satisfaction. Managers and academics should explore other loyalty programme design elements that could be predictors of loyalty programme satisfaction, as well as explore a potential mediating or moderating role that could be played by loyalty programme reward types.

### **6.2.3 Hypothesis 2**

H<sub>2</sub>: A customer's satisfaction with their loyalty programme predicts the customer's satisfaction with their bank.

Hypothesis 2 sought to determine whether loyalty programme satisfaction predicts overall bank satisfaction in retail banking customers. The results found loyalty

programme satisfaction to be a predictor of overall bank satisfaction, evidenced by a standardised regression Beta of 0.578, with a significant p-value of 0.000. This hypothesis is thus supported.

This finding supports the findings by Deepa and Chitramani (2014) who found a positive significant relationship between loyalty programme satisfaction in the retail grocery store sector and store satisfaction, as well as that of Zakaria et al. (2014) who posited that a positive significant relationship exists between loyalty programmes and customer satisfaction, where customers who participate in the loyalty programmes offered by companies have higher levels of customer satisfaction than those who do not. Furthermore, the authors posited that the effectiveness of loyalty programmes can be measured through the achievement of loyalty programme satisfaction.

As discussed in the literature review section of this study, customer satisfaction is said to be an after-consumption comparison of the expectations that the customer had for a product or service and their actual experience of that product or service, where if the customer's expectations are exceeded by the product or service, satisfaction is accomplished, whilst dissatisfaction occurs where there is a failure to meet the customer's expectations (Zhou et al., 2014). Studies have found a relationship between emotions evoked from customer experiences and customer satisfaction (Mavondo, 2014; Koenig-Lewis & Palmer, 2014). Mavondo (2014) posited that, customer happiness is a strong driver of customer satisfaction, while Koenig-Lewis and Palmer (2014) posited that negative emotions from customer experiences have a larger impact on customer satisfaction than positive emotions. While, Marinkovic and Kalinic (2017) found that enjoyment as perceived by the customer, is an important driver of customer satisfaction. Therefore, in driving customer satisfaction, companies need to evoke positive emotions in customers. Given that studies show that loyalty programmes can evoke feelings of gratitude and appreciation in customers (positive emotions) (Esmark et al., 2016; Steinhoff & Palmatier, 2016), it can be surmised that these emotions that are evoked by loyalty programmes result in feelings of overall customer satisfaction with their bank.

The recommendation is thus that companies should offer loyalty programmes to their customers, particularly give the study that found that customers have come to expect

such relational benefits from companies (Lien et al., 2018; Yang et al., 2018). In addition, in driving customer satisfaction, companies need to not only offer loyalty programmes to their customers, but they need to encourage customer participation in the loyalty programmes. This can be done by designing loyalty programmes that make it easy for customers to participate in and do not require significant exertion of effort, as well as by not charging for loyalty programme participation.

In summary, this study supports the findings that have found that loyalty programme satisfaction drives customer satisfaction. It is therefore recommended that companies should not only offer loyalty programmes, but that managers should encourage customer participation in the loyalty programmes, by designing loyalty programmes that make it easy for customers to participate in.

### **6.2.4 Hypothesis 3**

H<sub>3</sub>: A customer's satisfaction with their bank predicts the customer's loyalty to their bank.

Hypothesis 3 sought to determine whether customer satisfaction predicts customer loyalty in retail banking customers. The results found customer satisfaction to be a predictor of customer loyalty, evidenced by a positive standardised regression Beta of 0.868, with a significant p-value of 0.000. This hypothesis is thus supported.

This finding supports the academic views that argue that customer satisfaction drives customer loyalty (Picón et al., 2014, Saleem & Raja, 2014; Liat et al., 2014; Hapsari et al., 2017; Mostert et al., 2016; Pappas et al., 2014). In their study related to insurance companies, Picón et al. (2014) found a positive relationship between customer satisfaction and customer loyalty and stressed that companies in the services sector should make customer satisfaction a strategic imperative for achieving customer loyalty and business success. Similarly, Mostert et al. (2016) found that customer satisfaction predicts brand loyalty, in their study on smart phones and generation Y customers, and that without customer satisfaction, there can be no brand loyalty.

Furthermore, there are studies that have posited that customers seek mutually beneficial relationships with their service providers in order to remain loyal, which is

in support of this study's findings regarding the ultimate role of loyalty programmes on customer loyalty, as loyalty programmes provide a mutual benefit for customers (Lee et al., 2014; Yeh, 2016).

However, there have been other studies that have argued that the relationship between customer satisfaction and customer loyalty is characterised by various mediators and moderators (Picón et al., 2014; El-Adly & Eid, 2016; Kaura et al., 2015), therefore it would be of value for companies to explore the effects of these mediators and moderators on this relationship, so as to strengthen the levels of customer loyalty in their businesses. In addition, some studies have also found that switching costs have a mediating effect on the relationship between customer satisfaction and customer loyalty, and that were possible, businesses should formulate strategies to increase the perceived costs of switching, as a way to encourage customer loyalty (Picón et al., 2014).

It should also be noted that some studies have found that repeat purchases do not necessarily always indicate loyalty as some customers are influenced by other factors such as location convenience (Kursunluoglu, 2014), and that at times, customer satisfaction has been found to impact the propensity for customers to repurchase without necessarily resulting in customer loyalty (Pandit & Vilches-Montero, 2015; Kursunluoglu, 2014). Managers should be cognisant of these findings.

Given the importance of customer loyalty in driving profits (Cossío-Silva et al., 2016; Yeh, 2015) and overall business success, it is recommended that companies should employ strategies that increase customer satisfaction, and in doing so, increase customer loyalty. Given that customer satisfaction is ultimately an after-consumption comparison of the expectations that the customer had for a product or service and their actual experience of that product or service (Zhou et al., 2014), in efforts to increase customer satisfaction, companies have to ensure that customer's expectations are exceeded. However, to do this, there first needs to be an understanding of what the customer's basic expectations are, so that efforts can be made to exceed those expectations. It is thus recommended that companies should develop methods to obtain an enhanced understanding of their customer's expectations. Once this understanding has been obtained, it is recommended that

companies should seek to exceed customer expectations by incorporating unexpected positive elements into product and service offerings. Particularly in light of recent studies that have found that, over and above the core products and services offered by companies, long-term customers have come to expect additional relational benefits such as discounts, customisations, as well as special treatment (as is the case with loyalty programme benefits and rewards), in return for their loyalty (Lien et al., 2018; Yang et al., 2018). However, it is also recommended that companies need to ensure excellence in their basic product offering first (getting the basics right), prior to the ancillary customer benefits, so as to drive customer satisfaction. It is further recommended that when it is in their power to do so, companies should ensure that their customer's expectations are managed (Barreto, 2014) so as to avoid disappointments and dissatisfaction.

In summary, this study supports previous studies that have found that there is a positive relationship between customer satisfaction and customer loyalty. In order to drive customer loyalty, managers need to ensure that they're customers are satisfied or delighted, by obtaining an understanding of their customers' expectations, by ensuring excellence in the basic service offering, by managing customers' expectations, as well as by incorporating unexpected positive elements into product and service offerings (such as loyalty programme rewards).

#### **6.2.5 Hypothesis 4**

H<sub>4</sub>: A customer's satisfaction with their bank predicts the customer's advocacy for their bank.

Hypothesis 4 sought to determine whether customer satisfaction predicts customer advocacy in retail banking customers. The results found customer satisfaction to be a predictor of customer advocacy, evidenced by a standardised regression Beta of 0.757, with a significant p-value of 0.000. This hypothesis is thus supported.

This finding supports literature that states that customer satisfaction leads to customer advocacy (Anaza, 2014; Choi & Lotz, 2016; Van Tonder & de Beer, 2018; Choudhury, 2014; Barreto, 2014). In his study on online shopping situations, Anaza (2014) found a positive relationship between customer satisfaction and customer advocacy. Similarly, Barreto (2014) found that satisfied customers are likely to

promote a brand, even when they are not loyal to that brand, suggesting that customer loyalty is not necessary for customer advocacy. While, Van Tonder & De Beer (2018) also found customer satisfaction to be a significant driver of customer advocacy. Choi and Lotz (2016) found positive post-service perceptions of an experience with a service provider to be a driver of customer citizenship behaviors, including customer advocacy.

However, it should be noted that Abubakar and Mavondo (2014) found, in a study on tourism destinations, that customer satisfaction may not be a sufficient driver of customer advocacy, as people don't necessarily speak about experiences that are merely satisfying. The authors found that it is emotions of excitement, happiness and joy that people tend to talk about, which results in the spreading of positive word of mouth. This view was supported by a study by Rozek and Karlicek (2014), who also found that the first step to customer advocacy is a happy customer, not just a satisfied customer.

As discussed in the literature review section of this study, customer advocacy has been shown to have a favourable impact on companies' profits, while costing companies very little (Van Tonder & Petzer, 2018; Barreto, 2014; Eisingerich et al., 2014). In addition, studies show that independent customer recommendations are more effective in driving sales, than the marketing efforts of companies (Rozek & Karlicek, 2014). Similarly, Lien et al. (2018) and Berger (2014) also found that customer recommendations are more trusted information sources for other customers, than recommendations from within companies, resulting in stronger purchase intentions. Given the potential financial benefits of customer advocacy for companies, it is important that managers formulate strategies that will result in customers advocating for them. To do this, managers need to ensure that they have an understanding of what the drivers of customer advocacy are.

Since the findings in this and other studies have found customer satisfaction to be a predictor of customer advocacy, companies need to ensure that their customers are satisfied, in efforts to drive advocacy. This can be accomplished through providing the basic company service / product offerings exceptionally well (getting the basics right), through managing customer expectations, so as to prevent disappointments and dissatisfaction, and through getting an understanding of what the customers'

expectations are prior to providing the service or product. However, as per the findings of Abubakar and Mavondo (2014), companies should aim not just for customer satisfaction, but for customer excitement, joy and happiness., this can be done by providing additional unexpected benefits to customers (such as loyalty programme rewards), so as to achieve feelings of happiness and excitement.

It should be noted that the other studies that have found different drives of customer advocacy, such as customer loyalty (Rizan, 2014; Cossío-Silva et al., 2016), relationship quality, innovation and corporate social responsibility (Yeh, 2015), as well as trust (Filiari et al., 2015), therefore in efforts to increase customer advocacy, companies need to also explore these other relationships.

In summary, this study supports the findings that posit that customer satisfaction is a driver of customer advocacy. However, there are studies which argue that customer satisfaction alone is not a sufficient drive of advocacy, as customers need to be happy or excited in order to share their experiences, therefore companies should aim to delight and excite customers, not just to satisfy them, in efforts of driving advocacy.

## **CHAPTER 7**

### **7. Conclusion to the Study**

#### **7.1 Introduction**

This chapter highlights the key findings of this research study and details the implications of the thereof both from a theoretical perspective as well as from a business perspective. Recommendations are then provided for managers in the retail banking sector as well as other stakeholders, then the limitations of the study are listed and suggestions for future research studies are tabled.

The purpose of this study is to determine whether loyalty programme satisfaction predicts overall customer satisfaction, and in turn, whether customer satisfaction predicts customer loyalty and customer advocacy, in the retail banking sector in South Africa, as well as to determine whether two loyalty programme design elements, loyalty programme structure and loyalty programme reward type, are predictors of loyalty programme satisfaction. Five hypotheses were accordingly formulated and tested.

Electronic surveys targeted at retail banking customers were administered for data collection purposes, following which the hypotheses were then tested through regression techniques as well as through an ANOVA technique, at a 95% confidence interval, where three of the hypotheses were supported, while two were not supported.

#### **7.2 Principal Findings and Theoretical Implications**

This study has provided insights into the relationship between loyalty programmes and key business success factors, namely customer satisfaction, customer loyalty and customer advocacy. The study found that the relationship between loyalty programme structure and loyalty programme satisfaction (H1a) as well as loyalty programme reward type and loyalty programme satisfaction (H1b) were not significant relationships. However, the relationships between loyalty programme satisfaction and customer satisfaction (H2), customer satisfaction and customer loyalty (H3) as well as customer satisfaction and customer advocacy (H4), were found to be significant relationships.



Given the current divergence of the academic and business views on the effectiveness of loyalty programmes, this study adds to the studies that have posited that loyalty programmes are effective in driving customer satisfaction as well as customer loyalty. Furthermore, this study also contributes to the currently under-researched topic of customer advocacy (Choi & Lotz, 2016; Lien et al., 2018), with a finding that loyalty programmes are ultimately a driver of customer advocacy, through the customer satisfaction relationship. Furthermore, the study also adds to the limited academic knowledge on loyalty programmes as well as customer advocacy from a South African perspective.

In addition, the existing studies on loyalty programme structure and reward type have generally found either positive or negative relationships between certain loyalty programme structures and loyalty satisfaction, as well as between certain reward types and loyalty satisfaction. To the researcher's knowledge, there have not been a lot of studies that have found that these loyalty programme elements may not have a significant predictor impact on loyalty programme satisfaction, as was found in this study. Therefore, this study adds to the loyalty programme structure and reward type literature from that perspective. Furthermore, this study also proposes that there could potentially be moderating or mediating roles that are played by loyalty programme structure and reward type.

Finally, the direct impact of loyalty programme satisfaction on customer satisfaction has not been heavily researched (Deepa & Chitramani, 2014). This study provides evidence that loyalty programme satisfaction directly impacts customer satisfaction, and that customer satisfaction in turn, directly impacts customer advocacy and customer loyalty, thus adding to that body of literature. This is important as it is necessary that more drivers of customer satisfaction are found, given the importance of customer satisfaction in the marketing arena, both in academia and in business.

### **7.3 Recommendations to Managers in the Retail Banking Sector**

Given the significant company investments into loyalty programmes (Steinhoff & Palmatier, 2016; Bazargan et al., 2017; Chaabane & Pez, 2017) as well as the potential for loyalty programmes to drive key business success outcomes such as customer loyalty, customer satisfaction and customer advocacy, managers need to

better understand the elements that make up effective loyalty programmes, so as to design better loyalty programmes. In addition, managers need to understand customer's sentiments on loyalty programmes, so as to allow for loyalty programme enhancements and to better meet customers' expectations (Deepa & Chitramani, 2014). Furthermore, given that it was found in this study that there is no significant predictor relationship between loyalty programme structure and loyalty programme satisfaction as well as loyalty programme reward type and customer satisfaction, managers and academics should explore other loyalty programme design elements that could be predictors of loyalty programme satisfaction, as well as explore a potential mediating or moderating role that could be played by these design elements.

It was discussed in Chapter 1 that some of South Africa's loyalty programmes have more participation than others, particularly FNB's eBucks (Truth, 2018). The report posited that loyalty programme participation (as evidenced by the level of reward redemption) is a strong indicator of customer retention as well as a driver of loyalty programme satisfaction. Therefore, it is recommended that managers should develop methods to encourage customers' participation in their loyalty programmes, it is not enough to merely offer the loyalty programmes. These methods could include ensuring that reward redemption does not require significant effort from customers as well as providing the loyalty programmes at no cost to the customer. Furthermore, given that studies have shown that lower LSM retail banking customers in South Africa are currently not sufficiently participating in loyalty programmes (Corbishley, 2017), it is recommended that managers investigate the reasoning for this low participation, so that strategies can be formulated to address the issue.

With regards to customer satisfaction, given the ability of customer satisfaction to drive other vital business success factors such as customer loyalty and customer advocacy, it is vital that companies have a sound understanding of the factors that influence customer satisfaction, so that they can be more deliberate in developing business strategies to drive it. In addition, given that customer satisfaction is said to be an after-consumption comparison of the expectations that the customer had for a product or service and their actual experience of that product or service, it is recommended that companies should formulate engagement opportunities with customers, that will enable them to better understand the customers' needs and

expectations, so that the expectations can be exceeded. Furthermore, where possible, it is important that companies build into their daily processes, methods of ensuring that customer expectations are constantly managed, so as to avoid disappointments and dissatisfaction. This could be in the form of ensuring that unexpected changes or disruptions to products and services are communicated in advance so that the customers can factor these disruptions into their expectations, thereby preventing disappointments, or by ensuring that certain levels of consistency are maintained in products and services provided so that customers are not disappointed or dissatisfied from differing product and service experiences.

With regards to customer loyalty, though this study has found customer satisfaction to be one of the drivers of customer loyalty, other studies have found that there are various mediators and moderators that influence the customer satisfaction – customer loyalty relationship (Picón et al., 2014; El-Adly & Eid, 2016; Kaura et al., 2015). Therefore, it would be worthwhile for managers to explore these mediating and moderating relationships, so as to better drive customer loyalty. In addition, studies show that customer loyalty is also influenced by a plethora of other factors, apart from customer satisfaction, such as trust, mutually beneficial relationships, customer engagement and corporate social responsibility. Given the importance of customer loyalty for business success, it is recommended that managers also explore these relationships, in efforts to drive customer loyalty.

In addition, the importance of customers serving as promoters of a company's products and or services cannot be over-emphasised in today's unpredictable and volatile market place, especially given the ease of obtaining and sharing information on online platforms in today's era. Despite the growing importance of customer advocacy on business success outcomes (Rozek & Karlicek, 2014), studies have shown that companies generally battle to develop effective strategies for driving customer advocacy (Abubakar & Mavondo, 2014). It is easy to believe that word of mouth marketing happens only organically; however, marketing strategies can be crafted and executed deliberately to drive positive word of mouth. In addition, just like with traditional word of mouth, social media use requires its own deliberate strategy to drive electronic word of mouth. When considering the intersection between traditional and electronic word of mouth, the possibilities of customer reach through customer advocacy becomes exponential. It is therefore recommended that

managers should first endeavour to actively manage customers' advocacy behaviours by obtaining an understanding of the drivers of customer advocacy. Then effective strategies should be developed to drive customer advocacy and word of mouth.

Furthermore, though this study has found customer satisfaction to be one of the drivers of customer advocacy, other studies have found that customer satisfaction is not sufficient for driving advocacy, as people rarely talk about satisfying experiences. Instead, the authors have found that it is the experiences that create emotions of joy, happiness and excitement, that result in customer advocacy (Abubakar & Mavondo, 2014). Managers should therefore aim to delight and excite customers, in efforts to drive customer advocacy, which can be done by adding unexpected delightful elements into products and services, such as loyalty programme rewards.

#### **7.4 Limitations of the Research and Recommendations for Future Research**

The findings of this study have provided insights for stakeholders in academia as well as business, however as with any study, this study is expected to have limitations that will require caution to be exercised when utilising the results.

- Given the diverse demography of South Africa, the possible impact of demographical factors such as race, age, gender and income levels on the construct relationships was not investigated. Given that this study is grounded on human behaviour-based theories such as SET and relationship marketing, which may be influenced by such demographical factors, it is reasonable to surmise that these demographical factors would have an impact on the construct relationships in this study. Therefore, it is recommended that future studies should explore the impact of these factors on the construct relationships.
- This study explored loyalty programmes in the retail banking sector in South Africa, whereas loyalty programmes are widely used in a majority of retail and other sectors globally, including the hospitality industry, transportation, retail clothing, as well as the food and entertainment industries. Therefore, caution should be exercised when applying the results of this study to the other sectors as well as the other geographic regions.

- Though there are various possible drivers of customer advocacy. This study has focused on customer advocacy as it relates to loyalty programmes only. Given the infancy phase of the academic literature on customer advocacy, future studies could investigate other factors that could drive customer advocacy, particularly given its growing importance in business.
- The effect of only two loyalty programme elements on loyalty programme satisfaction were investigated in this study, loyalty programme structure and loyalty programme reward type, which were found to not significantly predict loyalty programme satisfaction. It is important that managers obtain an understanding of the loyalty programme elements that do drive loyalty programme satisfaction, therefore future studies could investigate how other loyalty programme elements, impact loyalty programme satisfaction and overall customer satisfaction. In addition, future studies could also investigate whether loyalty programme structure and reward type play moderating or mediating roles between loyalty programme satisfaction and other design elements.
- Lastly, approximately 85% of the respondents in this study's survey were geographically resident in the Gauteng province of South Africa, Africa due to the heavy concentration of the researcher's contacts and networks within the Gauteng province, thus resulting in a limitation in the generalisation of the study's findings to other South African provinces. Similarly, approximately 87% of the respondents indicated that they have a tertiary qualification (diploma or degree), which is not representative of the education levels of South Africa's adult population. Future studies could expand the sample to the other South African provinces, in a way that is better representative of South Africa's geographic representation, as well as to more South African adults that do not have a tertiary qualification.

## **7.5 Conclusion**

The research problem of this study highlighted that though there is existing academic research on the role of loyalty programmes in driving customer satisfaction, customer loyalty and other business success factors, there is still no consensus on whether or

not loyalty programmes are effective in driving these factors, both in academia and in practice. In addition, there is also no consensus on what design elements result in successful loyalty programmes. Furthermore, though some studies have found a link between loyalty programmes and customer advocacy, the role of loyalty programmes in driving customer advocacy has not yet been extensively explored, both in academia and in business.

The findings in this study add to the studies that have posited that loyalty programmes are effective in driving customer satisfaction as well as customer loyalty, however, a call is made to managers to also explore other mediating and moderating factors that could influence these relationships. In addition, given the limited academic research that exists on customer advocacy and the factors that motivate customers to voluntarily advocate for companies, the findings in this study that are related to customer advocacy will add to that limited body of knowledge. Furthermore, the findings in this study suggest that loyalty programme structure and reward type may not be significant predictors of loyalty programme satisfaction but suggest that it is possible that these elements could play a moderating or mediating role between loyalty programme satisfaction and other design elements. The study calls for researchers and managers to explore the other design elements that could drive loyalty programme effectiveness.

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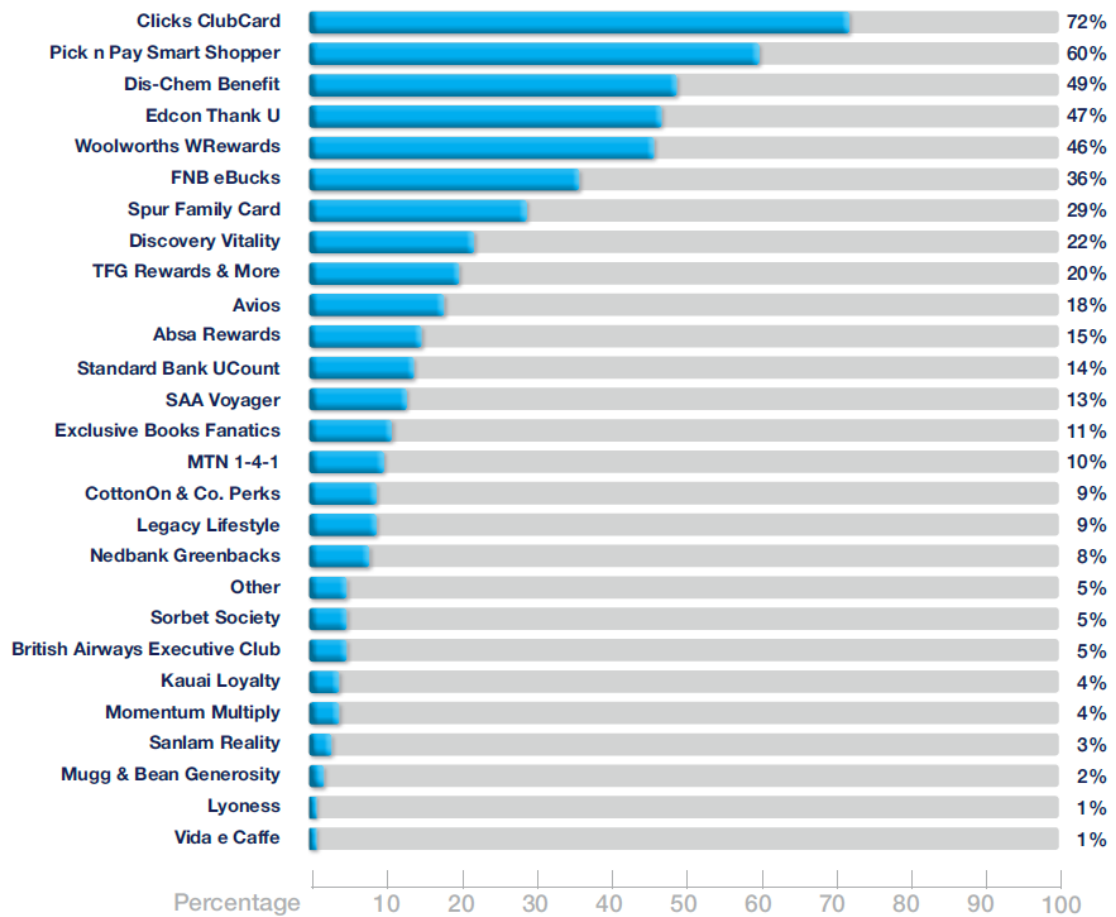
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## Appendices

### Appendix 1: Illustrations for Chapter 1

Figure 1:

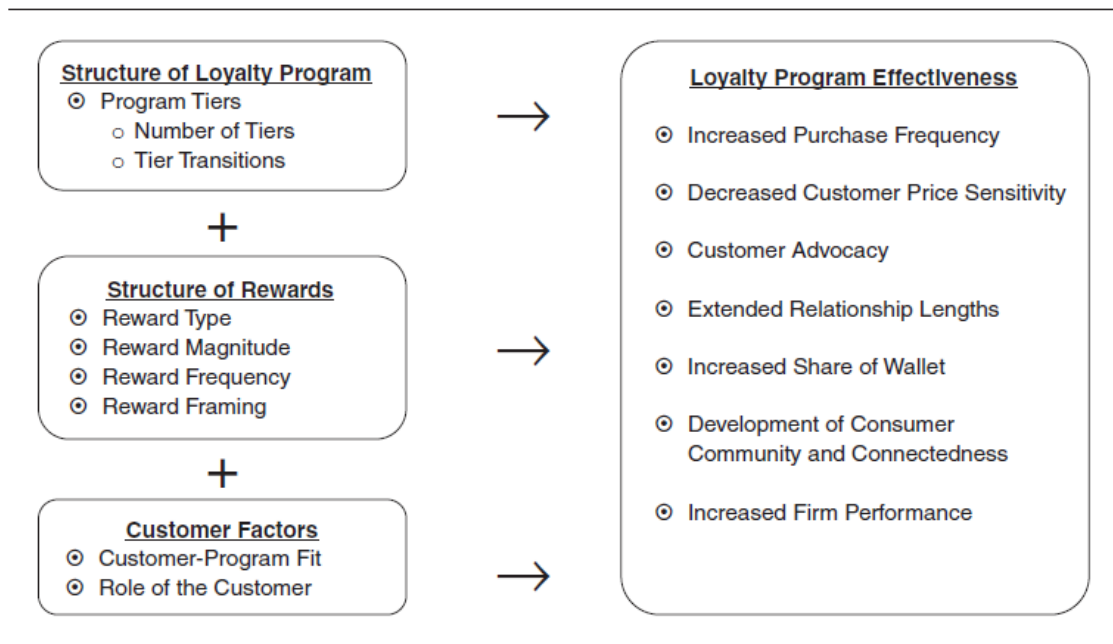
#### The Most Used Loyalty Programmes in South Africa in 2018



Source: Truth (2018)

**Figure 2:**

**A conceptual Model of Loyalty Programme Effectiveness**



Source: (McCall & Voorhees, 2010)

## **Appendix 2: Survey Questionnaire**

Good Day,

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on loyalty reward programme structure and reward type as predictors of customer advocacy in the retail banking sector in South Africa. To that end, I would greatly appreciate if you could participate in the survey by completing the below online questionnaire, which should take no more than 10 minutes of your time. Your participation is voluntary, and you can withdraw at any time without penalty. Your participation is anonymous and only aggregated data will be reported. By completing the survey, you indicate that you voluntarily participate in this research.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name: Jabulile Mogale

Email: 18361758@mygibs.co.za

Phone: 083 409 2935

Researcher Supervisor: Danie Petzer

Email: Petzerd@gibs.co.za

Phone: 011 771 4242

### Screening questions

1. Are you 18 years or older?

|     |  |
|-----|--|
| Yes |  |
| No  |  |

2. Do you currently hold a South African bank account in your personal capacity?

|     |  |
|-----|--|
| Yes |  |
| No  |  |

3. Does your bank have a loyalty rewards programme (for example, eBucks, Ucount, GreenBacks, Absa Rewards, Investec Rewards, etc.)?

|     |  |
|-----|--|
| Yes |  |
| No  |  |

4. Do you make use of your bank's loyalty rewards programme?

|     |  |
|-----|--|
| Yes |  |
| No  |  |

**If the answer is "No" to either one of questions 1 to 4 above, the survey will end, with the below thank you note:**

Thank you for taking part in this survey, your participation is greatly appreciated.

### Section A – Loyalty programme design

5. Which one of the below bank's loyalty programme do you use the most?

|                                      |  |
|--------------------------------------|--|
| ABSA bank                            |  |
| Capitec Bank                         |  |
| First National Bank                  |  |
| Investec Bank                        |  |
| Nedbank                              |  |
| Standard Bank                        |  |
| Tyme Bank                            |  |
| African Bank                         |  |
| Other: please specify in space below |  |
|                                      |  |

6. Does your loyalty programme have a tiered structure? A tiered structure relates to hierarchies or different statuses, which qualify a customer for differing levels of benefits (for example: level 1 to 5 tiering or bronze to platinum tiering, etc.), where a particular tier (let's say the platinum tier) is better than another (the bronze tier)?

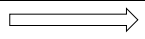
|     |  |
|-----|--|
| Yes |  |
| No  |  |

7. Which ONE of the following reward types provided by your loyalty programme do you make use of the most?

|   |  |
|---|--|
| Points or "currency" that can be translated to physical cash (i.e. physical cash that you can withdraw from an ATM)   |  |
| Points or "currency" that can only be used to purchase (or to have discounts on) goods or services such as household items, petrol, groceries, flights, hotels etc. |  |
| Access to exclusive benefits (e.g. airport lounge etc.)   |  |
| Other, please specify in space below:   |  |
|   |  |

### Section B – Customer satisfaction and customer loyalty

8. Considering the bank's loyalty programme you use the most, please indicate the extent to which you agree with each of the below statements on a scale of 1 to 5, where: 1 is "Strongly Disagree" and 5 is "Strongly Agree".

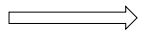
|  | Strongly Agree  Disagree |   |   |   |   |
|--|---|---|---|---|---|
|  | 1   | 2 | 3 | 4 | 5 |
| <b>Satisfaction with my loyalty programme</b>                        |   |   |   |   |   |
| I made a good choice when I decided to participate in this programme |   |   |   |   |   |
| My overall evaluation of this programme is good                      |   |   |   |   |   |



|  |  |  |  |  |  |
|--|--|--|--|--|--|
| The advantages I receive, being a member of this programme, meet my expectations |  |  |  |  |  |
| All in all, I'm satisfied with this programme                                    |  |  |  |  |  |

**Adapted from below source and slightly modified for the purposes of this study:** Adapted from: Mimouni-Chaabane, A., & Volle, P. (2010). Perceived benefits of loyalty programs: Scale development and implications for relational strategies. *Journal of Business Research*, 63(1), 32-37.

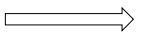
9. Considering the bank's loyalty programme you use the most, please indicate the extent to which you agree with each of the below statements on a scale of 1 to 5, where: 1 is "Strongly Disagree" and 5 is "Strongly Agree".

|   | Strongly  Disagree |   |   |   |   |
|---|---|---|---|---|---|
| Satisfaction with my bank   | 1   | 2 | 3 | 4 | 5 |
| My choice to bank with my bank was a wise one                     |   |   |   |   |   |
| I am always delighted with my bank's service                      |   |   |   |   |   |
| Overall I am satisfied with my bank                               |   |   |   |   |   |
| I think I did the right thing when I decided to bank with my bank |   |   |   |   |   |
| I feel good about banking with my bank                            |   |   |   |   |   |

**Adapted from below source and slightly modified for the purposes of this study:**

Dagger, T. S., & O'Brien, T. K. (2010). Does experience matter? Differences in relationship benefits, satisfaction, trust, commitment and loyalty for novice and experienced service users. *European Journal of Marketing*, 44(9/10), 1528-1552.

10. Considering the bank's loyalty programme you use the most, please indicate the extent to which you agree with each of the below statements on a scale of 1 to 5, where: 1 is "Strongly Disagree" and 5 is "Strongly Agree".

|  | Strongly  Disagree |
|--|---|
|  | Strongly Agree  |

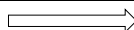
| <b>Loyalty to my bank</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|----------|----------|----------|----------|----------|
| I say positive things about my bank to other people                       |          |          |          |          |          |
| I recommend my bank to someone who seeks my advice                        |          |          |          |          |          |
| I encourage friends and relatives to do business with my bank             |          |          |          |          |          |
| I consider my bank first choice when I purchase banking products/services |          |          |          |          |          |
| I will continue to do business with my bank for the next few years        |          |          |          |          |          |
| I am willing to maintain my relationship with my bank                     |          |          |          |          |          |
| I am loyal to my bank   |          |          |          |          |          |

**Adapted from below source and slightly modified for the purposes of this study:**

Dagger, T.S. and O'Brien, T.K. (2010). Does experience matter? Differences in relationship benefits, satisfaction, trust, commitment and loyalty for novice and experienced service users. *European Journal of Marketing* 44(9/10):1528-1552.

### **Section C – Customer Advocacy**

11. Considering the bank's loyalty programme you use the most, please indicate the extent to which you agree with each of the below statements on a scale of 1 to 5, where: 1 is "Strongly Disagree" and 5 is "Strongly Agree".

|  | <b>Strongly Agree</b>  <b>Disagree</b> |          |          |          |          |
|--|---|----------|----------|----------|----------|
| <b>Customer Advocacy</b>   | <b>1</b>  | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| I have said positive things about my bank to other people, such as my friends, relatives or co-workers |   |          |          |          |          |
| I have recommended my bank to other people, such as my friends, relatives or co-workers                |   |          |          |          |          |
| I have encouraged other people such as friends, relatives or co-workers to use my bank                 |   |          |          |          |          |

**Adapted from below source and slightly modified for the purposes of this study:**

Choi, L., & Lotz, S. L. (2018). Exploring antecedents of customer citizenship behaviors in services. *The Service Industries Journal*, 38(9-10), 607-628.

**Section D – Demographics**

12. What is your gender?

|        |  |
|--------|--|
| Female |  |
| Male   |  |
| Other  |  |

13. In which year were you born?

14. In which South African province do you predominantly reside?

|                                       |  |
|---------------------------------------|--|
| Gauteng                               |  |
| KwaZulu-Natal                         |  |
| Western Cape                          |  |
| Eastern Cape                          |  |
| Northern Cape                         |  |
| Limpopo                               |  |
| Free State                            |  |
| Mpumalanga                            |  |
| North West                            |  |
| Other: please specify in space below: |  |
|                                       |  |

15. What is your highest level of education?

|                               |  |
|-------------------------------|--|
| No education                  |  |
| Some Primary School education |  |
| Primary School completed      |  |
| Some High School Education    |  |
| Matric completed              |  |

|                          |  |
|--------------------------|--|
| Some Tertiary education  |  |
| Diploma/degree completed |  |

16. What is your home language?

|                                       |  |
|---------------------------------------|--|
| Afrikaans                             |  |
| English                               |  |
| SeTswana                              |  |
| IsiZulu                               |  |
| SePedi                                |  |
| SeSotho                               |  |
| Tshivenda                             |  |
| xiTsonga                              |  |
| isiNdebele                            |  |
| isiXhosa                              |  |
| siSwati                               |  |
| Other, please specify in space below: |  |
|                                       |  |

17. What is your employment status?

|                                     |  |
|-------------------------------------|--|
| Full Time employee or self-employed |  |
| Part Time employee                  |  |
| Student                             |  |
| Stay-at-home wife or husband        |  |
| Retired                             |  |
| Unemployed                          |  |

Thank you for taking part in this survey, your participation is greatly appreciated.

## Appendix 3: SPSS Output

**Table 1: Customer Satisfaction with Loyalty Programme**

| Customer satisfaction with the loyalty programme |                    |                     |              |       |                                     |              |       |
|--|--------------------|---------------------|--------------|-------|-------------------------------------|--------------|-------|
| Correlation Matrix <sup>a</sup>                  |                    |                     |              |       |                                     |              |       |
|  |                    | SLP1                | SLP2         | SLP3  | SLP4                                |              |       |
| Correlation                                      | SLP1               | 1.000               | 0.758        | 0.733 | 0.703                               |              |       |
|  | SLP2               | 0.758               | 1.000        | 0.818 | 0.808                               |              |       |
|  | SLP3               | 0.733               | 0.818        | 1.000 | 0.905                               |              |       |
|  | SLP4               | 0.703               | 0.808        | 0.905 | 1.000                               |              |       |
| a. Determinant = .021                            |                    |                     |              |       |                                     |              |       |
| KMO and Bartlett's Test                          |                    |                     |              |       |                                     |              |       |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                    |                     |              |       |                                     |              | 0.825 |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square |                     |              |       |                                     | 1602.353     |       |
|  | df                 |                     |              |       |                                     | 6            |       |
|  | Sig.               |                     |              |       |                                     | 0.000        |       |
| Total Variance Explained                         |                    |                     |              |       |                                     |              |       |
| Component  | Total              | Initial Eigenvalues |              |       | Extraction Sums of Squared Loadings |              |       |
|  |                    | % of Variance       | Cumulative % | Total | % of Variance                       | Cumulative % |       |
| 1  | 3.366              | 84.142              | 84.142       | 3.366 | 84.142                              | 84.142       |       |
| 2  | 0.343              | 8.564               | 92.706       |       |                                     |              |       |
| 3  | 0.198              | 4.950               | 97.656       |       |                                     |              |       |
| 4  | 0.094              | 2.344               | 100.000      |       |                                     |              |       |
| Extraction Method: Principal Component Analysis. |                    |                     |              |       |                                     |              |       |

Source: SPSS Output

**Table 2: Customer Satisfaction with Bank**

| Customer satisfaction with the bank              |                    |                     |              |       |                                     |              |       |
|--|--------------------|---------------------|--------------|-------|-------------------------------------|--------------|-------|
| Correlation Matrix <sup>a</sup>                  |                    |                     |              |       |                                     |              |       |
|  |                    | SWB1                | SWB2         | SWB3  | SWB4                                | SWB5         |       |
| Correlation                                      | SWB1               | 1.000               | 0.681        | 0.740 | 0.807                               | 0.785        |       |
|  | SWB2               | 0.681               | 1.000        | 0.852 | 0.785                               | 0.792        |       |
|  | SWB3               | 0.740               | 0.852        | 1.000 | 0.882                               | 0.892        |       |
|  | SWB4               | 0.807               | 0.785        | 0.882 | 1.000                               | 0.924        |       |
|  | SWB5               | 0.785               | 0.792        | 0.892 | 0.924                               | 1.000        |       |
| a. Determinant = .002                            |                    |                     |              |       |                                     |              |       |
| KMO and Bartlett's Test                          |                    |                     |              |       |                                     |              |       |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                    |                     |              |       |                                     |              | 0.886 |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square |                     |              |       |                                     | 2518.349     |       |
|  | df                 |                     |              |       |                                     | 10           |       |
|  | Sig.               |                     |              |       |                                     | 0.000        |       |
| Total Variance Explained                         |                    |                     |              |       |                                     |              |       |
| Component  | Total              | Initial Eigenvalues |              |       | Extraction Sums of Squared Loadings |              |       |
|  |                    | % of Variance       | Cumulative % | Total | % of Variance                       | Cumulative % |       |
| 1  | 4.264              | 85.270              | 85.270       | 4.264 | 85.270                              | 85.270       |       |
| 2  | 0.344              | 6.886               | 92.156       |       |                                     |              |       |
| 3  | 0.218              | 4.370               | 96.526       |       |                                     |              |       |
| 4  | 0.100              | 1.994               | 98.520       |       |                                     |              |       |
| 5  | 0.074              | 1.480               | 100.000      |       |                                     |              |       |
| Extraction Method: Principal Component Analysis. |                    |                     |              |       |                                     |              |       |

Source: SPSS Output

**Table 3: Customer Loyalty**

| <b>Customer loyalty</b>                          |                     | <b>Correlation Matrix<sup>a</sup></b> |              |                                     |               |              |       |       |
|--|---------------------|---------------------------------------|--------------|-------------------------------------|---------------|--------------|-------|-------|
|  |                     | CL1                                   | CL2          | CL3                                 | CL4           | CL5          | CL6   | CL7   |
| Correlation                                      | CL1                 | 1.000                                 |              |                                     |               |              |       |       |
|  | CL2                 | 0.825                                 | 1.000        |                                     |               |              |       |       |
|  | CL3                 | 0.799                                 | 0.854        | 1.000                               |               |              |       |       |
|  | CL4                 | 0.761                                 | 0.744        | 0.723                               | 1.000         |              |       |       |
|  | CL5                 | 0.729                                 | 0.764        | 0.691                               | 0.812         | 1.000        |       |       |
|  | CL6                 | 0.741                                 | 0.777        | 0.708                               | 0.795         | 0.920        | 1.000 |       |
|  | CL7                 | 0.680                                 | 0.697        | 0.627                               | 0.687         | 0.755        | 0.792 | 1.000 |
| a. Determinant = .000                            |                     |                                       |              |                                     |               |              |       |       |
| <b>KMO and Bartlett's Test</b>                   |                     |                                       |              |                                     |               |              |       |       |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                     | 0.911                                 |              |                                     |               |              |       |       |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square  | 3270.294                              |              |                                     |               |              |       |       |
|  | df                  | 21                                    |              |                                     |               |              |       |       |
|  | Sig.                | 0.000                                 |              |                                     |               |              |       |       |
| <b>Total Variance Explained</b>                  |                     |                                       |              |                                     |               |              |       |       |
| Component  | Initial Eigenvalues |                                       |              | Extraction Sums of Squared Loadings |               |              |       |       |
|  | Total               | % of Variance                         | Cumulative % | Total                               | % of Variance | Cumulative % |       |       |
| 1  | 5.543               | 79.180                                | 79.180       | 5.543                               | 79.180        | 79.180       |       |       |
| 2  | 0.523               | 7.476                                 | 86.656       |                                     |               |              |       |       |
| 3  | 0.310               | 4.430                                 | 91.086       |                                     |               |              |       |       |
| 4  | 0.230               | 3.279                                 | 94.365       |                                     |               |              |       |       |
| 5  | 0.188               | 2.683                                 | 97.048       |                                     |               |              |       |       |
| 6  | 0.131               | 1.872                                 | 98.920       |                                     |               |              |       |       |
| 7  | 0.076               | 1.080                                 | 100.000      |                                     |               |              |       |       |
| Extraction Method: Principal Component Analysis. |                     |                                       |              |                                     |               |              |       |       |

Source: SPSS Output

**Table 4: Customer Advocacy**

| <b>Customer advocacy</b>                         |                     | <b>Correlation Matrix<sup>a</sup></b> |              |                                     |               |              |
|--|---------------------|---------------------------------------|--------------|-------------------------------------|---------------|--------------|
|  |                     | CCB_CA1                               | CCB_CA2      | CCB_CA3                             |               |              |
| Correlation                                      | CCB_CA1             | 1.000                                 | 0.829        | 0.832                               |               |              |
|  | CCB_CA2             | 0.829                                 | 1.000        | 0.917                               |               |              |
|  | CCB_CA3             | 0.832                                 | 0.917        | 1.000                               |               |              |
| a. Determinant = .044                            |                     |                                       |              |                                     |               |              |
| <b>KMO and Bartlett's Test</b>                   |                     |                                       |              |                                     |               |              |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                     | 0.753                                 |              |                                     |               |              |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square  | 1299.121                              |              |                                     |               |              |
|  | df                  | 3                                     |              |                                     |               |              |
|  | Sig.                | 0.000                                 |              |                                     |               |              |
| <b>Total Variance Explained</b>                  |                     |                                       |              |                                     |               |              |
| Component  | Initial Eigenvalues |                                       |              | Extraction Sums of Squared Loadings |               |              |
|  | Total               | % of Variance                         | Cumulative % | Total                               | % of Variance | Cumulative % |
| 1  | 2.720               | 90.660                                | 90.660       | 2.720                               | 90.660        | 90.660       |
| 2  | 0.198               | 6.584                                 | 97.244       |                                     |               |              |
| 3  | 0.083               | 2.756                                 | 100.000      |                                     |               |              |
| Extraction Method: Principal Component Analysis. |                     |                                       |              |                                     |               |              |

Source: SPSS Output

**Table 5: Games-Howell output for one-way ANOVA**

**Multiple Comparisons**

Dependent Variable:  
Games-Howell

| Reward type  |  | Mean Difference (I-J) | Std. Error | Sig.  | Interval    |             |
|--|--|-----------------------|------------|-------|-------------|-------------|
|  |  |                       |            |       | Lower Bound | Upper Bound |
| Access to exclusive benefits (e.g. airport lounge etc.)  | Points or "currency" that can be translated to physical cash (i.e. physical cash that you can withdraw from an ATM).   | -0.06028              | 0.24674    | 0.968 | -0.6621     | 0.5416      |
|  | Points or "currency" that can only be used to purchase (or to have discounts on) goods or services such as household items, petrol, groceries, flights, hotels | -0.18718              | 0.23632    | 0.711 | -0.7679     | 0.3935      |
| Points or "currency" that can be translated to physical cash (i.e. physical cash that you can withdraw from an ATM).   | Access to exclusive benefits (e.g. airport lounge etc.)  | 0.06028               | 0.24674    | 0.968 | -0.5416     | 0.6621      |
|  | Points or "currency" that can only be used to purchase (or to have discounts on) goods or services such as household items, petrol, groceries, flights, hotels | -0.12690              | 0.11103    | 0.489 | -0.3887     | 0.1349      |
| Points or "currency" that can only be used to purchase (or to have discounts on) goods or services such as household items, petrol, groceries, flights, hotels | Access to exclusive benefits (e.g. airport lounge etc.)  | 0.18718               | 0.23632    | 0.711 | -0.3935     | 0.7679      |
|  | Points or "currency" that can be translated to physical cash (i.e. physical cash that you can withdraw from an ATM).   | 0.12690               | 0.11103    | 0.489 | -0.1349     | 0.3887      |

Source: SPSS Output