

# Revisiting Rewards: Investigating the effectiveness of retail banks' loyalty programmes in an emerging economy

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## Keywords

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Trust

## Abstract

The South African retail banking sector comprises 81 local and foreign-owned banking brands. Customers are increasingly demonstrating their preference for banking with more than one bank, making them less brand loyal. Due to the increasingly competitive retail banking sector, marketers are using loyalty programmes as part of their marketing strategy to retain existing customers. Based on the extent of resources required to develop these programmes, understanding its efficacy is paramount. This quantitative study collected data from 172 respondents through an online survey. The data was analysed using SPSS, and the hypotheses were tested using structured equation modelling (SEM). The study's findings support seven of the eight stated hypotheses. Moreover, mediation tests were conducted to determine the mediation effect of satisfaction and trust. The results indicate that trust fully mediates the relationship between utilitarian benefits and loyalty, and symbolic benefits and loyalty. It also indicates that satisfaction fully mediates the relationship

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between utilitarian benefits and loyalty, and hedonic benefits and loyalty. This study contributes to the limited body of knowledge about loyalty programmes in the South African retail banking sector. Its strong practical contribution will be beneficial to marketing professionals in the banking industry, policymakers, investors and analysts.

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## **1. Introduction**

### **1.1. Background**

Marketers are increasingly realising the importance of customer loyalty in the retail sector, which is reflected in their marketing strategies (Bazargan, Karray & Zolfaghari, 2017; Chaabane & Pez, 2017). Reports indicate that 90% of companies have turned to loyalty programmes in direct response to industry-specific factors and as a means to achieve customer loyalty (Nemes, 2023; Kwiatek, Morgan & Thanasi-Boçe, 2020). Loyalty programmes can be defined as personalised marketing actions and communications that offer tangible and intangible rewards in an effort to retain profitable customers (Chen, Mandler & Meyer-Waarden, 2021). Despite there being evidence of and feedback on the efficacy of loyalty programmes, many in the banking sector doubt its viability and impact (Mogale, 2019; Fook & Dastane, 2021). However, over the last few decades, as technology has increasingly integrated into organisational operations and strategic differentiation, banks have realised the value offered by loyalty programmes and, subsequently, actively integrated it into their marketing strategies in pursuit of achieving a sustainable competitive advantage in the marketplace (Nemes, 2023).

Customer satisfaction is an influential antecedent of customer loyalty (Furaida, Dachyar & Gabriel, 2018; Fook & Dastane, 2021). As such, it is critical for banks in the retail sector to understand the consequences of customer dissatisfaction and its negative influence on customer loyalty (Fook & Dastane, 2021). Thus, banks' comprehension of the effectiveness of loyalty programmes will provide a foundation for understanding the fundamental drivers of customer loyalty. This necessitates an understanding of the benefits associated with loyalty programmes offered by the banking retail sector.

### **1.2. Problem Statement**

Countless organisations have introduced loyalty programmes into their offerings over the last few decades owing to the positive correlation between loyalty programmes, customer retention, customer satisfaction and customer loyalty (Vilches-Montero *et al.*, 2018). While innumerable organisations and brands will advocate for the use of loyalty programmes, others are of the opinion that loyalty programmes are slightly or wholly ineffective (East *et al.*, 2016). In the financial sector, retail banks are driven to engage in innovative and creative strategies and methods to retain customers as there is a

stronger focus on customer retention than acquisition. It has also been noted that loyalty programmes can aid in differentiating one service provider from another (Syed, 2019). Loyal customers are a significant source of income and are considered more profitable for an organisation (Syed, 2019). Given the correlation between loyal customers and loyalty programmes, organisations must understand the efficacy of these loyalty programmes given the significant budget allocation (Bazargan *et al.*, 2017; Chaabane & Pez, 2017). Considering the current scarcity of contemporary insight into the efficacy of loyalty programmes, there is a lack of understanding about the factors that contribute to the success of loyalty programmes, especially in an emerging economy with a growing middle class, like South Africa.

### **1.3. Research Objectives**

The overarching research objective for this study is to investigate the efficacy of loyalty programmes in the South African retail banking sector using the expectancy disconfirmation theory as a framework. The empirical research objectives of the study are to:

- Investigate the relationship between utilitarian benefits and consumer satisfaction with the loyalty programme.
- Determine the relationship between hedonic benefits and consumer satisfaction with the loyalty programme.
- Examine the relationship between symbolic benefits and consumer satisfaction with the loyalty programme.
- Investigate the relationship between utilitarian benefits and consumer trust in the loyalty programme.
- Examine the relationship between hedonic benefits and consumer trust in the loyalty programme.
- Determine the relationship between symbolic benefits and consumer trust in the loyalty programme.
- Investigate the relationship between satisfaction with the loyalty programme and customer loyalty.
- Investigate the relationship between trust in the loyalty programme and customer loyalty.
- Investigate the mediating role of trust in the relationship between the various benefits and customer loyalty.
- Investigate the mediating role of satisfaction in the loyalty programme between the various benefits and customer loyalty.

## **2. Literature Review**

### **2.1. Loyalty Programmes**

Loyalty programmes offer benefits and rewards to customers in relation to their spending (Shirai, 2023). These programmes are frequently used by organisations in highly competitive markets to improve customer value and cope with financial and competitive pressures (Fourie, Goldman & McCall, 2022). With these programmes, the retailer seeks to enhance customer satisfaction by providing rewards or incentives to customers in pursuit of repeat business (Fourie *et al.*, 2022). Kim, Steinhoff and Palmatier (2021) note that loyalty programmes have evolved over time, from merchants handing out copper tokens to customers to what customers experience today, which includes retail banks extending benefits to areas like travel, entertainment and music, and social causes (charities) (Fourie *et al.*, 2022). The underlying purpose of loyalty programmes is to encourage customers to engage in repeat purchases (Chen, Mandler & Meyer-Waarden 2021) through tactics like discounts, lucky draws, coupons, or types of remuneration (Tahal, 2014). Marketing literature also notes that reward and loyalty programmes increase customer retention and have success in increasing customer loyalty (Mogale, 2019; Alnsour, Alnsour & Alotoum, 2021; Chen, 2022). This is especially relevant considering that the cost of attaining new customers is five times more than retaining existing customers. Moreover, a decrease of 5% in customer churn is known to increase a bank's profitability by as much as 8% (Fourie *et al.*, 2022). A more comprehensive discussion of the benefits of loyalty programmes is provided in the following section.

### **2.2 Benefits of Loyalty Programmes**

Organisations use loyalty programmes as a structured customer relationship management tool, and when implemented correctly can generate countless benefits. The converse holds as well, in that when an organisation does not successfully implement a loyalty programme, there will be pitfalls (Alshurideha *et al.*, 2020). Cox (2022) differentiates between benefits in a loyalty programme as hard benefits (i.e., credits and points) or soft benefits (identity and status). The author explains that hard benefits are generally easier for an organisation to identify and manage. Soft benefits that drive a loyalty programme, however, are typically more difficult to identify as this is an under-researched area. The modality of each loyalty programme is the determinant of the benefits that can be accumulated and retained. Benefits associated with loyalty programmes can be categorised as utilitarian (i.e., the benefits have tangible characteristics), hedonic (i.e., customers have the propensity to explore new services and products based on the redemption of accumulated points), and symbolic (i.e., customers can be granted special, differential or preferential treatment) (Mimouni-Chaabane & Volle, 2010).

### **2.3 Retail Banking Sector in South Africa**

The South African banking industry encompasses 81 local and foreign-owned banking brands (Petzer & Roberts-Lombard, 2024). In this industry, the retail banking sector has primarily functioned as an oligopoly, dominated by five major banks: First National Bank (FNB), Standard Bank, ABSA, Nedbank and Capitec – collectively known as the “Big Five” (Van Tonder & Petzer, 2018). These banks have a combined market share of 91% (Petzer & Roberts-Lombard, 2024). While these banks have been able to capitalise on a significant market share, there are several new financial institutions entering the market, like Discovery Bank and Tyme Bank, that have adopted a customer-centric business model, characterised by branch-less and low-cost business operations (Ernst & Young, 2019). As a result, the predominant “Big Five” are forced to introduce innovative solutions to remain relevant and meet the growing needs of consumers (Taoana, Quaye & Abratt, 2021). Being able to continuously adapt to changing customer needs is becoming increasingly important for South African banks, as it allows for benefits like commitment and loyalty to accrue (Petzer & Roberts-Lombard, 2024). However, the lack of differentiation between banks in the South African banking sector, has resulted in customers banking with more than one bank (Petzer & Roberts-Lombard, 2024), demonstrating a decline in brand loyalty and an enquiry into the effectiveness of loyalty programmes.

### **2.4 Customer Loyalty**

There are varying definitions and interpretations of customer loyalty, however, the concept is underpinned by a mixture of intentions, behaviours and attitudes that will benefit one organisation over another (Watson *et al.*, 2015). In the context of retail banking, customer loyalty is concerned with the relationship between customer satisfaction and brand equity whereby the strength of the relationship is reflected in positive customer attitudes and reduced churn (Kamath, Pai & Prabhu, 2020). While this may seem relatively straightforward, the success of fulfilling this mandate rests on the organisation’s ability to secure customer trust and meet their ever-changing expectations by providing an enjoyable customer experience (Kamath *et al.*, 2020). These sentiments are shared by Roberts-Lombard and Petzer (2021) who re-iterate the importance of trust in influencing behavioural intentions. Customer loyalty in the field of marketing has gained increasing attention over the last few decades due to its association with business performance and sustainability (Omorieg *et al.*, 2019). It reflects a consumer’s commitment to and preference for a product or service and encompasses three dimensions, namely cognitive (customer’s belief and trust in the brand’s value proposition), attitudinal (customer’s attitudes towards a product or service) and behavioural (measured through repeat purchases) (Kant *et al.*, 2019). In loyalty programmes, the aforementioned loyalty dimensions are measured by providing customers with benefits like rewards, incentives and value propositions. While this does provide a means to investigate the customer-supplier relationship, Alshurideh *et al.* (2020) question the effectiveness of loyalty programmes by exploring the underlying reasons behind their failure, such as types of rewards offered, loyalty programme’s target market, loyalty

programme's budget. Fook and Dastane (2021) also question the effectiveness of loyalty programmes, indicating that customer satisfaction is the most important antecedent in retaining customers. In this setting, satisfaction is dual-fold; both with the retail bank and with the loyalty programme – the latter will be discussed in the following section.

## **2.5 Loyalty Programmes – Satisfaction and Trust**

The concepts of satisfaction and trust are closely related, with high levels of trust more likely to result in customer satisfaction (Omoregie *et al.*, 2019). One can argue that various factors can contribute towards customer loyalty, however, customer satisfaction remains the most crucial antecedent (Omoregie *et al.*, 2019). Customers who are satisfied with a product, service, organisation or brand are more likely to frequently engage with loyalty programmes than their unsatisfied counterparts (Omoregie *et al.*, 2019). Studies conducted in the retail banking sector indicate that there is a positive relationship between customer satisfaction and customer loyalty (Kamath *et al.*, 2020; Omoregie *et al.*, 2019).

Trust can be defined as the level of reliability one party provides another during an exchange (Nguyen, Leclerc & LeBlanc, 2013). In the context of banking, trust is paramount in building customer-supplier relationships. Trust provides a sense of comfort and commitment, and directly impacts customer behaviour and behavioural intentions (Roberts-Lombard & Petzer, 2021). For an organisation to establish trust with customers, it must ensure that it offers quality goods and services that meet the needs of its customers, as failure to do so will likely have adverse implications (Schoorman, Mayer & Davis, 2007). Customer trust in a loyalty programme is the foundation of continued use, and it is this dimension of trust that will assist organisations in building long-term relationships with their customers (Ofori *et al.*, 2017; Omoregie *et al.*, 2019). When a bank actively works towards building and ensuring trust with its customers, it will likely result in customer satisfaction and loyalty (Omoregie *et al.*, 2019).

## **2.6 Expectancy-Disconfirmation Theory (EDT)**

The Expectancy Disconfirmation Theory (EDT) posits that customer satisfaction is determined by three interrelated factors: expectations, perceived performance, and disconfirmation. The theory elucidates the direct relationships between these elements, specifically the influence of expectations on perceived performance, the impact of perceived performance on disconfirmation, and the effect of disconfirmation on customer satisfaction (Oliver, 1980). The theory is often used in the field of marketing and consumer behaviour and consists of five constructs, namely perceived performance, expectations, confirmation, satisfaction, and repurchase intention (Hien *et al.*, 2024). The theory postulates that product or service performance and expectations can be used to determine the level of satisfaction. According to the EDT, cases where product or service performance is below expectations result in negative disconfirmation. This means that if the actual

experience with a product or service is worse than expected, the customer will experience a negative discrepancy. This negative disconfirmation is associated with customer dissatisfaction. Conversely, where product or service performance is above expectations, the resultant effect is positive disconfirmation. This denotes that if the actual experience with a product or service is better than expected, the customer will experience a positive discrepancy. i.e. positive disconfirmation which results in customer satisfaction. Thirdly, where product and service quality are equal to expectations, confirmation accrues. From an organisational perspective, achieving positive disconfirmation is sought after as it increases the likelihood of a repurchase occurring (Hien *et al.*, 2024). This theory has been applied in studies pertaining to the airline (Hien *et al.*, 2024) and restaurant industries (Lee & Kim, 2020). Given the previous use of the theory in the service sector and the nature of the current study which seeks to investigate antecedents of satisfaction, as well as the influence of satisfaction on loyalty, the EDT was deemed appropriate based on the notion that within the banking sector, customer loyalty is significantly influenced by the ability of banks to meet or exceed customer expectations regarding the benefits they provide.

### **3. Research Methodology**

The study adopted a positivist approach using a quantitative research design. Positivism is rooted in the belief that reality is objective and can be measured through empirical data (Park, Konge & Artino, 2019). The research is deductive in nature, and data was collected using an online survey made up of close-ended questions which was administered to individuals (between the ages of 18 and 26) residing in South Africa. A cross-sectional time horizon was employed for this study, and a non-probability, purposive sampling method was employed as it allowed for units that had characteristics of the population to be selected. Of the 230 questionnaires completed, 172 respondents indicated that they had an active bank account with a South African retail bank and were aware of their bank's loyalty programme making them suitable candidates to participate in the study. The statistics above indicate a response rate of 75%.

As previously outlined, the study aims to investigate the efficacy of loyalty programmes in the South African retail banking sector by focusing on the influence of utilitarian benefits, hedonic benefits, and symbolic benefits, on trust and satisfaction, and subsequently re-usage intentions. The section below provides a narrative on the relationships between these constructs.

#### **3.1 Conceptual Framework and Hypotheses Development**

##### *Utilitarian benefits and their impact on satisfaction with the programme*

Utilitarian benefits are the monetary savings consumers benefit from through loyalty programmes. This includes but is not limited to, coupons, cash-back offers and discounts (Stathopoulou & Balabanis, 2016). Consumers view these benefits from a cognitive and economic perspective and

therefore consider them the most important (Dorotic, Bijmolt & Verhoef, 2012). Consumers place greater value on loyalty programmes that offer rewards which are easy to understand and evaluate, and that are tangible (Omar *et al.*, 2015). Kyguoliene, Zikiene and Grigaliunaite (2017) note that there is a statistically significant relationship between utilitarian benefits and customer satisfaction in grocery retail loyalty programmes. When a loyalty programme includes a financial advantage for customers, it is considered more attractive. An aspect of utilitarian benefits is convenience, which is associated with making shopping easier for consumers and reducing time spent looking for value-adding goods and services (Radder, van Eyk & Swiegelarr, 2015). Kesari and Atulkar (2016) note that customers who prefer utilitarian benefits also experience value and utility when receiving discounts on competitively priced goods and services, and having access to effortless shopping. Thus, this study proposes that:

**H1:** Utilitarian benefits of a loyalty programme have a positive impact on satisfaction with the loyalty programme.

#### *Hedonic benefits and their impact on satisfaction with the programme*

Hedonic benefits are the exploration and entertainment aspects of a loyalty programme, which includes, but is not limited to, trying new goods and services, engaging in an event, or the joy associated with collecting or redeeming points (Aurier & Guintcheva, 2014). The benefits derived from hedonic benefits are emotional responses like arousal leading to satisfaction and are associated with psychological benefits that are generally non-monetary in nature (Mimouni-Chaabane & Volle, 2010). Lucia-Palacios, Pérez-López & Polo-Redondo (2016) found that hedonic and utilitarian benefits both affect customer loyalty and satisfaction. Moreover, studies by Djelassi, Godefroit-Winkel and Diallo (2018) and El-Adly and Eid (2017) note positive relationships between hedonic benefits and customer satisfaction, and hedonic benefits and customer loyalty. Thus, it is anticipated that:

**H2:** Hedonic benefits of a loyalty programme have a positive impact on satisfaction with the loyalty? programme.

#### *Symbolic benefits and their impact on satisfaction with the programme*

Symbolic benefits are social benefits and recognition that come from a loyalty programme. These include but are not limited to, recognition by the organisation, preferential treatment, or belonging to a special group of customers (Mimouni-Chaabane & Volle, 2010). These benefits also represent psychological benefits that are non-monetary in nature and are important in building customer relationships. Omar *et al.* (2015) note that customers who are a part of loyalty programmes and receive social benefits, such as being part of a “special group”, are more likely to engage emotionally. In addition, Djelassi *et al.*, (2018) found that social activities and the social image impact customer satisfaction and enhance customer value and emotional experience. Supporting this is Anisimova



(2016), who notes that symbolic brand value has the propensity to communicate value and benefits to its customers through various means and confirms a significantly positive relationship between brand symbolism and customer satisfaction. Therefore, it is anticipated that:

**H3:** Symbolic benefits of a loyalty programme have a positive impact on satisfaction with the programme.

*Utilitarian, hedonic and symbolic benefits and their impact on trust in the programme*

Customer trust is a significant variable in the design and development of loyalty programmes as it reflects customer confidence in the programme and the ability of the programme to protect personal information (Myftaraj & Trebicka, 2023). One of the main reasons customers hesitate to sign up for loyalty programmes is uncertainty about how their personal information will be managed and safeguarded. However, when sharing personal information, customers are more inclined to do so when they receive personalised offers and services (Rane, Achari & Choudhary, 2023). This implies that perceived utilitarian, hedonic and symbolic benefits justify retail commitment to allocating resources, efforts and attention to relationship building. Customers view trust as the benefits associated with a loyalty programme. As such, meeting customer expectations builds trust in loyalty programmes (Stathopoulou & Balanis, 2016). Omar *et al.* (2015) indicate that changes in a loyalty programme can also impact customer behaviour, therefore it is vital that attributes that contribute to trust in the loyalty programme are maintained. This study therefore proposes the following hypotheses:

**H4:** Utilitarian benefits of a loyalty programme have a positive impact on trust in the programme.

**H5:** Hedonic benefits of a loyalty programme have a positive impact on trust in the programme.

**H6:** Symbolic benefits of a loyalty programme have a positive impact on trust in the programme.

*Satisfaction with the loyalty programme and its impact on customer loyalty*

Only when customer expectations are met by a loyalty programme will they become programme members, which indicates that customer satisfaction is used to determine the success of a good or service. From an organisational perspective, customer feedback can be used to determine satisfaction with a loyalty programme. Khairawati (2020) notes that customer satisfaction has a positive effect on customer loyalty. Given the increasing market competition between organisations offering similar goods and services, organisations are forced to ensure that their market segment is attracted and retained. One way of doing so is through loyalty programmes. Utilitarian benefits (monetary incentives), hedonic benefits (programme rewards), and symbolic benefits (exclusive services) create a critical value-adding proposition for customers, which enhances customer loyalty (So, Danaher & Gupta, 2015). When customers in a loyalty programme are satisfied, it impacts the overall efficacy of the loyalty programme and enhances customer trust in the programme (Omar *et al.*, 2015). Loyalty

programmes can enforce customer purchasing behaviour which, in turn, can motivate customers to continue engaging with the loyalty programme and increase customer satisfaction. Hence, this study anticipates that:

**H7:** Satisfaction with the programme positively associates with customer loyalty.

*Trust in the loyalty programme and its impact on customer loyalty*

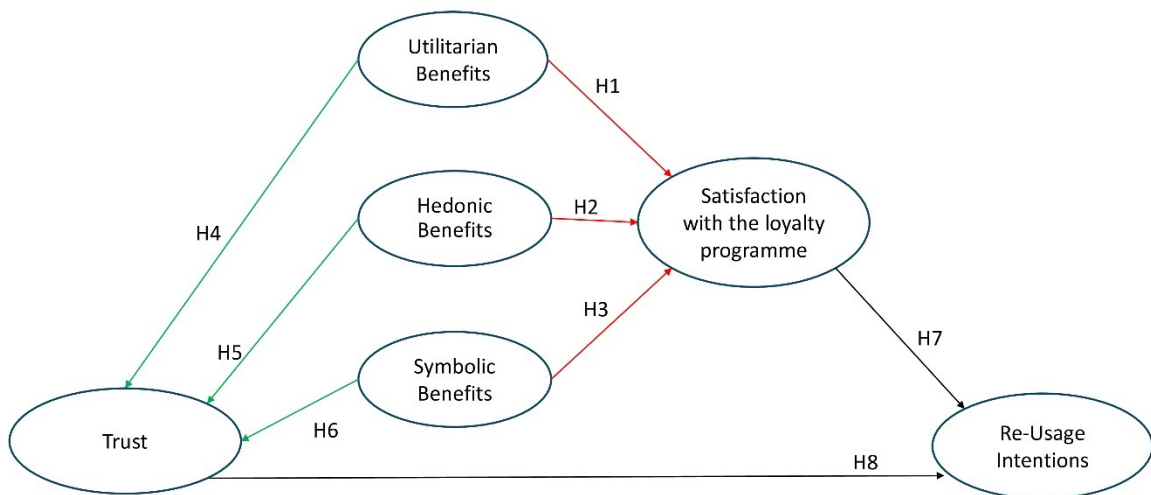
When programme benefits do not enforce customer association with the brand, it is often due to the loyalty programme's inability to foster customer participation and trust in the programme (Stathopoulou & Balabanis, 2016). A key premise is that customer loyalty is central to a loyalty programme. As such, it can be noted that customer value has various elements, including convenience, monetary value, aspirational value and relevance. The extent to which these elements are adequately met by an organisation will increase or decrease customer satisfaction with the service provider (Ou *et al.*, 2011; Rimawan, Mustofa & Mulyanto, 2017). The purpose of loyalty programmes is to increase interaction between customers and service providers with the intention of increasing profits. Interactions between customers and the service provider also seek to create a platform for building trust. This increases trust in the service provider and the loyalty programme. Thus, it is anticipated that:

**H8:** Trust in the programme has a positive association with customer loyalty.

**Conceptual Model**

Figure 1 presents the conceptual model for this study and depicts the hypothesised relationships between the constructs.

**Figure 1:** Research Conceptual Model



Source: Author’s own work (2024)

### 3.2 Ethics

Ethical clearance was obtained from the ethics committee of The University of the Witwatersrand’s School of Business Sciences. The study is considered low risk and was issued protocol number CBUSE2120.

## 4. Results and Findings

### 4.1 Descriptive Statistics

In this section, the demographic profile of respondents, variable statistics of constructs, and the measurement instrument will be outlined. The 172 respondents provided demographic information relating to their gender, race, age, gross monthly income, employment status and employment level (see Table 1).

Of the respondents 37.8% were male, 61.6% were female and 0.6% preferred not to disclose their gender identity. The majority of respondents were of Black African ethnicity (77.9%), followed by Caucasian (10.5%), Indian (5.8%) and Mixed Race (2.3%), with 3.5% preferring not to disclose their race. This information provides a responder profile for the study with aligns with South Africa’s demographic statistics as outlined by StatsSA. Most of the respondents fell in the 25-34 age category (62.2%), followed by the 35-44 age category (20.9%), the 18-24 age category (9.9%) and the 45-54 and 55-64 age categories (7%).

The majority of respondents (25%) indicated they had a gross monthly income of R60 000+, followed by 22.7% with a gross monthly income between R10 001 and R25 000, 18.6% with a gross monthly

income between R25 001 and R40 000, 8.7% with a gross monthly income between R40 001 and R55 000, and 8.1% with a gross monthly income of less than R10 000. Only 5.2% of respondents indicated that their gross monthly income is between R55 001 and R 60 000, with 11.6% preferring not to indicate their gross monthly income.

Most of the respondents (89.0%) indicated that they were employed, while 11.0% indicated that they were unemployed.

The majority of respondents are at mid-level (37.3%) in terms of employment, while 20.3% are at intermediate or junior level management, 17.6% are at senior/executive level, and 13.7% are at entry-level. A small percentage of respondents (8.5%) preferred not to disclose their employment level.

**Table 1: Demographic profile summary**

Demographic Variables (n=172)		Frequency	Valid Percent
<b>Gender</b>	Male	65	37.8%
	Female	106	61.6%
	Prefer not to say	1	0.6%
<b>Race</b>	Black African	134	77.9%
	White (Caucasian)	18	10.5%
	Indian	10	5.8%
	Mixed	4	2.3%
	Prefer not to say	6	3.5%
<b>Age</b>	18 – 24	17	9.9%
	25 – 34	107	62.2%
	35 – 44	36	20.9%
	45 – 54	8	4.7%
	55 – 64	4	2.3%
<b>Gross monthly income</b>	Less than R10 000	14	8.1%
	R10 001 – R25 000	39	22.7%
	R25 001 – R40 000	32	18.6%
	R40 001 – R55 000	15	8.7%
	R55 001 – R60 000	9	5.2%
	R60 000+	43	25.0%
	Prefer not to say	20	11.6%
<b>Employment status</b>	Employed/Self employed	153	89.0%
	Unemployed	19	11.0%
<b>Employment level</b>	Entry-level	21	13.7%
	Intermediate	31	20.3%

	Mid-level	57	37.3%
	Senior or executive level	27	17.6%
	Prefer not to say	13	8.5%
	Missing	4	2.6%

## 4.2 Reliability and Validity

Firstly, an exploratory analysis of the data was conducted to determine how the items would group together. All items excluding HB1 and HB2 performed well, subsequently, HB1 and HB2 were deleted and do not feature in Table 2, which summarises the measurement model accuracy statistics.

**Table 2:** Summary of measurement model accuracy statistics

Research constructs		Loadings	Composite Reliability (CR)	Average Variance Extracted (AVE)	Maximum shared squared variance (MSV)
		Item-total			
<b>UB</b>	UB1	.781	0.880	0.648	0.619
	UB2	.805			
	UB3	.853			
	UB4	.779			
<b>HB</b>	HB3	.958	0.966	0.904	0.483
	HB4	.961			
	HB5	.933			
<b>SB</b>	SB1	.781	0.906	0.707	0.347
	SB2	.774			
	SB3	.904			
	SB4	.895			
<b>SLP</b>	SLP1	.915	0.943	0.807	0.618
	SLP2	.926			
	SLP3	.870			
	SLP4	.880			
<b>T</b>	T1	.894	0.964	0.870	0.596
	T2	.954			
	T3	.963			
	T4	.918			
<b>CL</b>	CL1	.931	0.949	0.788	0.549
	CL2	.856			
	CL3	.958			
	CL4	.896			

	CL5	.786			
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\*Note: *UB* = Utilitarian benefits, *HB* = Hedonic Benefits, *SB* = Symbolic Benefits, *SLP* = Satisfaction with Loyalty Programme, *T* = Trust, *CL* = Customer Loyalty

*SD* = Standard Deviation, *CR* = Composite Reliability, *AVE* = Average Variance

#### 4.2.1 Reliability Assessment

Reliability refers to the extent to which data collection techniques and analysis procedures yield consistent findings (Saunders, Lewis & Thornhill, 2019), and is attained when CR values exceed 0.7 and all factor loadings exceed 0.5. Saunders *et al.* (2019) note that the CR index indicates the extent to which variables identify with latent variables. The study results indicate that CR values are between 0.880 and 0.966, which is deemed acceptable. Factor loadings are also used to assess reliability. Table 2 indicates that all factor loadings are above the threshold (greater than 0.5). These results confirm the reliability and consistency of the measurement instrument.

#### 4.2.2 Validity Assessment

##### 4.2.2.1 Convergent Validity

To assess convergent validity, the average variance extracted (AVE) values were analysed (Steinkühler, 2010; Larwin & Harvey, 2012). The AVE is the total value of variance in the observed variables that are represented by the latent construct (Malhotra, Kim & Agarwal 2017). An AVE value of 0.4 can be accepted, provided the CR is higher than 0.6 (all CR values in this study are greater than 0.7) (Fornell & Larcker, 1981; Lam, 2012). The lowest value in this study is for the utilitarian benefits construct (0.648) and the highest value is for the hedonic benefits construct (0.904). This range of values is deemed acceptable.

Convergent validity is also attained when the CR values are greater than the AVE. This is the case for all constructs. Therefore, based on the above, convergent validity has been attained.

##### 4.2.2.2 Discriminant Validity

Hamid, Sami and Sidek (2017) note that discriminant validity indicates the extent to which constructs differ and overlap empirically from and with each other. The factor loading indicators of constructs must be greater than all other constructs, provided that the value of the factor loading is greater than 0.7 (Hamid *et al.*, 2017). Table 2 outlines the constructs of utilitarian benefits, hedonic benefits, symbolic benefits, satisfaction, trust, and customer loyalty as having factor loadings greater than 0.7. Discriminant validity is also attained when the AVE is greater than the MSV. As per Table 2, discriminant validity has been established.

The reliability and validity results indicate that construct validity (convergent and discriminant), as well as reliability have been attained. This is very important to proceed with confidence in determining the strength of the relationship between various constructs.

### 4.3 Model Fit Indices

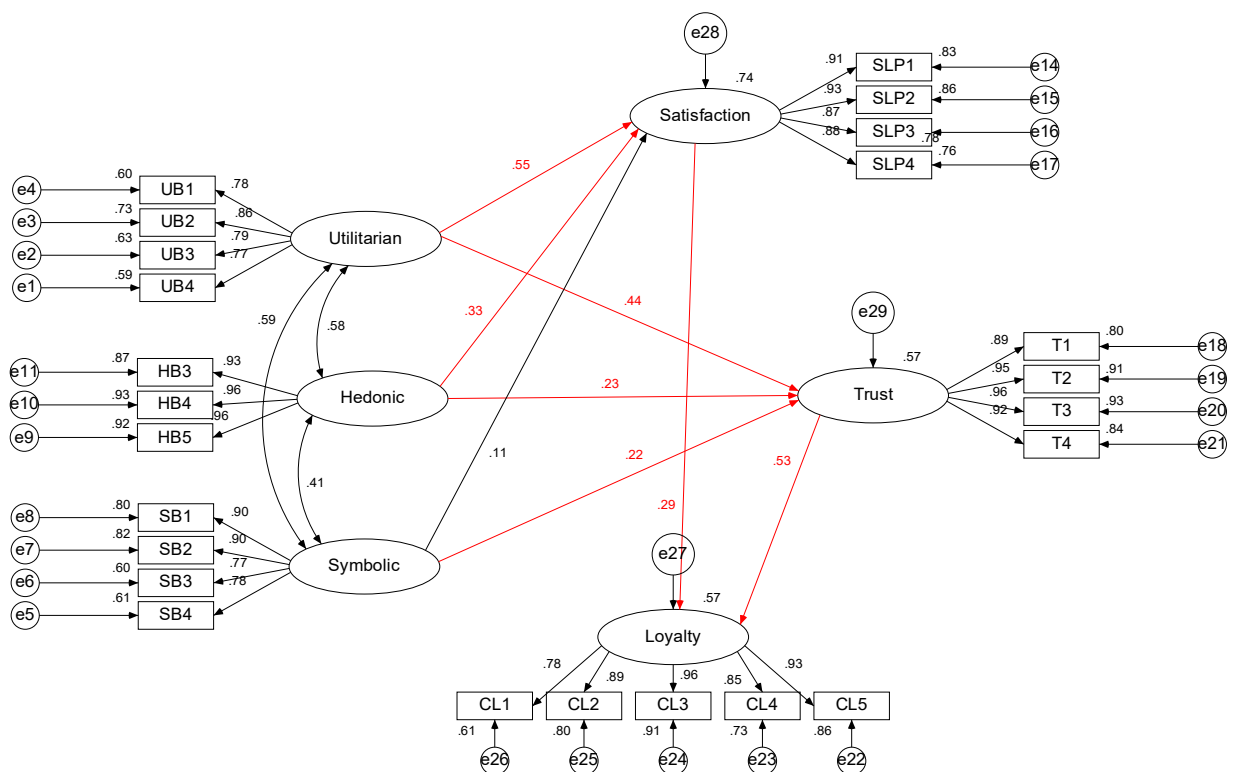
The results for the measurement model indicate an adequate model fit (see Table 3).

**Table 3: Model fit indices summary – Measurement model**

Fit Indices	Fit values	Criteria
$\chi^2 / df$ (p-value)	1.562 (<.001)	<5
IFI	0.971	>.9
CFI	0.970	>.95
RMSEA	0.057	<.08

The measurement model is converted into a structural model showing the directional paths between the latent variables/constructs.


**Figure 1: Results of structural equation model**



Source: Authors own Construct

\*Significant paths are shown in red.

**Table 4: Path coefficients and p-values**

Independent variable		Dependent variable	Regression coefficient (standardised)	p-value
Utilitarian		Satisfaction	0.552	0.012
Utilitarian		Trust	0.443	0.012
Hedonic		Satisfaction	0.332	0.007
Hedonic		Trust	0.228	0.006
Symbolic		Satisfaction	0.106	0.171
Symbolic		Trust	0.222	0.009
Satisfaction		Loyalty	0.289	0.010
Trust		Loyalty	0.534	0.016

Source: Authors own Construct

As per Table 4, all path coefficients indicate a significant and positive relationship between the independent variable and dependent variable, except for symbolic benefits and satisfaction, which is not significant ( $p = 0.171 > 0.05$ ). Once again, as for the measurement model, the structural model indicates an acceptable model fit (see Table 5).

**Table 5: Model fit indices summary – Structural Model**

Fit Indices	Fit values	Criteria
$\chi^2 / df$ (p-value)	1.650 (<.001)	<5
IFI	0.965	>.9
CFI	0.965	>.95
RMSEA	0.062	<.08

#### 4.4 Summary of Results

**Table 6: Hypothesis results**

Hypothesis		Result
H1	Utilitarian benefits of a loyalty programme have a positive satisfaction with the loyalty programme	<b>Supported</b>
H2	Hedonic benefits of a loyalty programme have a positive impact on satisfaction with the programme	<b>Supported</b>
H3	Symbolic benefits of a loyalty programme have a positive impact on satisfaction with the programme	<b>Unsupported</b>
H4	Utilitarian benefits of a loyalty programme have a positive impact on trust in	<b>Supported</b>



	the programme	
H5	Hedonic benefits of a loyalty programme have a positive impact on trust in the programme	<b>Supported</b>
H6	Symbolic benefits of a loyalty programme have a positive impact on trust in the programme	<b>Supported</b>
H7	Satisfaction with the programme positively associates with customer loyalty	<b>Supported</b>
H8	Trust in the programme has a positive association with customer loyalty	<b>Supported</b>

As is evident in Table 6, all hypotheses are supported, except H3, which has been rejected.

#### 4.5 Tests for mediation

To test the mediation of the two mediators, trust and satisfaction, a re-sampling bootstrapping procedure was used. This involves sampling with replacement a set number of times. For this analysis, the number of bootstrap samples was set at 2000, the ‘bias-corrected confidence intervals’ option was selected and the confidence interval was set at 95. The results are summarised in Table 7.

**Table 7: Mediation results**

Relation	Unstandardised				Result
	Direct Effect		Indirect Effect		
	Estimate	p-value	Estimate	p-value	
Utilitarian -> Trust -> Loyalty	-0.019	0.882	0.266	<0.001	Full mediation
Hedonic -> Trust -> Loyalty	-0.066	0.335	0.115	0.080	No mediation
Symbolic -> Trust -> Loyalty	-0.144	0.109	0.157	0.020	Full mediation
Utilitarian -> Satisfaction -> Loyalty	-0.019	0.882	0.222	0.001	Full mediation
Hedonic -> Satisfaction -> Loyalty	-0.066	0.335	0.112	0.026	Full mediation
Symbolic -> Satisfaction -> Loyalty	-0.144	0.109	0.051	0.301	No mediation

In all cases, the direct paths are not significant. Where the indirect paths are significant, full mediation has occurred. Based on Table 7, trust fully mediates the relationship between utilitarian benefits and loyalty, and symbolic benefits and loyalty. In addition, satisfaction fully mediates the relationship between utilitarian benefits and loyalty, and hedonic benefits and loyalty.

## 5. Managerial Implications

The insight gained from this study provide managers and marketing managers with insight into the South African retail banking sector. Utilitarian and hedonic benefits have a positive influence on satisfaction with loyalty programmes. For example, managers can focus on utilitarian benefits such as discounts and fast customer service. Moreover, retail banks can achieve customer satisfaction by providing customers with unique and pleasurable experiences through the provision of exclusive entertaining content and organisation of fun events. However, the same does not hold true for symbolic benefits. Therefore, marketing managers must correctly identify dimensions that truly satisfy customers and not make assumptions. Marketing managers must also be cognisant of which dimensions act as antecedents of customer satisfaction and trust with respect to retail bank loyalty programmes. They must also understand customer sentiments so as to ensure that loyalty programmes are tailored to actual and not perceived customer needs. This approach will ensure benefits and satisfaction are derived from interaction with the loyalty programme. Since customer satisfaction is a critical driver of customer loyalty, organisations must gain a detailed understanding of these factors in order to develop and implement targeted business strategies. Ensuring that organisations close the loop on their operational activities, and gathering feedback from these business strategies is equally important, as insights gained will assist the organisation in refining their loyalty programme, enhancing elements that are viewed favourably and removing those that result in dissatisfaction.

From a theoretical contribution perspective, the EDT underpins an individual's satisfaction with a product, service or experience and explains that perceived performance or quality received determines satisfaction. This study explores preconceived customer expectations of loyalty programmes in a retail bank sector versus the actual benefit or reward. This is based on the understanding that loyalty programmes will provide benefits to the individual that are utilitarian (monetary value), hedonic (experiential gratification) or symbolic. This study's findings show that confirmation or satisfaction is realised when the rewards offered by loyalty programmes are utilitarian or hedonic. The converse holds true as well; dissatisfaction or disconfirmation is realised when the benefits of a loyalty programme are symbolic. Moreover, utilitarian, hedonic and symbolic benefits contribute to customer trust in the loyalty programme, with both trust and satisfaction considered key antecedents of customer loyalty. Practically these results convey the importance for management in the banking sector to focus on providing practical and enjoyable rewards. While the symbolic benefits alone do not result in customer satisfaction, combining them with practical and enjoyable rewards can result in customer trust, which was confirmed in this study to be a crucial antecedent of customer loyalty.

A further theoretical contribution lies in the mediation results of this study. The conceptual model provided establishes a more comprehensive framework for understanding the underlying factors contributing to customer loyalty in the retail banking sector. These results indicate that trust fully mediates the relationship between utilitarian benefits and loyalty, and symbolic benefits and loyalty.

Moreover, satisfaction fully mediates the relationship between utilitarian benefits and loyalty, and hedonic benefits and loyalty. These results further underline the importance for retail banks to establish trust and satisfaction in their loyalty programmes for true loyalty to be realised.

This study contributes to the limited academic literature on loyalty programmes in the South African retail banking sector. Existing literature outlines that customer satisfaction and trust are critical antecedents of loyalty, insight that is valuable when formulating and implementing policies and strategies in the retail banking sector.

## 6. Conclusions, Limitations and Future Research

From this study's stated hypotheses, seven were significant and impactful with there being overall agreement on the efficacy of loyalty programmes in the South African retail sector. The study also indicates that loyalty programmes and their associated benefits, namely trust and customer satisfaction, contribute to customer loyalty.

The 172 respondents who completed this study's questionnaire is small in relation to the population of South Africans who use and have access to banks and their loyalty programmes, thus the generalisability of the study must be done so with caution. As such, a recommendation for future research is to conduct the study using larger sample sizes. Given the quantitative nature of this study, future studies employing qualitative research methods may provide valuable insight into consumer perceptions which would provide rich data that can be extrapolated for more targeted interventions and loyalty programmes. In addition, future research areas can investigate and compare loyalty programmes, unlike this study, which specifically sought to understand loyalty programmes in the South African retail banking sector. Another study limitation was the fact that respondents were geographically located in South Africa. Therefore, future research could expand the geographic reach of the study and deeply investigate the role of demographics and loyalty programmes.

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