An investigation into the effect of rewards programs on client entrenchment in the South African banking sector

A Mini-dissertation submitted in fulfillment of the requirements for the Master of Commerce in Strategic Brand Leadership at The Independent Institute of Education, Vega School.

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Abstract

Rewards programs have become ubiquitous in a number of industries, particularly the South African banking industry. All major market participants currently operate branded rewards programs, which exist to entrench clients, establish frequent communication, and foster associations with partners. Client entrenchment and frequent communication mitigate switching behaviour and keep a bank top-of-mind, incentivising clients to select it as their primary bank, while brand associations draw the users of brand A to brand B, and vice versa, in addition to allowing users to infer shared meaning between a brand and its associations; building brand equity and affording it a competitive advantage.

While prior research on rewards programs at banks sought to define loyalty, and then either measure it or identify its constituents, this study uses established branding and behavioural psychology frameworks to conceptualise rewards program strategy and then measure the effect of the rewards programs on client entrenchment in the South African banking sector.

The research made use of quantitative research methods and found a statistically significant correlation between positive attitudes towards a bank's rewards program and the bank itself. Furthermore, clients that espouse a bank's rewards program are likely to be brand advocates of the bank as well. Additionally, respondents showed they were better motivated by minimising potential loss over gaining an equal reward. Finally, the study observed an aversion to switching banks.

This study enhances the literature on loyalty programs in the South African banking industry. Future studies can evaluate the type of rewards programs banking clients best respond to, establish a deeper understanding of the behavioural psychology that underpins conformity, or consider whether banking is an industry that features relatively low switching behaviour and posit reasons for the aversion to switching.

Keywords: brand loyalty, rewards programs, expectancy theory of motivation, loss aversion, South Africa.

Declaration

I hereby declare that the mini-dissertation submitted for the Master of Commerce in Strategic Brand Leadership to The Independent Institute of Education (The IIE) is my own work and has not previously been submitted to another University or Higher Education Institution for a Master's qualification.

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"But by the grace of God I am what I am, and his grace to me was not in vain"
1 Corinthians 15:10

CHAPTER 1: Introduction

1.1 Introduction

This chapter provides an overview of the topic under study. It presents context and background to the study before delving into the thesis statement, research aim and objectives. Additionally, the chapter will discuss assumptions and delimitations, before listing a proposed chapter outline. Finally, the chapter will discuss ethical considerations and the anticipated contributions of the research, followed by a conclusion.

1.1.1 Contextualisation

The loyalty program landscape in South Africa is dynamic and diversified - 76% of South Africans are using loyalty programs in 2023/2024, up 3% from the year before (Truth, n.d: 7). There are over 100 loyalty programs operational in South Africa, and while traditionally dominated by the retail sector, non-retail brands have made a foray into the mix, appealing to all genders, compared to the retail sector that skews female (Truth, n.d.:26).

Rewards programs have become ubiquitous in South Africa's banking sector with all the major market players operating competing rewards programs - First National Bank eBucks (eBucks, n.d.), Standard Bank UCount (Standard Bank, n.d.), Nedbank Greenbacks (Nedbank, n.d.), ABSA Rewards (ABSA, n.d.), Investec Rewards (Investec, 2023), Discovery Vitality (Discovery, n.d.) and Capitec Live Better (Capitec, n.d.). This has proved an increasingly competitive business unit, evidenced by the South African Loyalty Awards pitting the programs against one another in the financial services category and awarding a winner annually (South African Loyalty Awards, 2020). This competition has driven participating banks to offer rewards redemptions beyond discounts or cash, instead offering a distinct assortment of benefits which entitle clients to airport lounge visits, complimentary accounts, and attendance at exclusive lifestyle events, among other things. Further evidence of this competition is the newest market entrant, Discovery, who promote their rewards program through a dedicated comparison tool that pits their Vitaly rewards program against the programs of all the other banks (Discovery, n.d.).

1.1.2 Background to the study

Wade, Tomlinson, and Srinivas (n.d.) assert that banking businesses will have to contend with declining client loyalty and increased flight in 2024, and a key tactic to dissuade clients from seeking an alternative bank will be through forging deeper relationships and offering increased personalisation. Furthermore, 53% of financial services CEOs who took part in an IBM Institute for Business Management survey reported 'enhancing the customer experience' as a top priority for banks, second only to cybersecurity (Ramamurthy, Duigenan & Sironi, 2024:11).

Rewards programs in the banking sector aim to entrench clients by incentivising deeper relationships through frequent communication, and the sharing of rewards, through a tiered system that rewards desired economic behaviour (Investec, 2024:3-5; eBucks, n.d.). Clients will be incentivized to either transact in a certain manner or take up additional products; think savings products, business accounts, home and vehicle finance, or insurance, for a client with a transactional account. Clients are then rewarded through a rewards system that is often tiered and confers points or entitlements that can be redeemed for perks (Investec, 2024:3-5; eBucks, n.d.).

Prior research on the topic of loyalty at South African banks sought to define loyalty, and then either measure it or identify its constituents:

- Olifant (2021) “The effect of loyalty programmes on customer loyalty in the retail banking sector in South Africa” This study investigated the effect of loyalty programs on customer loyalty in retail banking by evaluating the programs influence on customer satisfaction, perceived service quality, the reputation of the brand, and the resultant loyalty towards the brand.
- Jonas and van Rensburg (2019) “Investigating customer satisfaction towards banking rewards programmes”. This research project explored the perceptions of fees, charges, service quality, activities and technology, and their effect on customer satisfaction.
- Fourie, Goldman and McCall (2023) “Designing for loyalty programme effectiveness in the financial services industry.” This research paper investigated the effect of banking loyalty programs towards creating long-term value.
- Taoana (2021) “The mediating role of brand trust in the formation of brand loyalty within the South African retail banking sector.” This study explored the mediating role of brand trust in the creation of brand loyalty towards local retail banks.
- Motsoahae (2020) “The effect of price promotions on customer utilisation in retail banking.” This research paper investigated messaging in rewards programs by using established price promotion and messaging strategies employed in the retail sector and applying them to the financial services industry.
- Bisschoff and Els (2023: 103) “Brand loyalty as a competitive advantage for South African banks.” This study explored loyalty at South African banks and found that the banking landscape in South Africa is highly competitive and subject to brand loyalty influences, which are proven to both create and maintain competitive advantage. The authors posit five antecedents of brand loyalty, namely - service quality, customer satisfaction, loyalty, reputation and trust.

The research proposed in this study seeks to make use of established theories on brand equity, with brand loyalty as a constituent, and behavioural psychology to conceptualise rewards program strategy and then measure the resultant effect on loyalty. The data collected will measure the correlation between loyalty and rewards programs, then measure the strength of the relationship.

The American Marketing Association (2024) defines a brand as “a name, term, design, symbol, or any other feature that identifies one seller’s goods or service as distinct from those of other sellers”. Andrivet (2024) expands on this further by asserting that brands are the ideas or images individuals hold, in both a practical and emotional sense. A brand is a result - a gut feeling about a product, service or company that lives in the hearts and minds of people (Neumeier, 2019).

Aaker (1991:27) defines brand equity as “a set of assets and liabilities linked to a brand, its name or symbol, that add or subtract from the value provided by a product or service to a firm and/or to that firm’s customer”. Keller (1993) builds on this further by taking a customer-brand approach and asserting that customer-based brand equity is the differential effect brand equity has on the consumer’s response to the marketing of that brand. When the response is favourable a brand is said to have positive brand equity, where consumers have brand familiarity due to the brand associations held in memory which manifests as favourable behaviour towards that brand. A brand with high brand equity enjoys a competitive advantage over its competitors - increasing consumer purchase intention towards it (Cobb-Walgren, Ruble & Donthu, 1995).

In the argument between loyalty and satisfaction, Oliver (1999) asserts that the two enjoy an asymmetrical relationship, whereby loyal customers are oftentimes satisfied, however satisfied customers are not always loyal, and the study of loyalty is therefore more worthwhile than the study of satisfaction. Oliver (1999: 34) defines loyalty as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour”.

1.1.3 Thesis statement

Hofstee (2006: 19-20) asserts that a thesis is a core justification of research work, and a thesis statement names that justification, allowing researchers to define exactly what will be investigated. With this definition in mind, the following thesis statement is formulated:

A carefully designed rewards program is an essential element of a brand’s marketing mix. Rewards programs play a significant role in promoting brand love, increasing brand advocacy, and establishing frequent brand communication. Prior research on the topic sort to measure loyalty, satisfaction, and either the constituents or drivers of the two. This research seeks to measure the effect of rewards programs as a client entrenchment tool at South African banks.

1.1.4 Research aim

The aim of this research is to investigate the relationship between rewards programs and client entrenchment. Rewards programs will be conceptualised using established brand loyalty and behavioural psychology theories. The breakdown of the theories will then inform a research instrument, for the collection of primary data, that will measure the attitudes the South African adult population has towards their bank and their bank's rewards program, providing insights into the phenomenon and affording South African banks and marketers a blueprint to better use rewards programs to more effectively entrench the defined population.

1.2. Research objectives

The research set out to achieve the following research objectives:

- To investigate the nature of a bank's rewards programs and brand loyalty
- To understand the existing academic literature on rewards programs, brand loyalty and satisfaction
- To measure the effect of rewards programs as a client entrenchment tool
- To measure the effect message framing has on resultant behaviour

1.3 Assumptions

The following assumptions are made in this study:

- All account holders at South African banks are active participants in the respective rewards program.
- All respondents to the survey belong to the adult South African population.
- All banks are using their rewards programs as a means to entrench clients, as opposed to merely expensing company profits to appear to give back to clients.
- Client entrenchment at banks manifests as client's taking up additional products in the service offering and becoming primarily banked by one brand, in spite of influences and marketing efforts having the potential to cause switching behaviour.

1.4 Delimitations

While the phenomena this study will investigate is widespread, this study will focus on the loyalty programs at South African banks only. The major banks with loyalty programs are First National Bank, ABSA, Standard Bank, Nedbank, Capitec, Investec and Discovery bank. Individuals without a South African account will not be excluded from participating in the research instrument, however the introduction will clearly advise that holding an account through a South African bank will assist with participation.

1.5 Research design and methodology

The table below provides a summary of the design and methodology used for the research:

Table 1: Research design and methodology

Research philosophy	**Positivism**
Epistemology	**Phenomenalism**
Research approach	**Deductive**
Research design	**Correlational**
Research method	**Quantitative**
Research strategy	**Survey**
Research analysis	**Descriptive and inferential statistical analysis**
Time horizon	**Cross-sectional**
Type of research	**Exploratory**
Population	**Adult holders of South African accounts**
Sampling method	**Convenience**

1.6 Proposed chapter outline

The table below illustrates the chapter outline for the research paper:

Table 2: Chapter outline

Chapter 1	**Introduction**	**Introduction, Research objectives, Assumptions, Delimitations, Chapter outline, Ethical considerations, Anticipated contributions, Conclusion**
Chapter 2	**Literature review**	**Introduction, Theoretical frameworks, Loyalty program landscape, Loyalty programs in South African financial services industry**
Chapter 3	**Research methodology**	**Introduction, Hypotheses, Research Paradigm, Research design, Limitations, Ethical considerations, Conclusion**

Chapter 4	**Research findings and analysis**	**Introduction, Descriptive statistics, Inferential statistics, Hypotheses testing, Reliability and Validity**
Chapter 5	**Conclusion**	**Introduction, Conclusions, Recommendations**

1.7 Ethical considerations

Hofstee (2006: 210) asserts that ethical constraints exist and are expected to be observed to ensure no harm befalls any individuals, groups, organisations, animals or the environment as a result of the proposed research. These considerations are discussed briefly below and thoroughly in chapter 3.6.

1.7.1 Anonymity

The research aim and objectives do not require respondents to be personally identified. Therefore, respondent anonymity will be protected throughout the research; no names, email addresses or personal information will be asked of anyone.

1.7.2 Consent

Informed consent will be required from all research respondents. For this to be the case, respondents must be made aware of the purpose of the research, assured that they are under no pressure to partake in the research, and that they can withdraw their consent at any time. Explicit consent will be required and gathered to ensure this is adhered to throughout.

1.7.3 Age

The research will exclude minors as their ability to provide free and informed consent is in question.

1.7.4 Inclusivity

The research will make every effort to ensure it does not unfairly prejudice any individuals, or group of individuals.

1.7.5 Vulnerability

While the research deals with money and economic behaviour, it will not target or bring harm to any individuals in financial distress or discuss matters related to financial loss.

1.8 Anticipated contributions

The following contributions are anticipated from this research:

- Unpack the circumstances that have led to all the major banks in South Africa launching and operating rewards programs
- Make the case for a brand theory approach to rewards program strategy
- Establish whether rewards programs incetivise behavioural change at South African banks
- Determine the role of message framing in promotional messaging

1.9 Conclusion

This chapter saw the introduction of the context and background to the study, along with a discussion around the research aim and objectives. Assumptions and delimitations followed, before an outline of the structure of the study was presented in a table. Ethical considerations were then listed and discussed briefly. Finally, the anticipated contributions of the research were listed. A review of current academic literature will follow in chapter 2.

Chapter 2: Literature Review

2.1 Introduction

This chapter presents the theoretical grounding for the research, before presenting recent academic literature on the topic. The theoretical frameworks aim to conceptualise rewards program strategy while the academic literature gives an overview on the current state of affairs. Finally, the review concludes with a presentation of the various competing rewards programs and their key differentiators.

2.2 Theoretical frameworks

2.2.1 Loyalty

Oliver (1999) asserts that the study of loyalty proves apt over the study of satisfaction - while the two share an association, there exists an imbalance, whereby loyal customers are ordinarily also satisfied customers, but satisfied customers are not always loyal. The author defines loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour" (Oliver, 1999: 34). This definition proves fitting for the client entrenchment assumption introduced in chapter 1.3, whereby client entrenchment was envisioned as clients of a bank taking up additional products in the service offering and becoming primarily banked by one brand, over all others.

Furthermore, satisfaction is defined as "a pleasurable fulfilment" (Oliver, 1999: 34). In the investigation of the effect of satisfaction on loyalty, the author found that satisfaction is a vital part in forming initial loyalty but becomes increasingly insignificant as human bonding and self-determination become paramount to developing ultimate loyalty. Ultimate loyalty is conceptualised as a synthesis of "perceived product superiority, personal fortitude, social bonding, and their synergistic effects" (Oliver, 1999: 33) resulting in a consumer who "fervently desires to rebuy a product or service and will have no other… and will pursue this quest against all odds and at all costs" (Oliver, 1999: 35).

Ultimate loyalty is a lofty goal, one that does not prove feasible for certain categories plagued by consumer disinterest (Oliver, 1999: 35). However, the research conducted Bisschoff and Els (2023) asserts that the South African banking landscape is highly competitive and subject to brand loyalty influences. The authors further assert that loyal customers exhibit less switching behaviour and use more banking products. The research posits five antecedents of brand loyalty, namely, service quality, customer satisfaction, loyalty, reputation, and trust, finding customer loyalty grants a substantial competitive advantage, prevents client base erosion, safeguards company revenue, and simplifies the acquisition of new clients (Bisschoff & Els, 2023: 110). Fostering brand loyalty is important to brands because of the price elasticity of demand - brand loyal customers are more likely to forego a logical choice in favour of repeat purchases of their preferred brand, because it is believed the brand meets all their expectations and satisfies all their needs (Venter, 2023:3).

2.2.2 Brand loyalty

Aaker (1991:27) defines brand equity as “a set of assets and liabilities linked to a brand, its name or symbol, that add or subtract from the value provided by a product or service to a firm and/or to that firm’s customer”. A brand with high brand equity enjoys a competitive advantage over its competitors - increasing consumer purchase intention towards it (Cobb-Walgren, Ruble & Donthu, 1995).

Aaker (2024) posits that brand equity is centred around recognition, and that there are four elements that make up brand equity, brand loyalty being one of them.
Brand Loyalty allows:

- Time to respond to competitive threats
- Reduce marketing costs
- Attracting new customers
- Trade leverage

Keller (2020: 448-465) posits that brand associations are any brand-related memories that live in the minds of consumers and that linking brands to other people, places and things will create brand associations, which in turn builds brand equity. These links can then be leveraged by the brand, allowing consumers to infer that the brand shares meaning with the associations, enhancing consumer knowledge and building brand equity. Rewards partners are brand associations that banks in South Africa make use of; by either enabling clients to earn rewards through a particular merchant or allowing them to redeem or spend their earned rewards through said merchant, the bank forms an association in the eyes of the client between itself and the chosen partner. Clients then infer shared meaning due to the partnership, which enhances knowledge and creates expectation or desirability.

Aaker (2013) asserts that through the above measurements, brand associations represent the basis for consumer purchase intention and the resultant brand loyalty; they confer on consumers reasons to buy, help them process information, evoke positive attitudes towards the brand and enable brand extensions.

Both Aaker (1991) and Keller (2020) assert a process of building brand equity that culminates in a brand being first choice above all else - where consumers develop a long term relationship and only patronise that brand, shunning all other alternatives and advocating for that brand alone.

2.2.3 Expectancy theory of motivation

On loyalty psychology, Vroom (1964) introduces the ‘expectancy theory of motivation’ which posits that individuals act in accordance with the belief that their actions will lead to their desired outcome. There is, therefore, a positive correlation between behaviour and reward where desirable behaviour should result in a favourable reward. The three expectations that underpin the theory are as follows:

1. There must exist a positive relationship between effort and performance
2. Favourable performance must result in a desirable reward
3. The reward must satisfy an important need and the desire to satisfy that need must be strong enough to make the effort worthwhile

2.2.4 Loss aversion theory

Kahneman (2011) expands on this correlation in his ‘loss aversion’ theory where he asserts that individuals are inherently loss averse, and that when weighing up decisions, the risk of losing out is a stronger motivator to act than an equal gain. Such a correlation is key to designing an effective rewards program, particularly one which is tiered, like most in the banking sector are, as clients need to be unambiguously incentivised to behave in a manner that results in the earning of a desirable reward. An understanding of the two theories is the bedrock upon which an effective loyalty program can be built; where the motivations of clients are carefully considered to ensure they are sufficiently motivated to act in accordance with the aims of a thoughtfully designed loyalty program.

2.3 Loyalty program landscape in South Africa

The loyalty program landscape in South Africa is dynamic and prominent across retail, financial services, leisure, travel, telecommunications, fuel, and hospitality industries (Truth, n.d.:30-32). In Figure 1 below, the top 25 most used loyalty programs in South Africa over the period 2023/2024 are illustrated and include several industries, which reflects this prevalence:

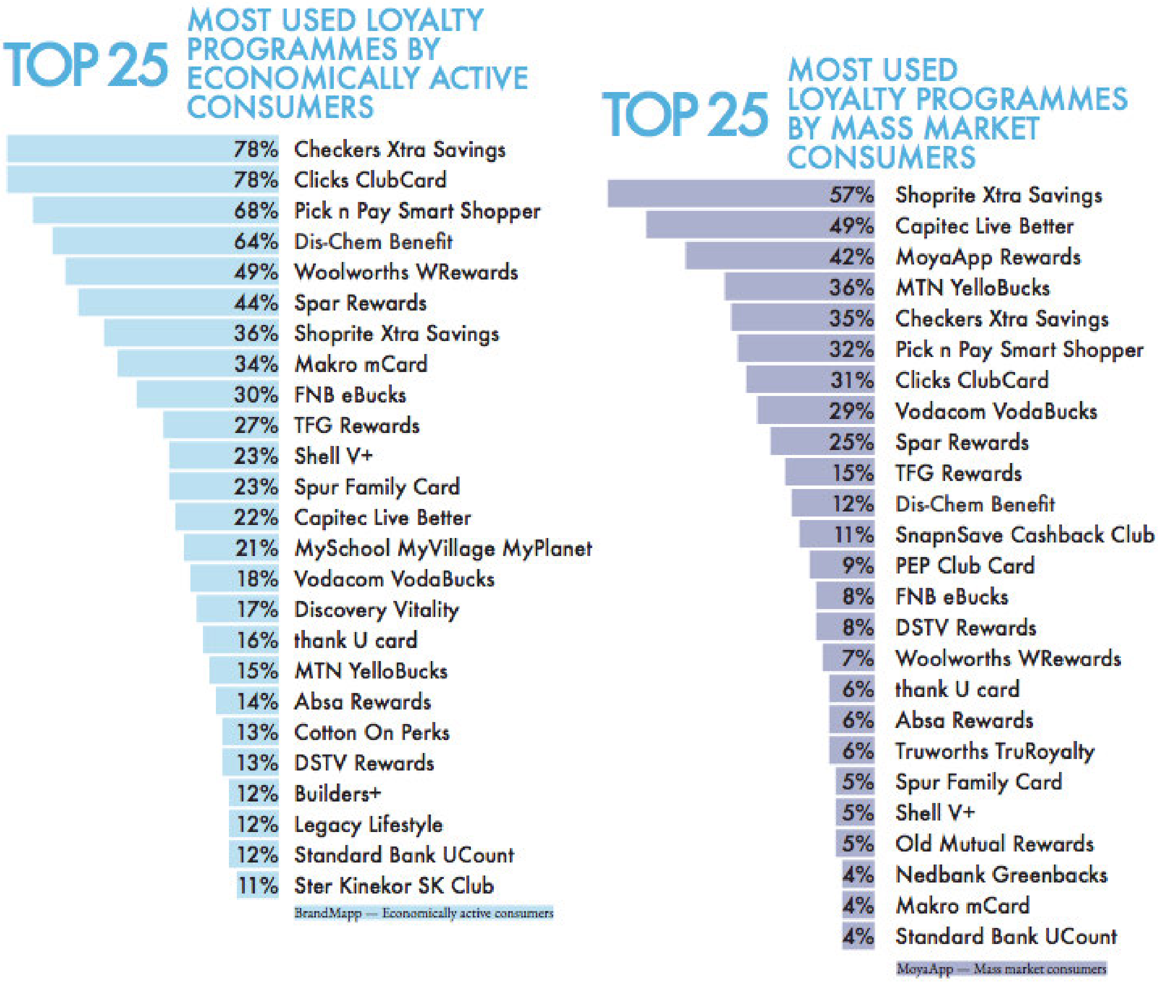

Figure 1: Most used loyalty programs in South Africa (Truth, n.d.:27-29)

The landscape has historically been dominated by the retail sector, evidenced by six of the top 10 most used programs being retail programs, which is consistent year on year (Truth, n.d.:34). Truth (n.d.: 26) further assert that the active users of the retail and grocery sectors almost always skew female and older, whereas the FNB eBucks does not change across demographic segmentations and instead reflects a bias towards the top end (household income in excess of R40,000.00 per month) when compared to the middle market (household income between R10,000 and R40,000 per month. The seven loyalty programs discussed in section 1.1.1 are all relevant in the financial services industry, all are featured in the most used programs used by the economically active (household income in excess of R40,000.00 per month) as indicated in Figure 2 below:

Figure 2: Most used loyalty programs in the financial services sector (Truth, n.d.:31)

Furthermore, banking scores highly among the economically active South African populace when they're asked which of their decisions are influenced by loyalty programs, as illustrated in Figure 3 below:

Figure 3: Influence of loyalty programs (Truth, n.d.:22-24)

Bisschoff and Els (2023: 103) posit that the banking landscape in South Africa is highly competitive and subject to brand loyalty influences, which are proven to both create and maintain competitive advantage. Venter (2023:15) conceptualised a model to measure brand loyalty across industries by identifying attitudinal and behavioural drivers of brand loyalty. The author asserts that the two drivers are not on equal footing - attitudinal drivers are the stronger of the two, informing the latter. The Venter (2023) study makes a distinction between intention and actual behaviour, where consumers behavioural loyalty refers to consumers ongoing brand purchases as well as a repeated intention to continue the purchase behaviour in future, whereas attitudinal loyalty speaks to the emotional aspect of brand loyalty encompassing one's feelings and commitment towards a brand, i.e. one's intentions towards a brand. Fostering brand loyalty is important to brands because of the price elasticity of demand - brand loyal customers are more likely to forego a logical choice in favour of repeat purchases of their preferred brand, because it is believed the brand meets all expectations and satisfies all needs (Venter, 2023:3). Despite Oliver’s (1999) research imploring the study of loyalty over satisfaction, the two seem to be inextricably linked.

The following studies considered the role of satisfaction, among other attributes, on brand loyalty and found the following:

- Taoana (2021) explored the mediating role of brand trust in the creation of brand loyalty towards local retail banks. Using behavioural theories and brand loyalty theory, the research found a direct positive relationship between customer satisfaction, customer advocacy, brand trust and brand loyalty, but found brand trust did not influence brand loyalty and customer loyalty
- Magano (2022) explored the influence of customer brand experience, customer brand engagement, and emotional brand attachment as key factors of loyalty programs and a programs effect on brand loyalty. The research found that loyalty programs have a positive relationship with the three key factors, and as a result, a positive relationship with brand loyalty.
- Olifant (2021) investigated the effect of loyalty programs on customer loyalty in retail banking by evaluating the programs influence on customer satisfaction, perceived service quality, the reputation of the brand, and the resultant loyalty towards the brand. By identifying behavioural and attitudinal drivers of loyalty, as well as using expectancy confirmation/disconfirmation theory, it was found loyalty programs do not have an influence on customer loyalty, but customer satisfaction did.
- Jonas and van Rensburg (2019) undertook a similar study, asserting that rewards programs serve to drive customer satisfaction. The authors investigated the perceptions of fees, charges, service quality, activities and technology, and their effect on customer satisfaction. The researchers found there to be a significant relationship between customer satisfaction and each of the above factors, apart from fees and charges.
- MacKay and Major (2017) undertook a study to investigate service quality, trust, switching costs and satisfaction as predictors of customer loyalty. The study tied customer loyalty to customer satisfaction, which is achieved when a bank enhances its service offering, establishes trust with its customers, and minimises the cost to switch to it.

On the topic of loyalty and satisfaction, Mokoena and Govender (2015: 22-28) explored the loyalty strategies used by four South African retail banks and observed a staggering increase in loyalty programs, citing banks realisation that they must offer more than just a service, however the programs were found to be merely transactional and lacked the emotional depth required to build a strong and lasting relationship. Furthermore, Kiliswa (2023) investigated the relationship between customer experience and customer loyalty, with particular focus on relationship banking and service quality as differentiators resulting in increased customer satisfaction. The author posits that

South African retail banks tend to imitate one another's offerings, resulting in products or channels that are similar. Relationship building is put forth as a way for banks to better the customer experience and enjoy increased loyalty. Another study by Govender (2016) corroborates this assertion, positing that loyalty programs in banks were initially designed to cultivate customer loyalty by rewarding clients in exchange for continuous banking, however, in recent years, due to financial constraints, these programs have shifted towards merely offering discounts rather than forging the type of relationships that result in brand loyalty. In spite of this assertion, the research conducted suggests rewards programs are not drivers for clients switching behaviour, but the respondents are sensitive to the rewards offered and do alter their behaviour to maximise reward yield.

The prior research therefore supports the stated thesis statement that asserts rewards programs are an essential element of a brand's marketing mix, playing a significant role in promoting brand love, increasing brand advocacy, and establishing frequent brand communication, but such a strategy must be carefully thought out to ensure it will serve it's intended purpose.

In an effort to be user-centric, behavioural psychology was introduced to ensure the end users of the rewards program are being considered. The following authors explored loyalty programs:

- McCulloch (2016) investigated the effect of loyalty programs on customer loyalty in the retail industry by evaluating rewards programs and loyalty theories, with a particular focus on Pick 'n Pay, and found that the program did not influence brand loyalty or change their perceptions of the brand, in large part because the loyalty program was not tiered and did not incentivise customers to purchase more.
- Fourie, Goldman and McCall (2023) investigated the effect of banking loyalty programs towards creating long-term value. The research placed particular focus on the type of rewards benefits identified as determinants of customer loyalty, finding social and exploration benefits trump monetary and entertainment benefits.
- Motsoahae (2020) investigated messaging in rewards programs by using established price promotion and messaging strategies employed in the retail sector and applying them to the financial services industry. Using the loss aversion theory mentioned above, the researcher found the theory not to apply to message framing in retail banking.

2.4 Loyalty programs in the South African financial services industry

The tables below serve to highlight the key differences of the rewards programs offered by the major South African banks which are all differentiated and bound by program rules. In particular, there are earnings requirements to be eligible for the accounts that confer the option of access. At some banks the rewards program is complimentary to the account fee, at others it is an additional charge that is either compulsory or one must opt in for. The criteria to earn rewards is not the same and neither are the available redemptions. Each bank's rewards program is distilled into the tables below:

Table 3: First National Bank eBucks (eBucks, n.d.)

Eligibility	Make use of an eligible account
Cost	No extra cost - included in the monthly account fee
Type	Tiered program
Earn	Everyday transacting. Rewards level is based on behaviour and the range of products held through the bank
Spend	Rewards can be spent at partner stores or internally towards travel or account fees

Table 4: Standard Bank UCount (Standard Bank, n.d.)

Eligibility	Make use of an eligible account
Cost	R25 per month
Type	Tiered program
Earn	Amount varies based on tiering level and is earned from qualifying purchases. Tiering level is based on client behaviour and the range of products or services client makes use of
Spend	Rewards can be redeemed at rewards relaters or donated to charity

Table 5: ABSA Rewards (ABSA, n.d.)

Eligibility	Make use of an eligible account
Cost	No extra cost - included in the monthly account fee

Type	Tiered cash back program
Earn	Clients earn cash back rather than rewards points that need to be redeemed. Bonus cash back can be earned when clients shop at rewards partners
Spend	Cash rewards can be redeemed into a transactional account, to fund a unit trust, towards vouchers or donated to charity

Table 6: Nedbank Greenbacks (Nedbank, n.d.)

Eligibility	Make use of an eligible account
Cost	R30 per month, waived for certain accounts
Type	Tiered program
Earn	Clients earn rewards points for the following behaviours: • Being main banked through Nedbank (depositing income and having debit orders run off account) • Card swipes • Growing money in a savings or investment account • Paying of lending deals or not exceeding overdraft
Spend	Rewards points can be withdrawn as cash at a Nedbank ATM, invested, purchase prepaid credits, pay bank charges or donate to charity

Table 7: Investec Rewards (Investec, 2023)

Eligibility	Earnings of R800,000 p.a. or R600,000 p.a. if under 30 and holding specified qualifications
Cost	No extra cost - included in the monthly account fee

Type	Tiered program
Earn	Clients earn rewards points on qualifying spend and balances based on their rewards level. The rewards level is based on a partnership score which is determined by products held through the bank.
Spend	Rewards can be redeemed towards cash, a range of unit trusts, travel rebates, through third party partners, or donated to charities, etc

Table 8: Discovery Vitality Money (Discovery, n.d.)

Eligibility	Make use of an eligible account
Cost	A vitality money premium is included in the monthly account fee
Type	Tiered program
Earn	Vitality money is earned through a gamified status program that tiers clients based on their behaviour. The tiers unlock varying discounts, dynamic interest rates and Discovery miles, the rewards points of the program, on qualifying spend
Spend	Discovery miles can be spent at the Vitality mall or through rewards partners

Table 9: Capitec Live Better (Capitec, n.d.)

Eligibility	Make use of an eligible account
Cost	No extra cost
Type	Cash back program

Earn	Clients earn cash back rather than rewards points that need to be redeemed. Cash back is deposited directly into a savings account on the 10th of every month. Bonus cash back can be earned when clients shop at rewards partners
Spend	Clients can do as they please with their cash back

2.5 Conclusion

This chapter presented and discussed various theoretical frameworks and studies focused on loyalty program strategies and objectives. The loyalty programs of the major banks were then tabulated for the sake of comparison. The purpose of the chapter was to bring to light the current state of affairs and conceptualise rewards program strategy using the theoretical frameworks.

- The chapter argued the case for studying loyalty over satisfaction but found the two to be inextricably linked. The chapter presented a varied and dynamic loyalty program landscape, with both new entrants and established programs that dominate the industry. The major local banks have all adopted tiered loyalty programs, that are complimentary or in some case charge a fee and confer cash or rewards points which can be redeemed towards perks of a member's choosing. The programs are not without their differences, which indicate they are being used inconsistently, albeit with obvious imitations and varying degrees of success. The research proposed will illuminate member attitudes and inform employers of rewards program strategy at South African banks. The discussions in this chapter addressed the first two research objectives listed in chapter 1.2, namely "to investigate the nature of a bank's rewards programs and brand loyalty" and "to understand the existing academic literature on rewards programs, brand loyalty and satisfaction." The next chapter will discuss the methodology the research will use to investigate the phenomena presented in this chapter.

Chapter 3: Research methodology

3.1 Introduction

This chapter will discuss the hypotheses, paradigm, design, limitations chosen for this research and the ethical considerations observed. Each of the methods have been considered on account of the research aim and objectives to align with the nature of the thesis statement.

3.2 Hypotheses

The research hypotheses this research will test are illustrated in Table 3.2 below:

Table 10: Hypotheses

H_0	Rewards programs have no effect on customer loyalty
H_1	Rewards programs have a statistically significant positive effect on customer loyalty
H_2	Positive attitudes towards a given rewards program elicits advocacy of that brand
H_3	Rewards are an adequate incentive to change client behaviour at South African banks
H_4	Clients are incentivised to change their behaviour when messages are posed as avoiding losses rather than making equal gains

3.3 Research Paradigm

Saunders, Lewis and Thornhill (2019) developed a framework titled ‘Research Onion’ that guides researchers through decisions that will need to be made regarding research methodology aspects for research projects.

The first layer of the research onion (Saunders, et al., 2019: 108) discusses matters relating to ontology and epistemology or research philosophy. Ontology considers what is true and the nature of reality, while epistemology considers the nature of knowledge and how it is gained (Trivedi, 2020).

Positivism, interpretivism, critical realism, pragmatism, and post-modernism are presented to the reader, each describing the different ways individuals can interpret truth and knowledge. After evaluating each of the available options, a positivism research paradigm will be adopted for the purpose of the research because of the shared belief that society should be studied using the scientific method, which is objective and logical - such a process proves most apt for the investigation of the stated research problem because it allows the researcher to expose and measure patterns of behaviour in the search of causality (McLeod & Guy-Evans, 2023).

A phenomenalist epistemology will be adopted because of the belief that meaning can be gained through an investigation into human experience. The phenomena discussed that this research would investigate is widespread, experienced by a large number of individuals the world over - it is neither feasible nor practical to take an interpretivist outlook to deeply understand the individual lived experience of the many who have encountered or partake in the phenomenon. Furthermore, the research will seek merely to measure attitudes, not change them for better or worse - this will be expanded on in the ethics and limitations section of the study. By objectively conceptualising the phenomenon and using the scientific method to hypothesise and then measure respondent's attitudes against the stated hypotheses, knowledge can be gained by either supporting or failing to support the assertions made. Furthermore, a positivist philosophy will allow for an approach and method that can reach a far larger sample than interpretivism would.

The research onion then moves on to matters relating to reasoning, where three types of reasoning are introduced. The first of which is deductive reasoning which Trivedi (2024) defines as "concluding by reasoning" whereby existing theories are applied to a specific situation and hypotheses are formulated to then be tested against data, determining whether the theory holds true in that context. The conclusion reached is bound to the specific context of the research and affords a high degree of certainty, essentially confirming an already known or accepted relationship or fact.

The second type of reasoning discussed is inductive reasoning whereby observations are made and from the observations, theories are formulated i.e. the forming of theory to explain lived experience (Trivedi, 2024). The key contrast between the two is that deductive reasoning clarifies what is already known or accepted and is universal in scope, moving from theory, to hypothesis, to observation, and then finally confirmation. Inductive reasoning, in contrast, is specific and limited in scope, aiming to gather evidence to then form theories that attempt to explain what is seen and the conclusion is probable, rather than certain.

The final type of reasoning is abduction which is applied to new or poorly understood phenomena where relationships or facts are identified and probable conclusions are drawn (Trivedi, 2024). Of the three types of reasoning discussion, deduction proves the most apt and will be used for the purposes of this research. Deductive reasoning is closely associated with quantitative research, which yields numerical data for statistical analysis to then test hypotheses and reach generalisable findings (Mcleod, 2023). Conversely, qualitative research seeks to gain insights by exploring subjective, individual lived experiences and yields textual data that aims to describe a phenomenon.

3.4 Research design

3.4.1 Research instrument

Van Holm (2021) asserts that surveys can yield reliable data that can be generalised to the population. A survey proves apt for this research because of this key feature - the phenomenon observed is widespread and ubiquitous across the banking industry, it is not feasible or practical to reach each and every individual impacted. By constructing a carefully designed survey that is administered to a representative sample, the findings of the survey can then be generalised across the broader population.

Van Holm (2021) further states that there are two types of surveys, the first of which is a cross-sectional survey, which captures responses at a point in time, and the second of which is a longitudinal survey, which captures responses over a period of time. Surveys conducted over time aim to illustrate how attitudes change over time, which is not the purpose of this research.

This research aims to measure respondent attitudes towards the observed phenomena and generalise the findings across the population. With this aim in mind, a cross-sectional survey proves ideal. In order to generalise findings, the sample must be representative, which occurs when a probability sample is used (van Holm, 2021). Data will be collected through an online survey for practicality - ease of administration and dissemination. All respondents will be asked the same questions and have the same options as answers. There are inherent limitations and prejudice posed as a result of this choice which will be discussed in later chapters. The numerical data will be analysed using statistical analysis software in order to test hypotheses.

3.4.2 Population and Sampling

The population for this research will be anyone above the age of 18 years old, who has an account held through a South African bank and participates in the bank's rewards program.

The research will be conducted using a population sampled through convenience sampling. Such a sampling method proves the most practical considering time and financial constraints. A link to the research instrument will be shared with individuals known to the researcher on social media, namely Instagram, WhatsApp and LinkedIn, whereby anyone with access to the link can take the time to complete the survey. While the link can be re-shared infinite times and there will be no restrictions to the participation of individuals not known to the researcher, only the first 100 responses will be gathered.

3.4.3 Data collection method

The research instrument will be a cross-sectional, self-administered, five-point Likert scale survey made available online through Google Forms. Google Forms is chosen due to its ease-of-use, making the survey readily accessible to 100 respondents and accurately collating individual and group data. The survey will be split into three sections, the first dealing with consent, the second with demographics and the third measuring attitudes. The instrument has been included in this study as Appendix A.

The consent section of the survey will include an introduction informing respondents that their participation is completely voluntary and can be withdrawn at any time, that the survey is anonymous, and that no questions will identify them. Informed consent is addressed through the introduction which culminates in a compulsory question with only the option “Yes”. The next sections are not accessible without the declaration being answered.

The second section addresses sample demographics, asking respondents to declare facts about themselves for the sake of segmentation. None of the questions will explicitly identify any individual respondent, careful consideration has been made to ensure each respondent can identify with at least one available choice.

The attitudinal section of survey will gather data on levels of agreement, through statements informed by the various literature discussed. Respondents will be asked to state their level of agreement on a five-point Likert scale, 1 being “strongly agree”, 2 “somewhat agree”, 3 “neither agree or disagree”, 4 “somewhat disagree” and 5 “strongly disagree”. The data collected will inform correlational and significance measurements which will then be used to infer a relationship between the theories that underpin each question and inform the rejection or failure to reject the stated hypothesis.

- Questions 8-12 are informed by Aaker’s brand equity theory and Keller’s customer-based brand equity theory.
- Question 13 is informed by Vroom’s expectancy theory of motivation
- Question 14 is informed by Kahneman’s loss aversion theory
- Questions 15-19 are the “results” questions informed by the Oliver’s study on loyalty as well as Bisschoff and Els study on loyalty in the South African retail banking landscape, in particular the five anecdotes of brand loyalty.

The proposed research will measure correlation and statistical significance of the questions in the attitudinal section of the survey, through the calculation of the mean value of each question, the standard deviation, Pearson's correlation coefficient and p value between each question. The questions and subsequent calculations will address the last two research objectives listed in chapter 1.2, namely "to measure the effect of rewards programs as a client entrenchment tool" and "to measure the effect message framing has on resultant behaviour".

A pilot study will be administered to 5 respondents prior to the survey going live to test the general respondent experience and gather feedback prior. This pilot will inform the time taken to answer and edits will be made if questions or statements prove unclear or difficult to understand.

The survey is included as Appendix A.

3.4.4 Data analysis method

Statistical analysis will be completed using SPSS v24 software for the purposes of inspecting the data set for any missing values and calculating inferential statistics. Descriptive statistics will be used to illustrate the sample size, demographics and characteristics. Frequencies and cumulative frequencies, expressed as percentages, will illustrate how the respondent profiles lean across the available options in the demographics section of the survey. Inferential statistics will be used to illustrate data from the attitudinal section of the survey. The mean will be considered as a measure of central tendency and standard deviation as a measure of spread, Pearson correlation coefficient as a measure of correlation between brand loyalty and rewards programs, and lastly the probability value for hypothesis testing, as a measure of the likelihood of obtaining results if the null hypothesis is true.

3.4.5 Reliability and Validity

Middleton (2022) posits reliability as the consistency of findings. Statistics How To (2022) assert that Cronbach's Alpha Coefficient is a measure of internal consistency, which is, how closely related a set of times are as a group. It is a measure of scale reliability, it is not a statistical test (UCLA, 2021). It will be used to test the reliability of the multi-question Likert scale portion of survey. The numerical value ranges from 0 to 1, indicating greater internal consistency as the value gets closer to 1, as illustrated in Table 11 below:

Table 11: Cronbach's Alpha Measurement (Statistics How To, 2022)

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Middleton (2022) further asserts that validity refers to the accuracy of measurement. Internal validity refers to the research design while external validity is concerned with the generalisability of results. Careful consideration to previous literature will ensure construct and content validity, while Pearson's correlation coefficient will be used to quantify association between variables and inform results.

3.5 Limitations

Limitations are influences that are out of the control of a researcher, that present as flaws or shortcomings, due to constraints on the research design and methodology, impacting the findings of the study (Wordvice, 2022).

There are inherent limitations presented by the chosen research methodology; these include:

3.5.1 Online survey

The choice to conduct the survey over a digital medium will unfairly prejudice individuals without access to the internet or a compatible device. Furthermore, with the researcher not being present, respondents cannot ask for guidance if a question posed confuses them, with each question being mandatory, confusion could skew data.

3.5.2 Dissemination through a link

While there are no restrictions on who can partake in the research, or even how many people can, the link will initially be shared with individuals known to the researcher. These individuals might then share the link themselves, ultimately the survey will be completed by respondents within a few degrees of separation.

3.5.3 Social desirability

Van Holm (2021) defines social desirability as “the idea that respondents will try to answer questions in a way that represents them in a favourable light. Some people might answer those types of questions without stating their true belief in order to appear socially acceptable”. While the questions posed are not of the sensitivity the definition is attached to, the survey will be asking respondents questions related to money and their economic behaviour, which could be considered a sensitive topic. It remains relatively unknown how individuals will respond to the questions posed in the survey.

3.6 Ethical considerations

This section details what has been done to ensure the research complies with the ethical standards expected. Ethics are expected to be observed to ensure that no harm comes to any persons as a result of the proposed research (Hofstee, 2006: 210). The ethical considerations observed include:

3.6.1 Anonymity

The research does not require respondents to be personally identified, responses will merely be aggregated for the purposes of statistical analysis. With this in mind, no questions or software will personally identify any respondents. Descriptive questions will be asked to form a demographic representation of respondents. No names, email addresses or personal information will be required.

3.6.2 Consent

The online survey will require informed consent that must be provided in order to proceed with the survey. The University of Oxford (n.d.) asserts that for consent to be informed, respondents must know what the research is and understand what they are consenting to. An introduction at the beginning of the survey will explain the purpose of the research, assure respondents that they are under no pressure to partake in the research, and that they can withdraw their consent at any time before submitting their responses. Explicit consent will be required through a checkbox “yes” at the end of the introduction. This will be a mandatory question with a single answer, respondents will not be able to proceed without checking the box.

3.6.3 Age

The introduction will explicitly state respondents are to be over the age of consent, which is eighteen. The University of Oxford (n.d.) asserts that minors are people under the age of eighteen and their ability to provide free and informed consent is in question.

3.6.4 Inclusivity

The survey will be close ended. The careful designing of questions will ensure the research does not exclude anybody, and that every respondent can identify with an available option for every question posed.

3.7 Conclusion

This chapter presented the research methodology in more detail, illustrating the hypotheses, explaining the choice of paradigm and reasoning along with all matters relating to the design and method employed. Finally, validity and reliability were discussed, along with limitations and ethical considerations.

The chapter presented the four hypotheses as a starting point for further research, before moving on to matters of research philosophy. A discussion around research design followed, arguing the case for a cross-sectional survey targeting the adult South African population through convenience sampling. Such an instrument would yield numerical data which will be analysed and reported on. The choices made were not without limitations, chief among them the survey being administered digitally, however this is a net gain due to the ease of dissemination. A discussion around ethical considerations closed the chapter, arguing the importance of anonymity, informed consent and inclusivity. The next chapter will illustrate the results of the data analysis and present findings.

Chapter 4: Research findings and analysis

4.1 Introduction

This chapter presents the data collected and discusses the results found. The data was collected through an online survey on Google Forms and analysed using SPSS v24. A total of 100 responses were collected, all were complete and made up the sample analysed.

4.2 Descriptive statistics

This section presents the demographic profile of respondents to the survey. The descriptive statistics are included to provide context on the respondents to this study and summarise demographic data.

4.2.1 Age

The age distribution is presented in figure 4 below. Using generational cohorts as defined by Warren (2024) the distribution illustrated skews generation z (60%), followed by generation y (30%) and finally generation x (10%), While no one over the age of 59 partook in the survey. As such, the results reflect more generation z attitudes that any other generational cohort.

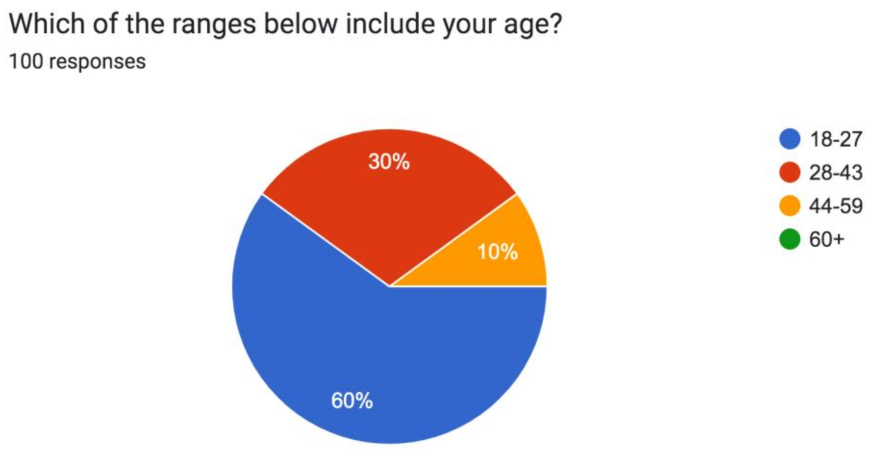

Figure 4: Age

4.2.2 Gender

The gender distribution is presented in figure 5 below. The distribution skews slightly female (53%), followed by male (47%) and although the option was available, no respondents identified as non binary (0%). As such, the results slightly illustrate more of the attitudes belonging to females.

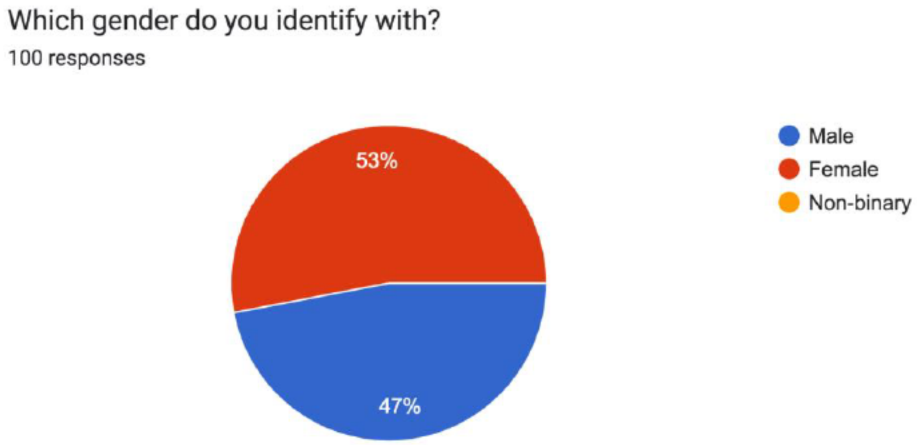

Figure 5: Gender

4.2.3 Employment

The employment distribution is presented in table 12 below. The distribution leans heavily towards full-time employment (89%), followed by students (8%), part-time employed (2%) and self-employed (1%). As such, the results heavily illustrate the attitudes held by full-time, working individuals.

Table 12: Employment

Employment Status	Frequency	Percentage
Full-time	**89**	**89%**
Part-time	**2**	**2%**
Self-employed	**1**	**1%**
Student	**8**	**8%**
Seeking opportunities	**0**	**0%**
Prefer not to say	**0**	**0%**
Total	**100**	**100%**

4.2.4 Residence

The residency distribution is presented in figure 6 below. Respondents are made up entirely of Gauteng residents, no other regions of South Africa are represented. As such, the results of the survey illustrate the attitudes of Gauteng residents.

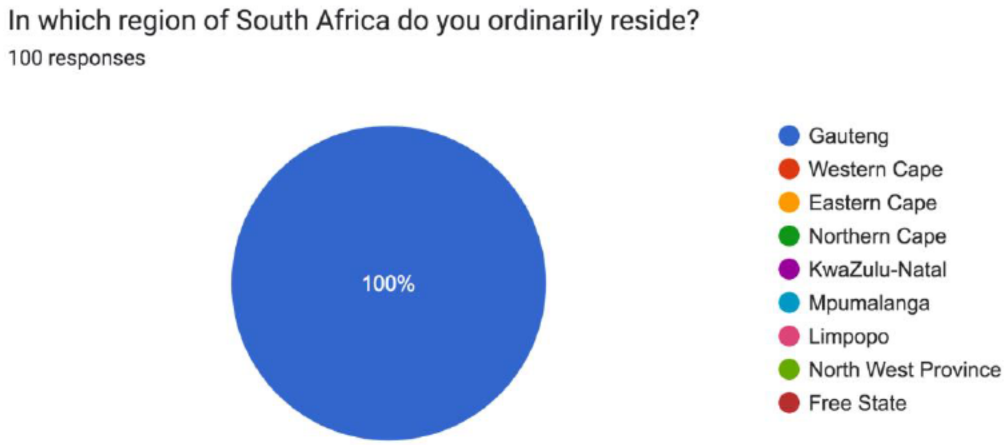

Figure 6: Residence

4.2.5 Primary bank

Respondent primary banks are presented in table 13 below. Respondents are spread between First National Bank (33%), Investec (26%), Nedbank (14%), Discovery (9%), Standard Bank (8%), ABSA (7%) and Capitec (3%). All seven banks researched are represented the sample, although First National Bank and Investec clients make up almost half (49%) of the analysed sample, climbing up to nearly three-quarters (73%) when including Nedbank clients. As such the results will be informed in large part by the attitudes of clients of the three banks.

Table 13: Primary bank

Primary bank	Frequency	Percentage
First National Bank	**33**	**33%**
Investec	**26**	**26%**
Nedbank	**14**	**14%**
Discovery	**9**	**9%**
Standard Bank	**8**	**8%**
ABSA	**7**	**7%**
Capitec	**3**	**3%**
Other	**0**	**0%**
Total	**100**	**100%**

4.2.6 Length of time primarily banked

The length of time respondents have held their primary account is presented in figure 7 below. The majority of respondents have held their account for more than 5 years (51%), followed by between 1 and 3 years (20%), less than 12 months (19%), and between 3 and 5 years (10%). As such, attitudes expressed in the survey will reflect respondents with longstanding ties to their primary bank.

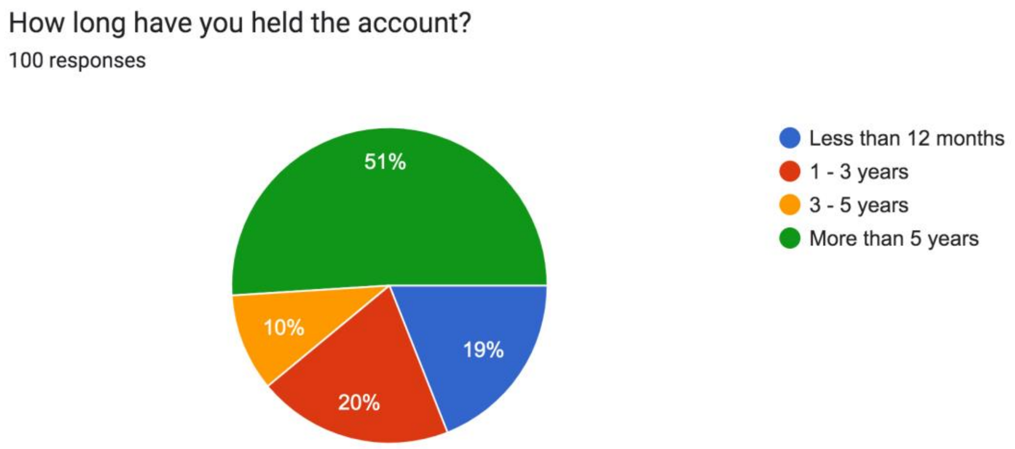

Figure 7: Length of time primary account held

4.2.7 Awareness of rewards programs

Respondents' awareness of their primary bank's rewards program is presented in figure 8 below. The overwhelming majority of respondents are aware of their bank's program (93%), and only 7% are not. This is an ideal sample given the subject of the research. As a result, attitudes recorded are representative of banking clients who are aware of the program their bank offers.

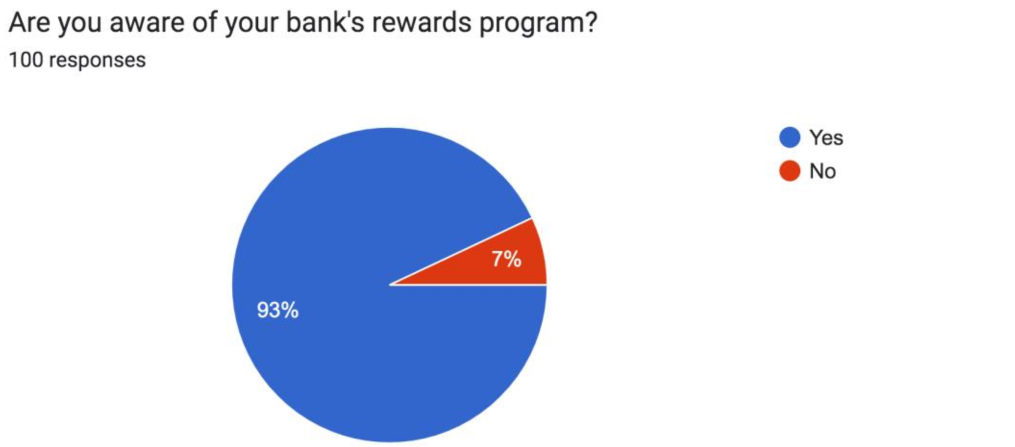

Figure 8: Awareness of primary bank's rewards program

4.3 Inferential statistics

The descriptive statistics illustrated in the table below are included to provide context to the attitudes of respondents to this study and summarise their responses to behavioural questions. The mean value is a measure of central tendency, illustrating the point of consensus on the Likert scale, where 1 = strongly agree and 5 = strongly disagree. The standard deviation is a measure of spread between each value in the data set and the mean (Statistics How To, 2022). The higher the standard deviation, the more spread the data is, which means more disagreement across respondents, and the inverse is true for the opposite.

Table 14: Sample Attitudes

Research Construct	Descriptive Statistics	
	Mean Value	Standard Deviation
1. My banks rewards program is easy to use/understand	1.92	±0.884
2. I would recommend the loyalty program to close friends/family	2.11	±1.171
3. I like the rewards program more than other programs	2.41	±1.181
4. The proposed rewards are what I want	2.47	±1.077
5. I prefer exclusive lifestyle collaborations such as limited-edition offerings to financial redemptions such as discounts on fees or cash back	1.84	±1.277
6. I would alter my behaviour to gain more rewards	2.24	±1.215
7. I would alter my behaviour to stop losing potential rewards	1.74	±0.774
8. I feel good about being a client of my bank	1.41	±0.653
9. Products and services offered by my bank meet or exceed my expectations	1.86	±0.752
10. I am most likely to increase my banking portfolio with my bank	1.60	±0.932

Research Construct	Descriptive Statistics	
	Mean Value	Standard Deviation
11. I intend to remain a client of my bank for the foreseeable future	1.27	±0.584
12. I would recommend my bank to close friends/family	1.49	±0.732

The data for the first research construct suggests that respondents have a good understanding of the rewards program they belong to and there is relatively little variation in answers across the data set. Such strong data lends credence to the attitudes measured by the constructs to follow.

The data yield from the second construct suggests respondents are not enamored with their bank's rewards program; we see a mean value between "somewhat agree" and "neither agree or disagree" as well as a relatively high degree of disagreement among the sample. The mean value skews even more towards indifference for research constructs three and four while maintaining similar levels of disagreement. All of this suggests banking rewards programs are not the favoured program respondents belong to and respondents are indifferent towards the perks conferred. In fact, research construct five garnered the most disagreement of all questions posed; while respondents prefer limited edition lifestyle perks towards financial redemptions, there was less uniformity in the response to this question than all others.

Research constructs six and seven considered message framing and found respondents displayed more of a willingness to change their behaviour to stop losing rewards, when compared to changing their behaviour to gain more rewards (mean of 1.74 compared to 2.24). The data collected also suggests more conformity in the loss averse response (standard deviation of ±0.774 compared to ±1.215). The data from these two constructs will inform H_4.

The data yield from research constructs eight, nine, ten, eleven and twelve suggests respondents love their bank, with mean values for each construct falling squarely between "strongly agree" and "somewhat agree" and relative conformity in respondent attitudes. The response to research construct eleven is of particular interest, respondents overwhelming assert that they will remain a client of their current back for the foreseeable future. The reasons for the assertion are unknown and could be due to the inconvenience of switching, among other factors. The inability to probe further evidence of the limitation posed by the chosen research methodology. Respondents strongly declared they would recommend their bank to close friends and family, suggesting the chosen bank had achieved a degree of brand advocacy. The same attitudes are not as strong for the rewards program, suggesting there is a degree of dissonance between attitudes towards banks themselves and the rewards programs they operate; suggesting perhaps rewards programs are not as important a part of the value proposition in the minds of banking clients, or perhaps there are simply other factors that are more important and rewards are merely an added benefit, an “icing on the cake”, so to speak. Correlation between research constructs two to five and constructs eight to twelve will inform the hypotheses tests for H_0 to $H_{3.}$

4.4 Hypotheses testing

Pearson’s correlation coefficient measures the degree of correlation between two variables (Laerd Statistics, 2018). The numerical value of the correlation coefficient ranges from 1 to -1, where ‘r = 1’ indicates perfect positive correlation and ‘r = -1’ indicates perfect negative correlation, and a number in between would suggest varying strengths of correlation, as illustrated in Figure 9 below:

	Coefficient, *r*	
Strength of Association	Positive	Negative
Small	.1 to .3	-0.1 to -0.3
Medium	.3 to .5	-0.3 to -0.5
Large	.5 to 1.0	-0.5 to -1.0

Figure 9: Pearson’s correlation coefficient (Laerd Statistics, 2018)

The r value will be illustrated in the hypotheses test table below to illustrate the direction of the association (positive or negative) as well as the strength of the association (strong, moderate, or weak).

P values are used when testing hypotheses to inform the researcher on whether to reject the null hypothesis and indicate whether a pattern is statistically significant (Bevans, 2022). The following thresholds refer to the P values in this research study:

Table 15: Thresholds for p-value

P > 0.05	Not statistically significant, fail to reject the null hypothesis

P < 0.05	Statistically significant, reject the null hypothesis in favour of the alternate hypothesis
P < 0.01	Highly statistically significant

Table 16: Results of Hypothesis testing

Proposed Hypothetical Relationship	Hypothesis	r value	p value	Rejected /Failed to Reject
Rewards programs have no effect on customer loyalty	H_0	$r \neq 0$	$p < 0.05$	**Rejected**
Rewards programs have a statistically significant positive effect on customer loyalty	H_1	$r > 0$	$p < 0.05$	**Failed to Reject**
Positive attitudes towards a given rewards program elicits advocacy that brand	H_2	$r > 0$	$p < 0.05$	**Failed to Reject**
Rewards are an adequate incentive to change client behaviour at South African banks	H_3	$r > 0$	$p < 0.01$	**Failed to Reject**
Clients are more incentivised to change their behaviour when messages are posed as avoiding losses rather than making equal gains	H_4	$r > 0$	$p < 0.01$	**Failed to Reject**

4.5 Reliability and Validity

4.5.1 Reliability

SPSS V24 was used to calculate the Cronbach's Alpha Coefficient, which was measured at 0.834, as illustrated in the table below. This measure falls within the good range of internal consistency.

Table 17: Reliability Statistics

Cronbach's Alpha	N of items
0.834	12

4.5.2 Validity

To ensure validity, careful consideration to previous research and the theoretical frameworks were used to explain the phenomena the research sought to investigate, ensuring internal validity. Pearson's correlation coefficient was used to quantify association between variables. The measure found associations aplenty among the various research constructs, illustrating high construct and criterion validity with previous research and the theoretical frameworks that informed this research, suggesting external validity.

Chapter 5: Conclusion

5.1 Introduction

The previous chapter presented findings derived from the research instrument. In this chapter, the study is concluded; therefore, the purpose of this chapter is to present the conclusions of the research and make recommendations based on the results.

The aim of the study was to conceptualise rewards program strategy at South African banks and measure its effectiveness as a client entrenchment tool. Understanding the behaviour and attitudes of South African banking clients will help banks better design their rewards programs to better meet their desired outcomes, client entrenchment, as defined, being an assumed outcome of the rewards programs operated.

5.2 Conclusions

Chapter 1 presented context on the loyalty program phenomena at South African banks and brought to light the underlying business environment that gave rise its prevalence. The thesis statement presented the research justification, being a lack of prior research such as the one proposed. Insight into the phenomena and the underlying attitudes clients hold will enable practitioners to effectively utilise the strategy to maximise entrenchment opportunity. Prior research was identified and discussed, indicating rewards programs had yet to be conceptualised using the blend of theory put forth in this study and none had an identical aim. The four objectives of the research were listed, which were:

- to investigate the nature of bank's rewards programs and brand loyalty.
- to understand the existing academic literature on rewards programs, brand loyalty and satisfaction,
- to measure the effect of rewards programs as a client entrenchment tool,
- to measure the effect message framing on resultant behaviour.

All four research objectives were achieved by the study, the first two by chapter 2 and the final two by chapter 4.

Chapter 2 presented and discussed theoretical frameworks and academic literature to achieve the first two objectives. Brand equity theory, and brand loyalty theory as a constituent, where discussed to conceptualise rewards program strategy. A detailed discussion on various pieces of academic literature followed, further conceptualising the phenomena observed. The argument around loyalty and satisfaction was central the literature review, with client entrench being defined by Oliver's (1999) definition of loyalty. In the end satisfaction and loyalty were found to be inextricably linked and both were studied by the research presented in this study. Behavioural psychology frameworks were presented and included along with brand theory to create a holistic conceptualisation of rewards program strategy. Lastly, the landscape was presented and prior research on the topic of rewards programs in South Africa, in particular the South African financial services industry, was discussed.

Chapter 3 discussed the methodology that would be used to conduct the primary research to achieve the final two objectives. The chapter presented the four hypotheses as a starting point for further research. Discussions pertaining to research philosophy and methods followed, ultimately informing the creation of a research instrument. The choices presented in this chapter gave rise to inherent limitations which were listed and addressed. A discussion highlighting the ethical considerations to be observed followed ensuring no harm befalls any respondents or society.

Chapter 4 presented the statistical data yield of the survey, the first of which was descriptive data that served to segment the population. The research instrument garnered 100 responses, and respondents were segmented by age, gender, residence, employment, primary bank, length of time as a client, and awareness of rewards program. The practice of segmenting respondents did not personally identify any respondents and was addressed in the introduction to the survey. The survey went on to record respondent attitudes to research constructs and informed the calculation of mean values, standard deviations, r values and p values. The chapter culminated in the rejection of the null hypothesis in favour of the four alternate hypotheses. Conclusions reached from the attitudes observed in respondents are as follows:

- Banking rewards programs are easy to understand
- Less likely to recommend a bank’s rewards program than the bank itself
- Indifference towards banking rewards programs and the rewards conferred
- General preference for exclusive lifestyle collaborations over financial redemptions
- Best motivated by loss averse message framing
- Generally feel good about being a client of chosen bank
- Intend to remain clients of their chosen bank for the foreseeable future
- Would recommend bank to friends and family, suggesting brand advocacy

5.3 Recommendations

The following are posited as recommendations for future research:

- The data collected uncovered an overwhelming aversion to switching banks, however the reasons for this were not considered for the aim of this research. Future research could investigate whether this is true for the banking industry as a whole and posit reasons why. Winning over new customers is a key determinant of growth, if there are barriers to switching, banks would best be served trying to remove these.
- The same research could be performed on a different sample. Although this study did not exclude anyone, the choice of convenience sampling meant respondents were likely known to

the researcher, or within few degrees of separation, resulting in all respondents residing in a single South African province and the majority of respondents being full-time employees. As such, the results are not representative of the defined population and skew heavily based on the two descriptive statistics. Future research could prove or disprove findings across a more representative sample, or a completely different sample.

- This research suggests clients are not enamored with banking rewards programs, but did not consider why. Future research could investigate banking rewards programs using qualitative methods to gain a better understanding of client’s favoured redemptions, how they like to sign up for rewards programs, the channel they use to manage or redeem their rewards, what entitlements they prefer.
- A distinction should be made for respondent earnings, all banks segment their accounts based on earnings, economic behaviour varies based on earnings, similarly, rewards program preferences or usage likely does too.
- The research did not consider service perceptions or social conformity as a basis for decision-making. While the research did observe a positive correlation between attitudes towards a bank’s rewards program and the bank itself, significantly less conformity was observed when measuring attitudes towards banking rewards programs – qualitative research could unpack the reason for this.

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Appendices

Appendix A - Survey Instrument

Section 1 of 3

Research into the effect of rewards programs on client loyalty in the South African banking sector

The survey below is **anonymous** and none of the questions will identify you. The survey consists of **19 questions** and should take **5 minutes** to complete. All questions are close-ended - please select the option most-relevant to you for each question.

Your participation in this research is completely **voluntary** - there are no direct benefits or risks to you if you participate in the research and you may withdraw your participation at any point by simply closing the tab.

Holding an account through a South African bank will assist you in answering the questions.

The survey will **close on 17 October 2024 at 17:00**.

Thank you for your time and participation.

I, Itumeleng Bodibe, am a student at IIE-Vega (a brand of the Independent Institute of Education). I am currently conducting research for my master's degree, in which I am investigating the effect of rewards programs on client loyalty at South African banks

- Your inclusion in this study is completely voluntary;
- If you do not wish to participate in this study, you have every right not to do so;
- Even if you agree to participate in this study, you may withdraw at any time without having to provide an explanation for your decision.
- Your participation will be anonymous.

The study has been approved by my supervisor and the IIE-campus ethics committee. I can be contacted at: tumibodibe1@gmail.com if you have any questions or concerns.

I hereby acknowledge and give my full consent to the participation to this study as stipulated above.
(Single choice).

○ Yes

Section 2 of 3

Demographics

The demographic questions below serve only to segment survey respondents

Which of the ranges below include your age? *

- 18-27
- 28-43
- 44-59
- 60+

Which gender do you identify with? *

- Male
- Female
- Non-binary

What is your current employment status? *

- Full-time employment
- Part-time employment
- Self-employed
- Seeking opportunities
- Student
- Retired
- Prefer not to say

How long have you held the account? *

- Less than 12 months
- 1 - 3 years
- 3 - 5 years
- More than 5 years

Are you aware of your bank's rewards program? *

- Yes
- No

After section 2 Continue to next section

Section 3 of 3

Attitudinal section

Please state your level of agreement with the following statements

My bank's rewards program is easy to use/understand *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

I would recommend the rewards program to close friends/family *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

I like the rewards program more than other programs *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

The proposed rewards are what I want *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

I prefer exclusive lifestyle collaborations such as limited edition offerings to financial redemptions such as discounts on fees or cash back *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

I would alter my behaviour to gain more rewards *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

I would alter my behaviour to stop losing potential rewards *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

I feel good about being a client of my bank *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree

Products and services offered by my bank meet or exceed my expectations *

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly Disagree

I am most likely to increase my banking portfolio with my bank *

- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree

I intend to remain a client of my bank for the foreseeable future *

- ◯ Strongly agree
- ◯ Somewhat agree
- ◯ Neither agree or disagree
- ◯ Somewhat disagree
- ◯ Strongly Disagree

I would recommend my bank to close friends/family *

- ◯ Strongly agree
- ◯ Somewhat agree
- ◯ Neither agree or disagree
- ◯ Somewhat disagree
- ◯ Strongly disagree