Customer perceived benefits and loyalty programme effectiveness in the financial services industry

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ABSTRACT

The effectiveness of loyalty programmes continues to be questioned, especially as their cost to firms increase together with their adoption rate across industries worldwide. Given the divergent industry specific findings predominantly focusing on the retail and airline industries, and the lack of previous consideration of important moderating variables type and timing of rewards, this study extended the research to service industries, investigating the effects of customer perceived benefits on loyalty programme effectiveness in terms of both attitudinal and behavioural loyalty.

Hypotheses established the extent to which reward design elements (customer perceived benefits and type and timing of rewards) develop customer relationships (perceived relationship investment and brand relationship quality) which are market-based assets driving future revenue for the firm, and resulted in customer loyalty in the financial services industry. A quantitative methodology and survey approach was adopted with a randomly selected stratified sample of respondents. The results supported the validity and reliability of the construct measures and a satisfactory adjusted SEM model fit.

The study provided industry-specific outcomes, indicating that social (integration with customer values), exploratory (exposure and access to relevant and timeous knowledge), monetary (financial value) and entertainment benefits drive customer loyalty in the financial services industry, with timing of rewards having no moderating impact and type of reward only impactful for consumers that prefer indirect (non-financial) exploratory and entertainment benefits. Importantly, the benefit of recognition was found not to have a significant influence. The study further supported divergent reward design elements as antecedents of customer loyalty across industries, as a result of the divergent nature of customer relationships between industries. Limitations of the research were consideration of customer characteristics, segments, and the relationship between attitudinal and behavioural loyalty.

The study's theoretical contribution provides for a more comprehensive conceptual model of loyalty programme effectiveness, leveraging customer relationships which are grounded in market-based asset theory, as well as an empirical analysis of previously untested relationships between important variables. The research also confirms the requirement for industry-specific design elements for effective loyalty programmes. For practitioners, the findings provide guidance on design elements of an effective programme within the financial services industry.

Keywords: loyalty programme effectiveness, reward design, customer perceived benefits, customer loyalty

DECLARATION

I declare that this thesis is my own work. It is submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy in Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university.

I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1 Introduction

1.1 Background

The effectiveness of loyalty programmes worldwide is becoming increasingly important due to the associated costs and proliferation in many industries (Meyer-Waarden, 2015). Some research findings indicate that loyalty programmes can add significant costs to marketing initiatives without providing commensurate benefits (Dowling, 2002; Meyer-Waarden & Benavent, 2009; Sandberg, 2002; Sharp & Sharp, 1997; Wright & Sparks, 1998). Other research findings indicate that loyalty programmes can increase customer Share Of Wallet (SOW) and customer loyalty (De Wulf, Odekerken-Schroder, & Lacobucci, 2001; Kim, Lee, Choi, Wu, & Johnson, 2013; Leenheer, van Heerde, Bijmolt, & Smidts, 2007; Liu, 2007; Wang, Chen, & Chen, 2014; Yi & Jeon, 2003) which in turn drive firm value (Larki & Amirnejad, 2016; Reichheld, Markey, & Hopton, 2000). This lack of clarity around the contribution of loyalty programmes to firm value has been pointed out by several authors (Dorotic, Bijmolt, & Verhoef, 2012; Liu, 2007; Liu & Yang, 2009; Meyer-Waarden, 2015).

Understanding the impact of context and moderating variables on the development of customer loyalty and ultimately loyalty programme effectiveness has therefore become an important area of study (Balaji, 2015; Hu, 2012; Kim et al., 2013; Liu, Hu, Kao, & Ching, 2016; Meyer-Waarden, 2015; Pena, Jamilena, & Molina, 2016; Picon-Berjoyo, Ruiz-Moreno, & Castro, 2016; Shaukat Malik, Ali, & Ibraheem, 2015; Wang et al., 2014). The importance of type and timing of rewards in creating customer loyalty and loyalty programme effectiveness has been widely acknowledged (Bagchi & Li, 2011; Bowen & McCain, 2015; Dorotic et al., 2012; Dorotic, Fok, Verhoef, & Bijmolt, 2011; Dowling & Uncles, 1997; Meyer-Waarden, 2015; Park, Chung, & Woo, 2013; Reinartz, 2010; Yi & Jeon, 2003), with some authors specifically calling for the inclusion of these variables as moderators in future research (Cedrola & Memmo, 2010; Dorotic et al., 2015, 2012; McCall & Voorhees, 2010; Sayman, 2014; Voorhees, McCall, & Carroll, 2014; Zhang & Breugelmans, 2012). This research is a response to these calls for type and timing to be included as moderators in studies into the effectiveness of loyalty programmes.

There has been a worldwide proliferation of loyalty programmes aiming to develop customer loyalty and improve the firm's profitability (Bolton & Bramlett, 2000; Lemon & Wangenheim, 2008). With so many loyalty programmes available in the market, the ability to differentiate the offering and at the same time drive value for the firm is becoming a key concern (Voorhees, White, Mccall, & Randhawa, 2015). Since the hugely profitable launch of the first loyalty programme–Advantage by American Airlines in May 1981–many other industries have followed suit with varying degrees of success (Hilgeman, 2014; Wang et al., 2014). In order to cater for differences in both the actual products and services provided by the different industries, as well as how narrowly exclusive these are (for example, an airline versus a grocery supermarket), multiple types of programmes and rewards have been developed with varying degrees of complexity (Dorotic et al., 2012).

Loyalty programmes are as a result diverse in their reward offerings in terms of perceived benefits and the type and timing of rewards. The extent to which the combined loyalty program design elements increases or decreases the effectiveness of loyalty programmes are unknown (Dorotic et al., 2012; Xie & Chen, 2013). Loyalty programmes provide various categories of customer perceived benefits namely: a) monetary savings, b) exploration, c) entertainment, d) recognition and e) social benefits (Mimouni-Chaabane & Volle, 2010). The effects of these perceived benefits and moderating variables type and timing of the reward on loyalty programme effectiveness are key contributions in this study.

Loyalty programmes have traditionally been introduced to firms with the intention to retain customers (Allaway, Gooner, Berkowitz, & Davis, 2006), as well as to incrementally increase market share for the organisation by motivating existing customers to spend more with the firm (Berman, 2006; Bolden, Hadlock, & Melker, 2014). Having faced financial and regulatory pressures in recent years (Beckett, Hewer, & Howcroft, 2000; Picon-Berjoyo et al., 2016; Puvendran, 2016), financial institutions are prioritising customer loyalty and relationship management as key strategies for differentiation (Larki & Amirnejad, 2016). However, the research on loyalty programme effectiveness has predominantly been in the retail and travel industries (De Wulf, Odekerken-Schroder, & Lacobucci, 2001; Hu, Huang, & Chen, 2010; Kim et al., 2013; Kivetz, Urminsky, & Zheng, 2006; Lewis, 2004; Mägi, 2003; Meyer-Waarden & Benavent, 2006; Meyer-Waarden, 2007, 2009; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014; Yi & Jeon, 2003), where product and service offerings differ substantially from those in the financial services industry. Very little research has been done on loyalty programme effectiveness in services industries, and in particular the financial services industry, with the exception of studies specific to card programmes or insurance companies (Verhoef, 2003). From empirical research that has been published on loyalty programme effectiveness, some findings indicate no impact on lifetime value (Reinartz, 1999), while other findings show a 200% increase in purchase value and a 10% decrease in attrition or improved customer loyalty (Bolton & Bramlett, 2000; Puvendran, 2016). This research will evaluate loyalty programmes in the financial services industry which relate to the firm as a whole rather than being focused on a single product of the firm.

Many measures for loyalty programme effectiveness have been developed over the years. Traditional measures of customer loyalty–being Customer Satisfaction (CSAT) and Net Promoter Scores (NPS)–correlate very poorly with customer loyalty (Dixon, Freeman, & Toman, 2010), but the Customer Effort Score (CES) has been found to correlate significantly. The Share of Wallet (SOW) metric is also valuable in measuring loyalty as it includes the customer's view of the competition and provides the relative ranking of the organisation in terms of its competition (Keiningham, Aksoy, Buoyle, & Cooil, 2011). The choice of metrics to measure the effectiveness of a loyalty programme must align with the loyalty programme strategy and objectives. Customer experience metrics on their own do not adequately measure the dimensions affecting customer loyalty and organisational profitability (Keiningham, Aksoy, Cooil, & Andreassen, 2008) and should be augmented by SOW metrics.

Since the measurement of marketing success has transitioned from traditional increase in sales, market share, and gross margin to the contribution to shareholder value, the measurement of loyalty programmes should follow suit. Measuring loyalty programme effectiveness by its ability to develop customer relationships which result in customer loyalty is supported by recent empirical research on loyalty programme effectiveness (De Wulf et al., 2001; Hu et al., 2010; Kim et al., 2013; Wang et al., 2015; Yi & Jeon, 2003). This research evaluates the effects of customer perceived benefits of the loyalty programme, mediated by perceived relationship investment and brand relationship quality, while moderated by the type and timing of the rewards, on customer loyalty.

The alignment of the loyalty programme with the CRM strategy, and the measurement of its effectiveness in reaching the objectives set are important considerations (Keiningham et al., 2011). Objectives set for various programmes are very diverse, from increasing sales and market share, to changing customer behaviour, customer loyalty and treating customer segments differently. This research measures loyalty programme effectiveness in terms of its contribution to customer loyalty, which includes both behavioural and attitudinal dimensions (Dick & Basu, 1994) through customer relationships. The choice of this metric aligns with market-based theory, providing a framework against which all marketing activities can be measured. With the global shift from manufacturing to information technology and knowledge-driven services, the contribution made by intangible assets (in the form of market-based assets and capabilities) to a firm’s value has increased significantly (Ramaswami, Srivastava, & Bhargava, 2008). Two examples of these intangible market-based assets are customer loyalty and customer relationships. To obtain competitive advantage in an era of digital enablement (Dorotic et al., 2012; Hennig-Thurau et al., 2002; Kumar & Shah, 2009; Srivastava, Fahey, & Christensen, 2001), companies worldwide started to adopt customer centric strategies, with services industries in particular placing a focus on customer relationship management.

By understanding the level to which a loyalty programme develops market-based assets for the firm through design elements such as perceived benefits and reward type and timing, management can maximise its impact on shareholder value. The enhanced customer relationships established through loyalty programmes are aimed at increased cross-selling opportunities and customer retention, resulting in customer loyalty that increases and sustains a firm's value (Liu & Yang, 2009; Wang et al., 2014). The choice of customer loyalty, a market-based asset, as the metric for loyalty programme effectiveness is thus substantiated. The resource-based view defines assets as valuable, rare, not easily imitable or substitutable, and having the ability to create a sustainable competitive advantage for a firm (Srivastava et al., 2001). Market-based assets are resources that, if developed appropriately, can provide a sustainable competitive advantage for the firm.

This research specifically examines the relationship between the perceived benefits of a loyalty programme and their ability to develop customer loyalty through customer relationships. The performance of loyalty programmes is a key priority for firms today due to the cost associated with them, and this performance needs to be measured in terms of not only current, but also future value to the firm. It has become an area of interest for academia as reflected in the latest empirical research (Mimouni-Chaabane & Volle, 2010; Wang et al., 2014) where the concepts of market share, sales, return on investment, service quality, and cost position are being replaced by the value creation process, to which loyalty is inextricably linked (Reichheld et al., 2000). A loyalty programme can provide the firm with competitive advantage if it enables a deeper understanding of customer preferences (Wang & Wu, 2012) and creates not only behavioural loyalty, but also an emotional attachment or attitudinal loyalty which is unique and very hard to copy (Palmer, McMahon-Beattie, & Beggs, 2000).

1.2 Problem statement

With deregulation and the availability of multiple channels to engage and adopt products in the financial services industry, customer loyalty through customer relationship marketing has become a major priority in order to retain and cross-sell to customers (Bapat, 2017; Beckett et al., 2000; Picon-Berjoyo et al., 2016; Puvendran, 2016). In addition, customer loyalty has become a key strategic objective for companies in all service industries (Balaji, 2015; Oliver, 1999; Pena et al., 2016). Loyalty programme effectiveness varies between customer segments and industries

(Meyer-Waarden, 2015), with limited research available on loyalty programme effectiveness in driving customer loyalty in the financial services industry. Previous research on loyalty programme effectiveness has focused primarily on the retail and travel industries, without testing any of the developed theories in the services or specifically the financial services industry (Meyer-Waarden, 2009; Wang et al., 2014). There is thus a need to gain a deeper understanding of how loyalty programmes drive customer loyalty through customer relationships in the financial services industry. The financial services industry has loyalty programmes with large membership bases, which pose the threat of significant downside impacts should the loyalty programme design be ineffective. In addition to this, fierce competition and the requirement to differentiate programmes needs to be supported by an understanding of the relative effect of loyalty programme design elements on loyalty programme effectiveness.

Type and timing of rewards, being two of the design elements, are used to differentiate loyalty programmes (Meyer-Waarden, 2015). Rewards can be provided at point of purchase in the form of a discount or cash-back, or delayed/accumulated for redemption at a later stage. The time required to receive a reward influences both purchase motivation and behaviour (Dorotic, Verhoef, Fok, & Bijmolt, 2014; Hitt, Marriott, & Esser, 1992). The type of reward is another design element indicating whether the reward relates to the sponsoring firm’s products and services or not. These two types of rewards have a varying effect on loyalty programme effectiveness (Kim, Shi, & Srinivasan, 2001; Kivetz, 2005; Meyer-Waarden, 2015; Yi & Jeon, 2003).

Significant gaps in the literature addressed by this study are: ***a) understanding the effects of perceived benefits on customer loyalty in the financial services industry, b) understanding the moderating effects of reward type and timing on these relationships, and c) understanding the above both in terms of behavioural and attitudinal loyalty***. The new knowledge emanating from this study will assist businesses in the financial services industry to design their loyalty programmes to develop not only behavioural, but also attitudinal loyalty through customer relationships, and to leverage these programmes in the markets they enter.

1.3 Purpose statement

Loyalty programmes need to be beneficial to both the customer and the company to be sustainable. This balance is very hard to achieve (Reinartz, 2010), with the creation of customer value becoming the focal strategy for companies to drive firm value (Reichheld et al., 2000). Colloquy (2014), whose research included more than a hundred loyalty programmes worldwide, found that the top two concerns for firms today are measuring the return on investment and profitability of loyalty programmes. The purpose of this research is to understand the effect of perceived benefits on loyalty programme effectiveness in developing customer loyalty through customer relationships.

This research enables a deeper understanding of the effects of reward design elements on loyalty programme effectiveness. Customer perceived benefits relate to the reward structure and categories of rewards offered on the loyalty programme driving value for the firm (Dorotic et al., 2014, 2012; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014). The research interrogates the effect of each category of customer perceived benefits on loyalty programme effectiveness in terms of both behavioural and attitudinal dimensions in the financial services industry.

The research further aims to understand the effects of important moderating variables namely type and timing of the reward, on building customer loyalty. Previous research indicated the significant impact of these variables on the value perception of the programme and customer loyalty (Dorotic et al., 2012; Dowling & Uncles, 1997; Hu et al., 2010; Park et al., 2013; Yi & Jeon, 2003).

Figure 1: Reward type and timing

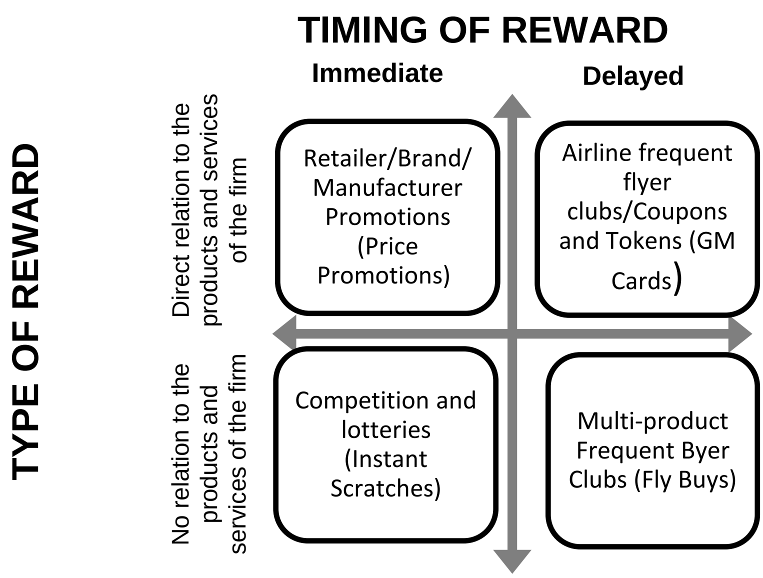

Figure 1. Schematic representation of reward type and timing. Adapted from "Do customer loyalty programs really work?" by Dowling and Uncles, 1997, *Sloan Management Review,38(4).* p. 77.

Reward type is defined as either direct or indirect (Dorotic et al., 2011; Yi & Jeon, 2003). Direct rewards are benefits related to the products and services of the firm, whilst indirect rewards relate to products and services not provided by the firm. Direct rewards such as cash back on card swipes impact on the pricing and customer value proposition of the financial products and services provided by the firm. These rewards can be very costly and need to be considered in terms of their ability to generate future revenue flows for the firm (Yi & Jeon, 2003). Indirect rewards such as travel benefits may be a source of income for the loyalty programme and are usually partly sponsored by the provider (Lemon & Wangenheim, 2008).

The timing of rewards can be immediate or delayed. Loyalty programmes can provide discounts or cash backs at the point of purchase, or alternatively accrue points that become available at a later stage. The effect of the timing of rewards on customer loyalty across industries varies (Park et al., 2013). Immediate rewards are more effective in the hotel and restaurant industry (Hu et al., 2010; Park et al., 2013), with moderating variables being customer satisfaction and long-term orientation. Timing has no effect on the grocery industry, except in cases of low involvement where immediate rewards are preferred (Meyer-Waarden, 2015). Timing of rewards also has a cost impact to the firm. Making benefits immediately available to customers is more expensive than delaying benefit pay-outs. Interest can be earned by the firm on accrued benefits and not all delayed benefits are always claimed.

Perceived customer benefits are mediated by perceived relationship investment and brand relationship quality in the development of customer loyalty (De Wulf et al., 2001; Wang et al., 2014). This research aims to understand how the perceived benefits affect customer relationships as a mediator to customer loyalty. This is done through understanding perceived customer relationship investment and brand relationship quality. The customer loyalty developed is evaluated both in terms of its behavioural and attitudinal dimensions (Dick & Basu, 1994).

1.4 Research questions

The study was designed to determine the effects of customer perceived benefits on loyalty programme effectiveness. The following research questions were investigated:

1.4.1 Research question 1:

How do rewards that provide monetary, exploration, entertainment, recognition, and social benefits each affect customer perceived relationship investment?

1.4.2 Research question 2:

How does perceived relationship investment affect brand relationship quality?

1.4.3 Research question 3:

How does brand relationship quality affect both behavioural loyalty and attitudinal loyalty?

1.4.4 Research question 4:

How do reward type and timing moderate the relationship between each customer perceived benefit category and perceived relationship investment?

1.5 Research objectives

1.5.1 Research objective 1

To establish the effects of each customer perceived benefit category on customer perceived relationship investment.

1.5.2 Research objective 2

To establish the effects of perceived relationship investment on brand relationship quality.

1.5.3 Research objective 3

To establish the effects of brand relationship quality on behavioural and attitudinal loyalty.

1.5.4 Research objective 4

To establish the moderating effects of reward type and timing on the relationship between each customer perceived benefit category and perceived relationship investment.

1.6 Scope and definitions

The scope of this research is the ability of loyalty programmes to foster customer loyalty through rewards which impact on perceived relationship investment, brand relationship quality, and customer loyalty. The study was conducted in the financial services industry in South Africa. Respondents were sourced from one of the largest commercial consumer database providers in South Africa, P-Cubed. The research was limited to customers who already have financial products, and are members of at least one financial services loyalty programme.

The study interrogates the following constructs:

1.6.1 Loyalty programmes

The definition adopted for loyalty programmes in this research aligns with those of Meyer-Waarden (2015), Dorotic (2012), Meyer-Waarden (2009), Sharp and Sharp (1997) and Yi and Leon (2003), which is: "an integrated system of marketing actions that aims to make customers more loyal by developing personal relationships with them" (Meyer-Waarden, 2009, p. 89).

1.6.2 Loyalty programme effectiveness

Loyalty programme effectiveness is defined as the ability of the programme to develop customer loyalty (Kim et al., 2013; Meyer-Waarden, 2015; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014; Yi & Jeon, 2003).

1.6.3 Customer loyalty to the firm

The most dominant research in this area defines loyalty as a combination of attitudes and behaviours: "Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage" (Dick & Basu, 1994, p. 100), which results in increased Share of Wallet (SOW) (Keiningham et al., 2011).

1.6.4 Programme loyalty

Programme loyalty is defined as a high relative attitude leaning towards the loyalty programme or a loyalty towards incentives (Yi & Jeon, 2003).

1.6.5 Market-based assets

The most widely accepted definition for market-based assets is: "Assets that arise from the commingling of the firm with entities in its external environment" (Srivastava, Shervani, & Fahey, 1998, p. 2). These assets are intangible, off-balance sheet and reside outside and inside the firm. They generate future cash flows from customers and are utilised in marketing activities to create value for stakeholders (Doyle, 2000; Sacui & Dumitru, 2014). Market-based assets are classified as either relational or intellectual (Sacui & Dumitru, 2014; Srivastava et al., 2001, 1998).

1.6.6 Market-based capabilities

Market-based capabilities “capture and reflect how well a firm performs each key customer-connecting process and in designing and managing sub-processes within the customer relationship management process” (Srivastava et al., 2001, p. 783).

1.6.7 Market-based processes

The definition adopted for market based processes in this research is:

> Market-based (or indeed any other type of) business assets must be absorbed, transformed and leveraged as part of some organisational process if they are to convert inputs into products or solutions that customers desire – and thus, generate economic value for the organisation (Srivastava et al., 2001, p. 783).

Three key customer value creation processes are defined as a) product innovation management, b) supply-chain management and c) customer relationship management (Ramaswami et al., 2008; Srivastava et al., 2001). This research does not aim to explore how loyalty programmes affect or contribute to the Customer Relationship Management process of the firm, but it would be very valuable in future research.

1.6.8 Relationship marketing

The definition adopted for relationship marketing in this research is:

> The process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by mutual giving and fulfilment of promises (Grönroos, 1997, p. 407; Puvendran, 2016).

This definition aligns with resource-based theory underpinning research on market-based assets.

1.6.9 Perceived relationship investment

The quality of the customer's relationship with the firm is affected by the customer's perceived view of the firm's investment in the relationship (De Wulf, Odekerken-Schroder, & Lacobucci, 2001; Wang, Chen, & Chen, 2014). Perceived relationship investment is defined as: "a consumer's perception of the extent to which a retailer devotes resources, efforts, and attention aimed at maintaining or enhancing relationships with regular customers, that do not have outside value and cannot be recovered if these relationships are terminated" (Smith, 1998, p. 79).

1.6.10 Brand relationship quality

Brand relationship refers to the fact that customers and brands can relate to each other (Fournier, 1998), with brand relationship quality (BRQ) representing the strength and depth of these relationships (Smit, Bronner, & Tolboom, 2007), as certain brands are more suitable to foster closer relationships. This research uses two dimensions–connection and partner quality–derived from factor analysis by Smit et al. (2007) from the attributes initially identified by Fournier (1998), to measure brand relationship quality. Connection is defined as "passionate attachment and intimacy" (Smit et al., 2007, p. 629) and partner quality is defined as "the way the customer has been treated by the company behind the brand and all the years they have known each other".

1.6.11 Marketing strategy

"Marketing is the management process that seeks to maximise returns to shareholders by developing relationships with valued customers and creating a competitive advantage" (Doyle, 2000, p. 300).

1.6.12 Shareholder value

The definition adopted for shareholder value in this research is:

> … is achieved when shareholder return exceeds the cost of capital (i.e., the required return on equity). Consequently, a firm can create shareholder value if its stock price outperforms market expectations, which are typically based on historic performance and expected future returns (Kumar & Shah, 2009, p. 122).

1.7 Importance and benefits of the proposed study

The literature on loyalty programme effectiveness is marked by divergent findings on its ability to drive firm value (Dorotic et al., 2012; Dowling & Uncles, 1997; Leenheer et al., 2007; Liu, 2007; Liu & Yang, 2009; Meyer-Waarden, 2007, 2015; Meyer-Waarden & Benavent, 2009; Picon-Berjoyo et al., 2016; Sharp & Sharp, 1997; Uncles, Dowling, & Hammond, 2003; Wright & Sparks, 1998). The literature also indicates divergent findings in terms of the relational outcomes of loyalty programmes, with some claiming limited effects (Lacey, 2009), and other authors indicating significant effects (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014). This issue is further complicated as loyalty programme effectiveness may differ depending on customer segmentation (Liu-Thompkins & Tam, 2013). The reasons for these divergent findings are related to a) the variables researched, b) the industry/product/service being researched, and c) the customer characteristics in that market (Meyer-Waarden, 2015; Picon-Berjoyo et al., 2016).

This research contributes to the literature on loyalty programme effectiveness in terms of its ability to develop customer loyalty through customer relationships. It builds onto the latest research in this domain and specifically extends the framework and theory developed and empirically tested by Wang et al. (2014) in the airline industry. This theoretical model evolved from seminal research by Mimouni-Chabaane and Volle (2010), classifying perceived benefits into monetary savings, exploration, entertainment, recognition, and social benefits, and De Wulf et al. (2001) introducing perceived relationship investment, relationship quality, and customer behavioural loyalty. The study by Wang et al. (2014) in the international airline industry provided valuable insights in terms of effective loyalty programme design elements and called for further research in other industries. This research answers that call.

This research was done in the financial services industry where customer loyalty and customer relationships are a key focus to drive firm value (Jayathilake, Abeysekera, Samarasinghe, & LakshanUkkwatte, 2016; Oliver, 1999; Pena et al., 2016). Prior empirical research on loyalty programme effectiveness has predominantly been done in Europe and the United States of America in the airline and retail sectors (Bowen & Mccain, 2015; De Wulf et al., 2001; Hu et al., 2010; Kim et al., 2013; Kivetz et al., 2006; Leenheer & Bijmolt, 2008; Lewis, 2004; Mägi, 2003; Meyer-Waarden, 2008, 2015, 2007; Mimouni-Chaabane & Volle, 2010; Taylor & Neslin, 2005; Wang et al., 2014; Yi & Jeon, 2003). This research makes a contribution to the diversity of locales where this research has been conducted and empirically develops the first understanding of how reward type and timing moderates the effects of perceived benefits on both behavioural and attitudinal loyalty in the financial services industry. This is achieved by understanding the effects of perceived benefits on perceived relationship investment and brand relationship quality which in turn lead to customer loyalty.

The existing theoretical model evaluates the effects of customer perceived benefits on customer loyalty through customer relationships. The model is comprised of loyalty programme design, customer relationship management, and customer loyalty. It draws on the theory of market-based assets driving firm value. Market-based assets and capabilities can be leveraged through market-based processes to provide superior customer value, competitive advantage, and shareholder value (Doyle, 2000; Krasnikov & Jayachandran, 2008; Kumar & Shah, 2009; Srivastava et al., 2001, 1998). The impact of loyalty programmes on the development of these market-based assets, capabilities and processes, and their contribution to shareholder value have not been established (Dorotic et al., 2012). This research specifically reviews the ability of a loyalty programme to develop two specific market-based assets namely, customer loyalty and customer relationships. The research supports the call by Dick and Basu (1994) for research to integrate loyalty and marketing theory.

The theoretical model developed by Wang et al. (2014) further evaluates the effects of perceived customer benefits on perceived relationship investment, brand relationship quality, and ultimately behavioural loyalty, moderated by customer involvement. This research enhances the Wang et al. model by introducing important moderating variables, namely, type and timing of reward (Meyer-Waarden, 2015) to the theoretical model. These moderating variables are researched in terms of their moderating effect on the relationship between customer perceived benefits and perceived relationship investment. Customer involvement did not moderate all relationships in the Wang et al. model, and as such was only partly established as a moderator. As a result, involvement was not included as a moderator in this research. In that this research specifically focuses on the design elements making the loyalty programme effective within an industry, it does not include involvement or customer satisfaction as variables (Bowen & McCain, 2015). These are seen as customer characteristics that should be included in future research.

This research further expands the theoretic model developed by Wang et al. (2014), by measuring customer loyalty both from a behavioural and attitudinal perspective, as defined by Dick & Basu (1994). Previous research of loyalty programme effectiveness predominantly focused on behavioural loyalty (De Wulf et al., 2001; Kim et al., 2013; Lewis, 2004; Mägi, 2003; Meyer-Waarden, 2007, 2009; Meyer-Waarden & Benavent, 2006; Sharp & Sharp, 1997; Taylor & Neslin, 2005; Wang et al., 2014), with some authors also including attitudinal dimensions (Hu et al., 2010; Yi & Jeon, 2003).

The study contributes to the literature on loyalty programme effectiveness in terms of: a) extending the loyalty programme effectiveness framework developed by Wang et al. (2014) to the financial services industry by establishing how loyalty programmes develop customer loyalty through relationships (De Wulf et al., 2001); b) further refining this framework by introducing two moderating variables, namely, type and timing of rewards as key design elements of loyalty programmes (Dowling & Uncles, 1997); and c) extending this framework by measuring customer loyalty in terms of both attitudinal and behavioural loyalty (Dick & Basu, 1994; Puvendran, 2016).

Figure 2: Contribution to the body of knowledge

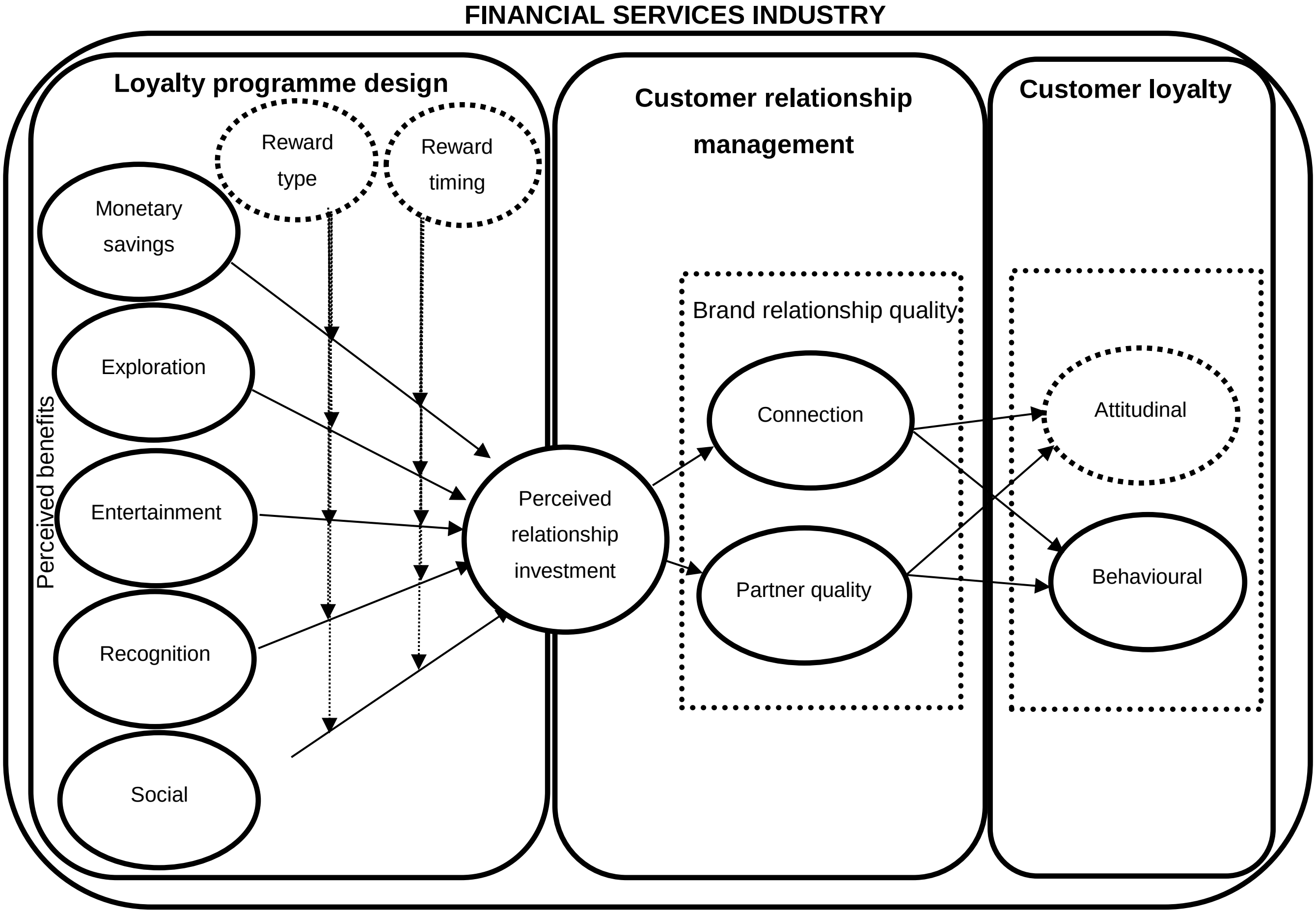

Figure 2. This represents a model of the contribution of this study to the body of knowledge. The theoretical model comprises loyalty programme design, customer relationship management, and customer loyalty components. Adapted from "The antecedents and influences of airline loyalty programs: the moderating role of involvement", by Wang et al., 2014, *Service Business, 9(2)*, p. 268.

Loyalty programme design, customer relationship management, and customer loyalty contributing to loyalty programme effectiveness are discussed in detail in the next chapter.

2 Literature review

2.1 Introduction

This chapter details the interrelationships and divergent findings in the literature concerning the ability of loyalty programmes to develop customer loyalty. The loyalty programme effectiveness literature review is structured in three sections, namely, a) design elements of loyalty programmes, b) relational outcomes of loyalty programmes, and c) customer loyalty. It concludes with important moderating variables. This chapter illustrates the gap in the literature in terms of the understanding of how loyalty programme design elements affect customer loyalty mediated by customer relationship outcomes. The effects of these design elements on customer relationship outcomes, where customer relationships are framed as market-based assets, underpinned by resource-based theory and prior research in terms of evaluating marketing contribution to firm value, is researched. Customer loyalty and its related dimensions are then evaluated, with the final section introducing important moderating variables type and timing of reward as part of the theoretical model.

Research in the domain of loyalty programme effectiveness has predominantly been focused on loyalty programme design (Dorotic et al., 2015, 2012; McCall & Voorhees, 2010; McCall, Voorhees, & Calantone, 2010; Meyer-Waarden, 2015; Xie & Chen, 2013) and customer loyalty (Bapat, 2017; Dick & Basu, 1994; Fawzy, Abuzid, & Abbas, 2017; Jayathilake et al., 2016; Larki & Amirnejad, 2016; Liu et al., 2016; Pena et al., 2016; Picon-Berjoyo et al., 2016), with the effect of customer relationships on customer loyalty becoming more prevalent in recent research (Chesbrough & Appleyard, 2007; Hennig-Thurau et al., 2002; Larki & Amirnejad, 2016; Mimouni-Chaabane & Volle, 2010; Nyadzayo & Khajehzadeh, 2016; Piumali & Wijethunga, 2016; Puvendran, 2016; Shaukat Malik et al., 2015; Wang et al., 2014). The literature review is structured into loyalty programme design, which through customer relationship management, develops customer loyalty and provides a basis to present the contribution of this research to the loyalty programme effectiveness body of knowledge. Figure 3 depicts this as the structure of the literature review underpinned by theories, constructs, and relationships.

Figure 3: Scope of the literature review

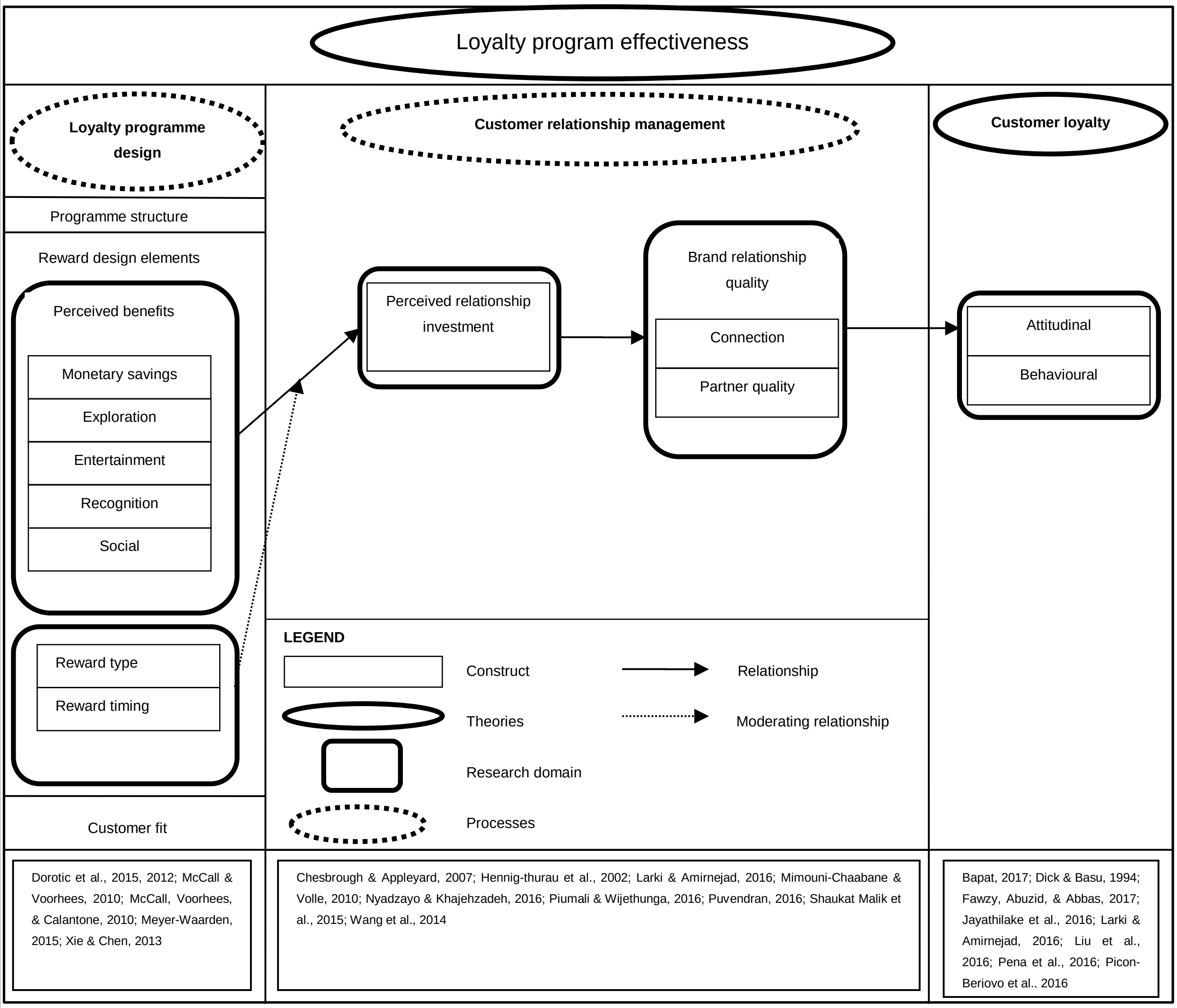

Figure 3. The theories, constructs and their relationships are depicted here, underpinned by seminal research in the domain of loyalty programme effectiveness.

2.2 Loyalty programme effectiveness

Little empirical research has been done to investigate whether loyalty programmes contribute to building customer loyalty as a construct on its own (Dorotic et al., 2014; Kim et al., 2013; Wang et al., 2014; Xie & Chen, 2013; Yi & Jeon, 2003), even though this is the prime objective of loyalty programmes (Bowen & Mccain, 2015; Kozlenkova, Samaha, & Palmatier, 2013; Leenheer et al., 2007; Liu, 2007; Voorhees et al., 2015).

This research evaluates the effectiveness of a loyalty programme in terms of its ability to build customer loyalty, a market-based asset, known to drive shareholder and firm value (Srivastava et al., 1998). The effectiveness is evaluated in terms of the customer relationships established, in line with the worldwide move from products towards relationships in the service industry (Banyte & Dovaliene, 2014; De Wulf et al., 2001; Shaukat Malik et al., 2015; Wang et al., 2014). This is very relevant to the financial services industry which is researched here, as this industry is not only heavily dependent on customer service, but also has products that enable multiple customer touch points and opportunity for customer engagement. Empirical studies on loyalty programme effectiveness for firms in the financial services industry have been limited with some product-specific and insurance company studies available, even though this industry comprises a significant share of loyalty programme activity and investment worldwide.

Even though loyalty programmes form an important component of the firm's relationship management strategy, the costs involved may be too high, making these programmes unprofitable (Dowling, 2002; Dowling & Uncles, 1997) and their strategic effectiveness is being questioned (Liu, 2007). Dowling (2002) further claims that most loyalty programmes have very little differentiation as firms initiate these programmes as a defensive strategy. Table 1 below provides a summary of empirical research done on loyalty programme effectiveness during the past 20 years. The table provides emerging evidence that loyalty programmes are effective (Lewis, 2004), with limited recent supporting empirical studies (Kim et al., 2013; Meyer-Waarden, 2008; Wang et al., 2014; Yi & Jeon, 2003), focusing mainly on the retail apparel, food and airline industries and conducted predominantly in Europe and the USA, with only two product-specific studies performed in the financial services industry (Bolton & Bramlett, 2000; Reinartz, 1999).

Table 1:

Overview of empirical studies on loyalty programme effectiveness

Authors	Sector	Country	Dependent variables	Research design, sample, method	Results
Nako (1992)	Airlines	USA	Market share, basket value, sensitiveness competitors' offers	Declarative panel (n = 650), multinomial logit	Stronger airline utility with loyalty programme than through brand image, number of destinations, on-board service. Correlation between programme membership and length of flight route; frequent flyers less price sensitive
Sharp and Sharp (1997)	Grocery Retailing	Australia	Market share, sole buyer, repeat purchase and frequency	Self-reported panel survey (n = 745), Dirichlet model	Little to no impact for all Dirichlet indicators
Benavent et al. (2000)	Retailing	France	Turnover, margin, traffic, purchase volume and value, inter-purchase time	Point of sale (POS) scanner data (150,000 purchasing acts), ordinary least square (OLS) regression	4.8% turnover, 3.5% traffic; negative impact on margin if massive card distribution; no impact on purchase volume or value
Bolton et al. (2000)	Credit cards	Europe	Retention, purchase frequency, purchase value, dissatisfaction	Credit card usage and self-reported data (n = 405), logistic and Tobit regression	Minus 10% attrition, +300% frequency, +200% purchase value; no impact on number of transactions even if temporarily dissatisfaction
Reinartz (1999)	Charge card mail-order	USA	Lifetime duration	Company database (n = 9.167, two years), Pareto/NBD model	No impact on lifetime duration; promotion creates opposite effect
De Wulf et al. (2001)	Food and Apparel industries	USA, Netherlands, Belgium	Perceived relationship investment, relationship quality, behavioural loyalty, consumer relationship proneness	Mall-intercepted survey interviews (n=371), multigroup LISREL analysis SEM	Perceived relationship investment drives relationship quality with relationship proneness and category involvement being moderators, mixed findings on tangible rewards impacting on perceived relationship investment, relationship quality and behavioural loyalty
Meyer-Waarden (2004, 2006)	Grocery retailing	France	Market share, repeat purchase rate, basket, frequency, inter-purchase time, switching behaviour	Panel and POS data (n = 5.476; 3 years), Dirichlet model, ANOVA	Little impact on all Dirichlet indicators. Before/after card subscription comparison: no long-term and weak short-term impact on purchasing behaviour
Leenheer et al. (2003)	Grocery retailing	Netherlands	Share-of-wallet	Panel data (n = 1.926; 2.5 years), Tobit-II model	3/7 programmes not effective; 4/7 programmes give too much value. Effectiveness increases with value provided but diminishes with higher price discounts
Mägi (2003)	Grocery retailing	Sweden	Share-of-purchase and share-of-visits to focal store	Self-reported survey (n = 643, 4 weeks), OLS regression	Mixed support for impact of loyalty cards on customer behaviour
Yi and Jeon (2003)	Perfumery and restaurant	USA	Loyalty to programme and brand in terms of relative attitude	Loyalty to programme and brand Experimental design (n = 262), structural equation modelling SEM	Type and timing of rewards impacts perceived value of the loyalty programme, which leads to programme loyalty which leads to perceived value on programme and brand loyalty in terms of relative attitude. Customer involvement being a moderator for these relationships.

Lewis (2004)	Online grocery retailing	USA	Basket, customer purchase incidence rate, revenues, number of orders	Online purchase data (n = 1.058,1 year), discrete choice programming	Impact of loyalty programme on basket, purchase incidence rate, revenues, number of orders
Taylor and Neslin (2005)	Grocery retailing	USA	Basket, purchase incidence rate, revenues, number of orders, Inter-purchase time	Purchase data (n = 776, two years) Increase sales points pressure	Increase sales point pressure and rewarded behaviour impact
Kivetz et al. (2006)	Coffee and music on internet	USA	Inter-purchase time	Experimental design, (n = 952). Tobit and logit models	Progress toward goal induces purchase acceleration. Acceleration toward goal induces retention
Meyer-Waarden (2007)	Grocery retailing	France	Lifetime duration and share-of-purchase in the focal store	Panel data (n = 2,476, 397,000 purchase acts, three years), GLM,	Positive effects on lifetimes and share-of-purchase. Multiple card memberships reduce lifetime. High share-of-purchase increases lifetime duration
Meyer-Waarden (2009)	Grocery Retailing	France	Customer purchasing behaviour	Behaviour Scan panel which includes competitor information (n=2150), linear regression modelling	The impact of loyalty programme membership on customer purchasing behaviour is significant.
Mimouni-Chabaane and Volle (2010)	Retail	France	Perceived relationship investment, relationship quality, loyalty to the programme, satisfaction with the programme	Self-administered questionnaire (2 quantitative studies n=658), factor analysis	Impact of five types of perceived rewards on programme satisfaction, loyalty, perceived relationship investment and relationship quality.
Hu et al. (2010)	Lodging industry	Taiwan	Value perception, programme loyalty, customer loyalty in terms of both attitude and behaviour	2 X 2 full-factorial, randomized, experimental design.	Customer satisfaction is a moderator for the relationship between timing of reward and customer loyalty
Kim et al. (2013)	Retail Apparel	USA	Programme loyalty, customer loyalty in terms of behavioural loyalty	(n=296 respondents) from a web questionnaire SEM	Perceived benefits effect on programme loyalty and customer loyalty
Wang et al. (2014)	Airline	Taiwan	Perceived relationship investment, relationship quality in terms of connection and partner quality, customer loyalty in terms of behaviour	Survey questionnaire (n=740), SEM	Involvement moderates the relationships between perceived loyalty programme benefits, perceived relationship investment, which leads to relationship quality and ultimately to customer loyalty
Meyer-Waarden (2015)	Retail – Grocery and Perfume	France	Store loyalty intention, preference loyalty program	Survey interviews, (n=2099), Conjoint Analysis	Immediate, tangible rewards aligned to the firm brand are preferred, moderated by customer involvement.

Note. Adapted from "The influence of loyalty programme membership on customer purchase behaviour", by Meyer-Waarden, 2008, *European Journal of Marketing*, *42(1/2),* p. 91-92. Updated with the latest research by the author.

The table above clearly depicts the divergent number of variables utilised to measure loyalty programme effectiveness, namely turnover and market share (Meyer-Waarden &

Benavent, 2006; Sharp & Sharp, 1997), customer lifetime value (Meyer-Waarden, 2007; Reinartz, 1999), behavioural loyalty (Bolton & Bramlett, 2000; Kim et al., 2013; Kivetz et al., 2006; Lewis, 2004; Mägi, 2003; Meyer-Waarden, 2008; Taylor & Neslin, 2005; Wang et al., 2014), attitudinal loyalty (Meyer-Waarden, 2015; Yi & Jeon, 2003), and both attitudinal and behavioural loyalty (Hu et al., 2010). This research measures loyalty programme effectiveness in terms of both attitudinal and behavioural loyalty. Loyalty programme effectiveness mediated by customer relational variables has also recently been given focus in research (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014). This research extends and enhances this theoretical model.

2.3 Loyalty programme design

Loyalty programmes are classified in various ways in the literature. Features of differentiation are programme structure (Berman, 2006; Dorotic et al., 2012; Wirtz, Mattila, & Lwin, 2007), rewards structure (Berman, 2006; Dorotic et al., 2012), customer analytics (Berman, 2006; Dorotic et al., 2012), customer relationship management (Kim et al., 2013; Wang & Wu, 2012; Ward & Dagger, 2007), and branding (Hallberg, 2004; Rowley, 2005). Very important elements of the programme design are programme type, rewards, number of partners, and enrolment requirements (Dorotic et al., 2014), with thresholds and time constraints being important aspects of the rewards value proposition (Lewis, 2004). These design elements are structured in line with the Meyer-Waarden (2015) categories being: a) programme structure design, b) reward design, and c) customer fit. This research focuses on the influence of reward design on loyalty programme effectiveness.

2.3.1 Programme structure design

Programme types are differentiated in terms of the level of sophistication in the segmentation and/or discrimination between customers and their behaviour to qualify for rewards, and the nature of the rewards provided (Berman, 2006; Dorotic et al., 2014). Berman (2006) developed a four-dimensional typology for loyalty programme types. Type 1 provides discounts at point of sale, Type 2 provides a free product after a number of purchases, Type 3 appoints discounts based on cumulative purchases, and Type 4 provides customised and targeted offerings based on customers' profile and past behaviour. An extension of this is the favourable effect of customisation of the loyalty programme benefits in terms of customer preference (Winters & Ha, 2012; Ziliani & Bellini, 2004) and the movement towards one-to-one marketing and targeting based on behavioural and attitudinal data collected from the customer (Laškarin, 2013). The capabilities required to implement these types of programmes increase with the sophistication of the programme. Loyalty programmes are also classified in terms of reward type, magnitude, frequency, and framing (McCall & Voorhees, 2010). Another dimension for classification is the mechanism utilised to create the firm-customer bond. This relates to the difference between programmes that develop switching costs and customer dependence on the products versus creating a bond through shared values and identification, with the former having a smaller long-term impact on customer loyalty than the latter (Fullerton, 2003).

2.3.2 Reward design

Reward design is one of the fundamental design items of a loyalty programme and is used as a differentiator between competing loyalty programmes (Furinto, Pawitra, & Balqiah, 2009; Kim, Lee, Bu, & Lee, 2009). Companies use various reward designs which includes for example discounts, tangible benefits, intangible benefits, exclusive access to events, experiences, goods, services, personalized offers and preferential treatment (Meyer-Waarden, 2015). All these customer perceived benefits can be classified as: a) utilitarian (monetary, economic value); b) hedonic (personalised treatment, entertaining, experiential); or c) symbolic (social, recognition, association with the brand) (Mimouni-Chaabane & Volle, 2010). Examples of utilitarian rewards are earn-and-burn benefits, hedonic would be tailored and targeted offers and symbolic special recognition (Bolden et al., 2014; Bridson, Evans, & Hickman, 2008). Mimouni-Chabaane and Volle (2010) further developed these customer perceived benefits into: a) monetary savings; b) social; c) recognition; d) experience; and e) exploration benefits, through empirical research. This is the classification utilised in various empirical research studies on the effectiveness of loyalty programmes in driving behavioural loyalty (Kim et al., 2013; Wang et al., 2014) as well as this research. This research specifically focuses on the effects of these customer perceived benefits on loyalty program effectiveness in terms of customer loyalty, mediated by perceived relationship investment and brand relationship quality.

2.3.3 Customer fit

Very little research has been done on the impact of customer characteristics on the effectiveness of loyalty programmes. Research in this arena is mainly focused on the effects of customer involvement and customer satisfaction (McCall et al., 2010; Wang et al., 2014; Yi & Jeon, 2003). The latest research on millennials clearly evidences changing requirements of loyalty programmes depending on segment and industry (Bowen & McCain, 2015). Consumer preferences also tend to shift to luxury rewards as the requirement to perform on the programme increases (Kivetz & Simonson, 2002), with idiosyncratic fit (relative advantage of consumer to peers to perform) playing a significant role (Kivetz, 2003). Status and recognition in particular are of significance for some consumers (Drèze & Nunes, 2009), with identity congruence positively influencing programme effectiveness (Ha & Stoel, 2014). Customer perceived benefits and their effect on customer loyalty thus significantly contribute to this body of knowledge.

The ability to segment the customer database, design rewards in terms of the segmental strategies, and measure the impact of the segmental strategies are fundamental capabilities required for a successful loyalty programme (Banasiewicz, 2005), with specific reference to customer switching behaviour and brand equity (Voorhees et al., 2015). The cost of running loyalty programmes is closely related to the discounts and benefits provided on the programme. A discount provided to a customer who would have purchased a product in any case, is an unnecessary cost. This makes the correct segmentation of the customer base a critical factor that determines the profitability and effectiveness of a programme (Allaway et al., 2006; Banasiewicz, 2005). The customer analytics generated by the loyalty programme can effectively advance areas outside the programme, if properly aligned with the strategic objectives of the firm. Possible areas of these contributions are in new product development, merchandising, sales, and marketing strategy and pricing (Bolden et al., 2014), and integration with the three key customer value creation processes being a) product innovation management, b) supply-chain management, and c) customer relationship management (Ramaswami et al., 2008; Srivastava et al., 2001).

2.4 Customer relationship management

The ability of marketing initiatives to develop and leverage market-based assets is coming under scrutiny as there is a growing acceptance of marketing performance being measured in terms of the market-based assets created. This is supported by authors positioning market-based assets as the “bridge between marketing and shareholder value” (Srivastava et al., 1998, p. 3). This research examines the relationship between a loyalty programme (being one of the most widely utilised marketing initiatives) and its ability to develop customer relationships and customer loyalty, both of which are market-based assets that have been proven to drive shareholder value (Kandampully, Zhang, & Bilgihan, 2015; Kumar & Shah, 2009; Srivastava et al., 1998). A loyal customer base is a competitive asset for the firm and a major contributor to its equity (Dekimpe, Steenkamp, & Mellens, 1997; Meyer-Waarden, 2015; Voorhees et al., 2015). Customer loyalty is one dimension of the relational market-based assets of the firm. The marketing strategy aims to develop and enhance this asset, with loyalty programmes being one of the contributors to this goal.

2.4.1 Customer relationships - A market-based asset

Marketing strategies and capabilities create stakeholder value by creating assets that generate future cash flows with a positive net present value (Berger et al., 2002; Christodoulides & de Chernatony, 2010; Day, 1994; Doyle, 2000; Hooley, Greenley, Cadogan, & Fahy, 2005; Kozlenkova et al., 2013; Ramaswami et al., 2008; Shaukat Malik et al., 2015; Srivastava et al., 1998). These market-based assets are what link marketing activities to value creation for both the firm and the customer (Hallak et al., 2017; Voorhees et al., 2015). Tangible assets account for only a small portion of the market value of firms. Intangible assets account for a larger portion of the value of firms, and these are called market-based assets.

In the past few decades the source of competitive advantage has moved from tangible assets such as manufacturing equipment to intangible market-based assets such as customers, brands, and channels, and capabilities such as customer management, market-sensing, and market intelligence (Day, 1994; Gupta, Lehmann, & Stuart, 2004; Puvendran, 2016; Ramaswami et al., 2008). To illustrate the intrinsic power of market based assets, a 1% increase in customer retention rate has been found to have five times more impact on firm value than a 1% margin improvement (Fullerton, 2014; Gupta et al., 2004; Li & Green, 2011). Loyalty programmes have their roots in customer retention (O'Malley, 1998). The customer retention rate (or lapse rate) is a very important metric of customer relationship management, and needs to be measured when introducing customer loyalty programmes (Meyer-Waarden, 2008). Loyalty programmes are used to increase sales by increasing purchase frequencies and values of customers and thus maintaining or increasing market share (Ou, Shih, Chen, & Wang, 2011; Rese, Hundertmark, Schimmelpfennig, & Schons, 2013).

Loyalty programmes create firm resources or market-based assets such as customer relationships, customer loyalty, programme members, programme currency, and programme loyalty (Liu & Yang, 2009). It is thus justified to measure the effectiveness of a loyalty programme in terms of its ability to develop market-based assets, specifically in terms of customer loyalty and customer relationships, as the customer is at the centre of the loyalty programme strategy.

The concept of customer relationships and how it relates to customer loyalty is being increasingly researched, as many firms globally are moving towards relationships and alliances (Day, 1994; Dorotic et al., 2012; Harvey, Kiessling, & Novicevic, 2003; Kumar & Shah, 2009; Nyadzayo & Khajehzadeh, 2016; Shaukat Malik et al., 2015) and they are required to have unique capabilities to manage multiple stakeholders (Greenley, Hooley, & Rudd, 2005). Firms that are market driven are also found to have higher levels of market capabilities (Fawzy et al., 2017; Vorhies & Harker, 2000). The traditional measures of marketing performance being sales, market share, and gross margin are being complemented or replaced by measures of market-based assets and their impact on shareholder value (Puvendran, 2016; Srivastava et al., 1998).

The definition of market-based assets adopted by this research is: “assets that arise from the commingling of the firm with entities in its external environment” (Srivastava et al., 1998, p. 2). These market-based assets meet the resource value test in terms of Resource Based Theory because they are convertible, rare, and not easily imitable or substituted. Relational market-based assets are developed in the relationships of the firm with its external stakeholders - customers, suppliers, community groups, governments, and strategic partners. They are developed under circumstances where trust and reputation play a major role (Harvey et al., 2003; Srivastava et al., 2001). Examples are relationships with customers, channels, strategic partners, providers of complementary goods and services, networks, eco-systems, and outsourcing agreements. Intellectual market-based assets are developed when knowledge is created about the external and internal environment in which the firm operates, and examples are knowledge about the firm’s competitors, customers, market conditions, channels, suppliers, political, governmental, and social stakeholders. These assets also include know-how within and between organisational units and individuals and process-based capabilities. They are formed in market-sensing activities through market-oriented firms.

Relational and intellectual market-based assets are intertwined and interdependent. Knowledge can only be developed through deep and bi-directional relationships between parties. Knowing which parties to develop relationships with, on the other hand, depends on knowledge already developed (Srivastava et al., 1998). The same dependency applies to the co-creation of value through dynamic customer engagement (Prahalad & Ramaswamy, 2004). “Engaged customers become partners who co-operate with the company in the process of value creation in order to satisfy their and other customers’ needs, which is how customers become value co-creators” (Banyte & Dovaliene, 2014, p. 485).

Doyle (2000) provides for four categories of market-based assets, namely: a) marketing knowledge, b) brands, c) customer loyalty, and d) strategic relationships, which are further detailed in the following paragraph. These categories are a subset of the categories provided for in the framework by Srivastava (2001) and complement the definition adopted for this research.

Marketing knowledge is created through capabilities that integrate skills, processes, technology, and information to identify market opportunities and develop marketing strategies. This is an intellectual market-based asset (Srivastava et al., 1998), that provides a competitive advantage to the firm by enabling the firm to respond much faster to a changing competitive environment. Strong brands are assets that attract customers to purchase even at premium prices and generate sustainable cash flows. These brands are well known to customers, conveying strong messaging and association. This is a relational market-based asset. Loyal customers are known to buy more frequently, have higher transactional values, are cheaper and easier to serve, are less sensitive to price and often act as an ambassador for the brand. Loyal customers are thus assets that drive future cash flows for the organisation, at lower risk. Companies with loyal customers should thus be profitable with positive growth. This is a relational market-based asset. Strategic relationships may include suppliers, external stakeholders, and channel partners who provide access to new and extended markets and knowledge. These also enable the firm to apply its competencies in new and innovative ways. This is a relational market-based asset.

Customer loyalty and customer relationships are two of the relational market-based assets responsible for the generation of value for the firm with a focus on the customer. Market-based assets are seen as key for a firm to increase its shareholder value (Srivastava et al., 1998). They impact on four areas related to customer behaviour, namely, the level of future cash flows, its timing, its risk, and residual value. Customer loyalty or relationships as a market-based asset is one of the principle drivers of these four areas (Doyle, 2000). Loyalty programmes that are able to develop these specific market-based assets will generate future cash flows for the company and as such increase shareholder value.

Customer Lifetime Value (CLV) is a measurement of the value created by market-based assets, (Gupta et al., 2004). This value-based method discounts all customer cash flows and measures the contribution of a loyalty programme to firm value, as it accounts for risk and timing of both costs and benefits. This method has been used for reviewing capital projects, restructuring, mergers and acquisitions, and is now being applied to measuring the contribution of marketing efforts (Day & Fahey, 1988), and lifetime duration in research on the effectiveness of loyalty programmes (Kumar et al., 2010; Kumar, Bohling, & Ladda, 2003; Meyer-Waarden, 2007; Reinartz, 1999, 2010). An understanding of the variation in customer cash flows provides for important segmentation strategies (Tarasi, Bolton, Gustafsson, & Walker, 2013). Kumar et al. (2010) further enhance the measurement of customer value to include customer referral value, customer influencer value, and customer knowledge value (feedback and co-creation activity).

A competitive advantage can only be derived if resources or market-based assets are being applied by the firm in a way that generates sustainable competitive advantage. Loyalty programmes are thus now evaluated in terms of their ability to foster customer relationships and customer loyalty.

2.4.2 Customer relationship marketing

One of the greatest paradigm shifts in marketing over the past two decades has been the change in focus from transactions to relationships (Allaway et al., 2006; Grönroos, 1999; Piumali & Wijethunga, 2016; Sheth & Parvatiyar, 1995). Many firms are focusing on relationships as they are assets that are durable in competitive markets and need to be developed and leveraged (Hunt & Morgan, 1995; Puvendran, 2016). Relationship marketing establishes, maintains, and enhances customer relationships with the firm at a profit which satisfies the objectives of both parties (Storbacka, Strandvik, & Grönroos, 1994). Brand equity is a relational market-based asset as its value is the result of the external relationships with stakeholders (Srivastava et al., 2001, 1998). Loyalty programmes that provide the firm with competitive advantage are closely linked to the firm's brand and sales and marketing strategy (Bolden et al., 2014).

Relationships are a part of every person's life. Building relationships is a way to relate and communicate with people (Zineldin & Philipson, 2007). Relationship marketing is a very effective way to develop long-term customer relationships (Morgan & Hunt, 1994; Verhoef, 2003) where the focus is not on a single transaction but rather the customer life-time value for the firm. Relationship marketing aims to a) obtain a share of the customer (instead of the market) (Ward & Dagger, 2007), b) establish relationships with potential and current customers, and finally c) foster repurchases and customer retention (Wang et al., 2014; Ward & Dagger, 2007; Zineldin & Philipson, 2007).

Relationship marketing is a process that moves from identifying potential customers to establishing a relationship with them, and then maintaining and enhancing the relationship created so that more business can be generated (Grönroos, 2004). Both Zineldin (2006) and Zineldin and Philipson (2007) argue that relationship marketing is about keeping customers with the aim of creating long-term relationships by satisfying customers' needs and wants. These relationships also reinforce the emotional bonds between the customer and the products and services provided (García Gómez, Gutiérrez Arranz, & Gutiérrez Cillán, 2006; Kandampully et al., 2015). The role of employees and their interaction with customers have received very little attention in the literature and are often omitted as focus areas for loyalty programmes, even though these factors have been proven to increase customer behavioural loyalty (Dorotic et al., 2012; Vesel & Zabkar, 2009).

2.4.3 Customer relationship management enabled through loyalty programmes

Loyalty programmes can be used by any size of firm to create relational market-based assets that provide the firm with a sustainable competitive advantage (Dorotic et al., 2012). A significant body of research has been established in terms of customer relationships (Allaway et al., 2006), with customers being one of the most important stakeholders of the firm from a relationship perspective. Recent studies which focus on customer relationships as a relational market-based asset support its ability to foster customer loyalty (Nyadzayo & Khajehzadeh, 2016; Piumali & Wijethunga, 2016;

Puvendran, 2016; Shaukat Malik et al., 2015). The following section examines the relationship between loyalty programmes and customer relationships.

Loyalty programmes gather data at customer level about behaviours such as frequency of purchase, size of purchase, products purchased, channels, and partner benefits used (Berman, 2006; Kumar & Shah, 2004). These data are used for targeted marketing, customer segmentation, tiering, and promotions (Berman, 2006; Dorotic et al., 2012). Due to the volume of data collected at point of sale, interpretation of these data becomes impossible (Uncles et al., 2003). Card programmes have historically enabled the collection of data and identification of the customer as a loyal programme member (Liu & Brock, 2009; Meyer-Waarden, 2007). Database technology enables loyalty programmes to personalise and customise their promotions and interactions with the customer (Kumar & Shah, 2004). Some loyalty programmes are evolving to provide personalised rewards based on customer insights (Kumar & Shah, 2004). Rowley (2005) finds in her case studies on Tesco and Nectar that loyalty programmes create customer insights through the integration of customer information with partners on the programme. Personalised communication via direct mail and newsletters on loyalty programmes enhance behavioural loyalty (Meyer-Waarden, 2007; Rust & Verhoef, 2005; Van Heerde & Bijmolt, 2005). Loyalty programmes thus endeavour to find the channels that are effective in order to not only reach the customer, but to change future behaviour.

The mobile device is becoming a very important channel for customer engagement and is changing the way in which customers are approached with value propositions and customer relationship-building activities (Liljander, Polsa, & Forsberg, 2009). Loyalty programmes today depend on online web-based and mobile customer engagement as well as social media and online brand communities (Noble & Noble, 2012; Rosenbaum, Ostrom, & Kuntze, 2005; Rowley, 2005; Schefter, 2000) for customer engagement and relationship building. These interactions have developed into customer loyalty to e-commerce platforms, or otherwise framed as e-loyalty (Altinkemer & Ozcelik, 2007; Chen, Yen, Pornpriphet, & Widjaja, 2014; Hawkins & Vel, 2013). The technological enablement of the programme assists the firm to effectively target and engage with the customer as personal involvement is found to encourage loyalty programme preference (Meyer-Waarden, 2015).

A deeper understanding of the customer provides the firm with a number of opportunities. Regulatory Focus Theory (RFT) identifies promotion and prevention strategies driving self-regulation (Higgins, 1997). A promotion strategy aims to focus on the pursuit of gains (e.g., setting objectives and striving to achieve them), while a prevention strategy aims to focus on eliminating risk (e.g., maintaining good health and avoiding high blood pressure). Understanding the regulatory focus of the customer thus assists in the design of effective rewards and communication for the consumer (Daryanto, de Ruyter, Wetzels, & Patterson, 2009; Tugut & Arnold, 2011).

2.4.4 The relationship between customer perceived benefits and perceived relationship investment

The take-up and the participation of customers in loyalty programmes are very important drivers for the effectiveness of loyalty programmes. Allaway et al., (2006) claim that if a customer joins a loyalty programme, it does not necessarily mean that the customer is going to act loyally towards the company, and moreover, many customers belong to competing loyalty programmes. Reward design is a fundamental element in choosing a loyalty program (Reinartz, 2010). The principal reason consumers adopt loyalty programme membership is their ability to obtain and accrue reward benefits related to their purchases from the firm over time. Effective loyalty programmes cannot be designed from a firm’s perspective only and need to drive both take-up and participation. Customer value or customer perceived benefits provided by the loyalty programme, is critical in this regard (Li & Green, 2011; Saili, Mingli, & Zhichao, 2012; Voorhees et al., 2015).

Mimouni-Chabaane and Volle (2010) were the first to categorise customer perceived benefits empirically in a causal model for loyalty programmes. Customer benefits obtained from loyalty programmes were defined as “utilitarian benefits (monetary savings and convenience), hedonic benefits (exploration and entertainment), and symbolic benefits (recognition and social benefits)" (Mimouni-Chaabane & Volle, 2010, p. 32). This mixed-method study performed in France in the retail sector included 658 respondents and resulted in the development of a five-factor scale to measure customer perceived benefits (monetary savings, exploration, entertainment, recognition, and social benefits). A 16-item scale was developed to identify and operationalise these five dimensions or categories of customer perceived benefits, which are utilised in this research in determining their effects on perceived relationship investment, brand relationship quality, and customer loyalty in the financial services industry.

These five categories of customer perceived benefits are further supported by seminal research indicating that the drivers relating to the attractiveness of a loyalty programme are: value creation in terms of monetary savings, the engagement factor that relates to entertainment value, and social benefits (Kim, Lee, Choi, Wu, & Johnson, 2013). These customer perceived benefits have a positive effect on members' attitudes and feelings, which in turn, may affect their behaviour (Rosenbaum et al., 2005; Steyn, Pitt, Strasheim, Boshoff, & Abratt, 2010; Winters & Ha, 2012). As a result:

> Loyalty programme providers should therefore carefully tailor utilitarian benefits to increase the attractiveness of the loyalty programme and the perceived member benefits, but they should also consider hedonic and symbolic benefits to enhance and develop relationships over time (Dorotic et al., 2012, p. 220).

It is thus evident that loyalty programme design should include multi-dimensional benefits to enhance effectiveness, and this research aims to identify the ideal mix of these customer perceived benefit categories to drive customer loyalty through customer relationships in the financial services industry.

Relationship-building strategies and relationship investment are becoming more important for firms due to their positive effect on performance (Balaji, 2015; Rafiq, Fulford, & Lu, 2013). A loyalty programme contributes to the firm's relationship-building strategies by providing relevant and valuable benefits to customers. Customer perceived relationship investment is a result of how a firm's relationship-building strategies are perceived by the customer (Rafiq et al., 2013). It is influenced by the firm's efforts to maintain relationships with their customers (Sung & Choi, 2010), and proven to drive behavioural loyalty (Hawkins & Vel, 2013). Empirical research indicates that customer perceived relationship investment influences relationship quality and ultimately customer loyalty (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Rafiq et al., 2013; Wang et al., 2014). This is based on the principle of reciprocity where firm efforts to build relationships result in a reciprocal relationship quality and loyalty from the customer (De Wulf et al., 2001). De Wulf et al. (2001) performed one of the first empirical studies on relational marketing in a consumer market to establish the effects of relational marketing tactics on perceived relationship investment and ultimately customer loyalty. They developed a 4-item scale for perceived relationship investment based on the reciprocity theoretical lens. This scale is applied in this research to operationalise perceived relationship investment.

While De Wulf et al. (2001) obtained mixed results in the USA and Europe for the effect of tangible rewards on perceived relationship investment in the retail apparel industry, subsequent studies in other markets and industries provided significant support for the relationship between customer perceived benefits and perceived relationship investment (Mimouni-Chaabane & Volle, 2010; Wang et al., 2014). Wang et al. (2014) utilised the framework for perceived benefits of a loyalty programme developed by Mimouni-Chabaane and Volle (2010) and applied it to the model developed by De Wulf et al. (2001), supporting the statistical significant effects of perceived benefits of a loyalty programme on perceived relationship investment in the airline industry. Other classifications of marketing tactics enabling financial bonds (economic benefits) (Palmatier, Scheer, & Steenkamp, 2007), social bonds (personalising relationships through social engagements) (Palmatier et al., 2007) and structural bonds (integrated and innovative services) (Berry & Parasuraman, 1991; Ojaiku, Agharar, & Ezeoke, 2017) were empirical proven to have a significant effect on perceived relationship investment in the financial services industry in Taiwan (Liang & Wang, 2006).

The following section reviews the relationship between each of the customer perceived benefits being: a) monetary savings, b) exploration, c) entertainment, d) recognition, and e) social benefits, and perceived relationship investment.

2.4.4.1 The effect of monetary savings on perceived relationship investment

Many loyalty programmes provide monetary savings in terms of a reduction in price, free upgrades, free services and products, miles, or points allocation resulting in a financial benefit to the customer (Reinartz, 2010). One of the biggest problems loyalty programmes face today is customers' affinity to these discounts and monetary benefits (Hu, 2012; Li & Green, 2011), since the benefits come with high costs to the programme. Some loyalty programmes entice customers solely with discounts. These discounts do not necessarily result in loyal customers (Leenheer et al., 2007), as some price-sensitive customers tend to be less loyal towards companies (Allaway et al., 2006). The customers' view on price or inclination to bargain-hunt may thus impact on the effectiveness of a loyalty programme (Cedrola & Memmo, 2010). Customers will shop around for the best proposition, which will affect the success of the loyalty programme. These are factors referenced by Wright and Sparks (1999) who argue that joining loyalty programmes is overrated, because price, quality, and location drive customers' choice to purchase.

Empirical findings indicate that monetary benefits on loyalty programmes have a positive effect on perceived relationship investment (Liang & Wang, 2006; Mimouni-Chaabane & Volle, 2010) and customer loyalty (Kim et al., 2013; Meyer-Waarden, 2015; Winters & Ha, 2012) in cases of low long-term orientation (Park et al., 2013). Monetary value is also seen to affect perceived emotional value of the programme (Winters & Ha, 2012). Monetary and recognition benefits were found to be the most significant contributors to perceived relationship investment in Europe in the retail apparel industry. In that the financial services industry provides services contributing to the financial wellbeing of the customer, an expectation exists for these loyalty programmes to provide financial benefits in relation to their services. Liang & Wang (2006) confirms this view where financial incentives were found to have a significant influence on perceived relationship investment in a financial services study in Taiwan.
It is thus expected that monetary savings benefits would positively affect perceived relationship investment in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 1a: Monetary savings directly affect perceived customer relationship investment in the financial services industry.

2.4.4.2 The effect of exploration benefits on perceived relationship investment

The concept of exploration benefits refers to the process through which customers are exposed to alternative offerings and provided with the opportunity to select propositions that are suitable to them through unique personalised offers (Kim et al., 2013). Even though digital technology tends to over-expose customers to options and choice, the quality of information shared and the support provided have been proven to increase customer loyalty (Ludin & Cheng, 2016). These benefits satisfy their curiosity, inform and expose them to products, services, and knowledge to which they would not otherwise have had access (Wang et al., 2014). These value-added informational benefits are intangible, difficult to replicate (Mimouni-Chaabane & Volle, 2010), and create an emotional bond with the customer (Reinartz, 2010; Saili et al., 2012). Seminal research indicates that millennials require access to information and exposure to alternatives to establish a relationship, and ultimately customer loyalty (Bowen & McCain, 2015).

The contractual nature of financial products is easily imitated, making sustainable differentiation at product level in this industry very difficult. For this reason, Beckett et al. (2000) propose differentiation through the process of service and electronic channels. These can be enabled through exploration benefits, exposing customers to high margin insurance and investment products while building relationships through low margin transactional offerings. Personalised offers and communication across multiple channels have become a necessity in a commoditised financial services industry (Ahmed, Rahman, & Rahman, 2009). Exploration benefits encourage customer interactions on e-commerce channels and provide for interactive and personalised engagements, increasing customer engagement value and ultimately customer loyalty (Kumar et al., 2010). Empirical research findings in France in the retail industry demonstrate the significant and positive effect that exploration benefits have on perceived relationship investment (Mimouni-Chaabane & Volle, 2010). It is thus expected that exploration benefits would positively affect perceived relationship investment in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 1b: Exploration benefits directly affect perceived customer relationship investment in the financial services industry.

2.4.4.3 The effect of entertainment on perceived relationship investment

Digital technology today enables companies to connect with customers in a personal manner at a large scale, with the focus on making the experience competitive, social, and immersive, as proclaimed by Shaukat & Auerbach (2012): “The digital age is about making emotional connections at scale” (p. 1). The experiential or entertainment aspect of hedonic rewards cannot be underestimated as it connects to the emotional engagement with the customer (Baharun, Hashim, & Sulong, 2014; Shaukat & Auerbach, 2012). Long-term emotional connections with customers are seen as a critical component of success for Air Miles Canada, one of the most successful programmes in the world (Papadatos, 2006). Soft, intangible, or non-transactional rewards are very effective in creating long-term attitudinal loyalty as they encourage attitudinal commitment (Reinartz, 2010). The entertainment provided by gamification and competitions provides significant value and engagement opportunities with the customer (Grewal et al., 2011), and entertainment as a reward is highly valued in the retail sector as empirical research in Italy indicates (Cedrola & Memmo, 2010). These rewards enhance the customer’s experience with the brand, which in turn leads to customer loyalty (Brakus, Schmitt, & Zarantonello, 2009).

Even though some studies have found that entertainment as a perceived benefit does not significantly affect perceived relationship investment (Wang et al., 2014), other studies have indicated that it has a significant effect (Mimouni-Chaabane & Volle, 2010). In that entertainment is an integral part of a customer’s lifestyle, a form of self-expression (Saili et al., 2012), and enabled through financial means, it is expected that entertainment benefits will positively affect perceived relationship investment in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 1c: Entertainment directly affects perceived customer relationship investment in the financial services industry.

2.4.4.4 The effect of recognition on perceived relationship investment

In many loyalty programmes members have a higher purchase and visit frequency than do non-members (García Gómez, Gutiérrez Arranz, & Gutiérrez Cillán, 2012). Firms tend to want to reward and recognise customers through rational benefits that relate to transactional engagements. This can be very expensive. The ability to engage and reward or recognise the customer on an emotional level can be just as, or even more, effective, and much less costly (Shaukat & Auerbach, 2012; Steyn et al., 2010). The recognition and prestige provided by loyalty programmes have been shown to aid to their attractiveness (Ha & Stoel, 2014; Wirtz et al., 2007). Status related to such recognition is known by social psychologists as achieved status as it is obtained as a result of effort exerted by the customer (Drèze & Nunes, 2009). Loyalty programmes that integrate the recognition process with the customer journey, rather than focusing on specific individual touch points, provide leverage and value (Rawson, Duncan & Jones, 2013).

Recognition is one of the oldest and most widely used reward designs in the airline industry (Wagner, Hennig-Thurau, & Rudolph, 2009). The significant effect of recognition benefits (as a reward design element in loyalty programmes) on perceived relationship investment has been empirically proven (Laškarin, 2013; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014). The relationship was found to be statistically significant in the airline, retail, and hotel industries. The financial services industry in general discriminates in terms of product offerings between segments in the market, providing options from entry level to private and investment banking. Recognition as a reward design element would thus easily integrate with the financial services offering and relationship management initiatives. It is thus expected that recognition benefits would positively affect perceived relationship investment in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 1d: Recognition directly affects perceived customer relationship investment in the financial services industry.

2.4.4.5 The effect of social benefits on perceived relationship investment

Social and recognition benefits are symbolic benefits (Mimouni-Chaabane & Volle, 2010) which provide for the customer's need for self-expression, social acceptance, and self-esteem (Keller, 1993). Social benefits are psychological benefits enabling membership and a sense of belonging to exclusive groups with which the customer can associate and share the same values (Meyer-Waarden, 2007; Mimouni-Chaabane & Volle, 2010). Various studies have shown that loyalty programmes that enable a sense of community are more successful in developing customer loyalty (Dowling & Uncles, 1997; Rosenbaum et al., 2005), with social benefits and special treatment empirically proven to drive customer loyalty (Evanschitzky et al., 2011; Kim et al., 2013). These social benefits enable the alignment of the programme value to the customers' identity salience (Ha & Stoel, 2014), and provide for differentiation by creating a sense of community by utilising communal rewards and incentives (Rosenbaum et al., 2005; Rudež, 2010; Wang et al., 2014).

In a study within the tourism industry, Rudez (2010) found that a loyalty programme that includes social responsibility benefits creates trust and long-lasting relationships through emotional commitment and positive attachment. The social involvement and community building aspects of the loyalty programme positively affect the relationship-building ability of the loyalty programme, and the development of intellectual market-based assets for the firm. Greenley et al. (2005) argue that firms need to develop the capabilities that enable them to manage Multiple Stakeholder Orientated Partnerships (MSOP) to develop stakeholder-specific market-based assets. Environmental marketing strategies have been shown to develop relational and intellectual market-based assets for the firm and have a positive effect on firm performance (Yang, Zhao, Lou, & Wei, 2013). Social benefits were found to be predictors of customer loyalty in the retail apparel industry (Kim et al., 2013), and predictors of perceived relationship investment and ultimately customer loyalty in the airline industry (Wang et al., 2014). As relationship loyalty programmes are taking hold within the financial services industry, points accumulate faster as consumers use social media applications to build and strengthen their personal relationships by bringing banking into their social circles. Customers share rewards among family members and friends by linking their accounts and exchanging gifts in the form of rewards obtained (Plozay, 2012). Social benefits on the loyalty programme are utilised to strengthen the relationship between the customer and the firm. It is thus expected that social benefits will positively affect perceived relationship investment in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 1e: Social benefits directly affect perceived customer relationship investment in the financial services industry.

2.4.5 The relationship between perceived relationship investment and brand relationship quality

Relationship quality is a composite construct which depicts the strength of a relationship of a consumer with a firm and consists of satisfaction, trust, and commitment (Balaji, 2015; Dagger & Brien, 2007; De Wulf et al., 2001; Evanschitzky et al., 2011; Hennig-Thurau et al., 2002; Liang & Wang, 2006; Mimouni-Chaabane & Volle, 2010; Omar, Wel, Musa, & Nazri, 2010; Ou et al., 2011; Rafiq et al., 2013). Brand relationship quality is a specific type of relationship quality and also a composite construct, which depicts the strength and depth of the relationship of the consumer with a brand (Smit et al., 2007). Brand relationship quality consists of seven facets, namely: a) psychological closeness, b) personal commitment, c) passionate attachment (integration with customers' daily lives), d) love or emotional feelings for the brand; e) self-concept connection (congruence with self-image), f) nostalgic connection (brand-related memories), and g) partner quality (Fournier, 1994, 1998). These seven facets converge to two dimensions: connection (nostalgic and self-concept connection, passionate attachment, and intimacy) and partner quality (trust, personal commitment, and love) (Smit et al., 2007).

The relationship between perceived relationship investment and brand relationship quality is empirically supported (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Rafiq et al., 2013; Wang et al., 2014). A significant causal relationship was also found in empirical studies between perceived relationship investment and connection, as well as between perceived relationship investment and partner quality (Wang et al., 2014). This relationship is based on the principle of reciprocity where firm efforts to build relationships result in a reciprocal response resulting in brand relationship quality and loyalty from the customer (De Wulf et al., 2001).

Firms' investment in the creation of emotional bonds with customers would lead to connection, attachment, and association with the brand (Bowen & Mccain, 2015; Kandampully et al., 2015; Kim et al., 2013; Sacui & Dumitru, 2014; Saili et al., 2012; Shaukat & Auerbach, 2012). Image and brand connection are critical aspects with digitisation driving service delivery in the financial services industry. It is thus expected that perceived relationship investment would lead to connection and association with the brand. Based on this, the study thus proposes the following hypothesis:

Hypothesis 2a: Perceived relationship investment directly affects connection in the financial services industry.

Relationship investments by the firm also translate into partner quality which depicts the way the customer has been treated by the brand or firm (Andersson & Ibegbulem, 2017; McCall & Voorhees, 2010; Saili et al., 2012; Voorhees et al., 2014). With the onset of e-commerce companies such as Google, Amazon, and Facebook introducing competing financial payment mechanisms, it is expected that the financial services industry would invest into relationships to build trust (which is an element of partner quality) to differentiate their offering (Andersson & Ibegbulem, 2017). It is thus expected that perceived relationship investment would lead to partner quality. Based on this, the study thus proposes the following hypothesis:

Hypothesis 2b: Perceived relationship investment directly affects partner quality in the financial services industry.

2.5 Customer loyalty

2.5.1 Customer loyalty defined

The concept of customer loyalty is fundamental to marketing scholarship and provides practitioners with an asset enabling differentiation and long term relationships (Balaji, 2015; Kandampully et al., 2015; Nyadzayo & Khajehzadeh, 2016; Pena et al., 2016). Loyal customers portray behaviours that drive firm profitability because: a) customers are less attracted to competitor’s products (Rudež, 2010; So, King, Sparks, & Wang, 2013), b) customers are less price sensitive (Evanschitzky et al., 2011; Picon-Berjoyo et al., 2016), c) customers engage in repeat purchasing (Bowen & Mccain, 2015; Kumar et al., 2010; Parahoo, 2012; Richard, Zealand, Zhang, & Shanghai, 2012), and d) customers have a favourable attitude and emotional connection with the brand which results in word-of-mouth referrals and future purchases (Bowen & Mccain, 2015; McCall & Voorhees, 2010; Sacui & Dumitru, 2014; Voorhees et al., 2014).

This research specifically focuses on customer loyalty to the company and contribution to firm value in its capacity as a market-based asset. The definition adopted in this research for customer loyalty has both an attitudinal and a behavioural component: “Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage” (Dick & Basu, 1994, p. 99). Customer loyalty as a consequence of loyalty programmes will thus be measured both from an attitudinal and a behavioural perspective, as loyalty programmes have as their primary focus the building and development of customer loyalty (Kumar & Shah, 2004), although the extent to which this is achieved is marked by mixed results (McCall & Voorhees, 2010).

Attitudinal loyalty is a deep desire by the customer to maintain a relationship with a firm (Czepiel & Gilmore, 1987) and thus relates directly to the relationship the customer has with the firm and the psychological preference and commitment to the brand (Bennett & Rundle-Thiele, 2002; Kumar & Purkayastha, 2013; Oliver, 1999; Wirtz et al., 2007). It has a far longer term impact than behavioural loyalty on the customer's relationship with the firm (Kim et al., 2009; Kumar & Purkayastha, 2013) and it has been empirically proven to lead to behavioural loyalty (Bandyopadhyay & Martell, 2007; Russell-Bennet, McColl-Kennedy, & Coote, 2007; Steyn et al., 2010).

Behavioural loyalty relates to repeat patronage (Czepiel & Gilmore, 1987; Meyer-Waarden & Benavent, 2006), which in itself may exist because of convenience, habit, superior service, or high switching costs. Behavioural loyalty does not imply an emotional attachment with the brand or service provider (Liu-Thompkins & Tam, 2013). Various studies have indicated that loyalty programmes should be used to build customer loyalty, through the development of an emotional attachment to the brand, in order to sustain their financial success (Bowen & McCain, 2015; Hallberg, 2004; McCall & Voorhees, 2010). Rowley's (2005) Tesco and Nectar case studies show that loyalty programmes build brand value through meaningful and pleasurable brand engagements and experiences.

The financial services industry, being a service industry, provides for the following distinctions in terms of customer loyalty: a) service providers can create stronger loyalty relationships with customers than suppliers of tangible goods (Czepiel & Gilmore, 1987; Zeithaml, 1981); b) customer loyalty is stronger and more prevalent in service industries than in product-driven industries (Zeithaml, 1981); c) services industries provide more opportunities for relationship-related interactions (Czepiel & Gilmore, 1987), which enable the development of customer loyalty (Van Doorn et al., 2010); d) perceived risk is often greater when purchasing services than goods (Gremler & Brown, 1996), which leads to customer loyalty used as a risk reducing device (Zeithaml, 1981); and e) some services incur switching barriers not present when purchasing products (Gremler & Brown, 1996). The development of customer loyalty through customer relationships is thus not only very relevant, but also very important in the financial services industry.

2.5.2 Loyalty to the programme versus the firm

Loyalty programmes can lead to different types of customer loyalty. There is a difference between customer loyalty to a firm and customer loyalty to a loyalty programme. Customer loyalty to a loyalty programme is found to be a much more effective driver of purchase behaviour or behavioural loyalty than customer loyalty to the firm (Evanschitzky et al., 2011). This creates the threat of customers building a relationship and loyalty with the loyalty programme rather than with the firm, which introduces a direct dependency for the firm on the loyalty programme (Evanschitzky et al., 2011; Meyer-Waarden, 2007; Uncles et al., 2003; Yi & Jeon, 2003). On the other hand, some authors believe that loyalty programmes are designed to reward loyalty (maintain existing loyalty) and not to create customer loyalty per se (Berman, 2006).

Kim et al. (2013) developed a theoretical model where the effects of customer perceived benefits on programme loyalty and customer loyalty to the firm were empirically established. This was one of the first empirical studies on the effect of customer perceived benefits on customer loyalty and contributes to the literature on the effectiveness of loyalty programmes. A key finding here is that the antecedents of programme loyalty and company loyalty are found to be different. Monetary savings, entertainment, and social benefits were found to be significant predictors of programme loyalty within the retail apparel sector. Programme loyalty further fully mediated the effects of social benefits, recognition, and entertainment on customer loyalty and only partially mediated the effects of monetary savings on customer loyalty. Monetary savings directly predicted customer loyalty. This can be related to the fact that customer loyalty was measured from a behavioural perspective only, excluding the attitudinal dimension (Sirdeshmukh, Singh, & Sabol, 2002).

Some additional differences were highlighted between programme loyalty and company loyalty. While social benefits and special treatment are significant predictors of programme loyalty, programme value is by far the most dominant predictor of customer loyalty. Company satisfaction is found to be the least significant antecedent of customer loyalty when compared to trust and commitment. Customer loyalty to the firm thus has more of an emotional/attitudinal dimension where programme loyalty has more of a behavioural nature (Evanschitzky et al., 2011). Customer loyalty to the firm is a more effective predictor for store visits and SOW, where programme loyalty is a more effective predictor for increased sales and purchase behaviour. The implication here is that a customer first needs to be in the store in order to purchase, which makes the loyalty programme only effective once customer loyalty to the firm is established.

Many loyalty programmes have not been able to establish loyalty to the firm because of their lack of focus on customer perceived benefits (Mimouni-Chaabane & Volle, 2010). In contrast to Dowling and Uncles (1997), Kim et al. (2013) found that perceived monetary savings of a loyalty programme predicts customer behavioural loyalty. Perceived relationship investment has been found to lead to brand relationship quality for loyalty programmes (Mimouni-Chaabane & Volle, 2010), and is proven to lead to customer behavioural loyalty (De Wulf et al., 2001) in the retail sector while moderated by customer category involvement and customer relationship proneness.

2.5.3 Relationship between brand relationship quality and customer loyalty

The theoretical model developed by Wang et al. (2014) has been extended in this research to include both attitudinal and behavioural loyalty to the firm. They proved that both connection and partner quality drive one dimension of customer loyalty: behavioural loyalty (Wang et al., 2014). The relationships between connection and partner quality and both attitudinal and behavioural loyalty are now further detailed in the following paragraphs.

2.5.3.1 The relationship between connection and attitudinal loyalty

Connection relates to nostalgic and self-concept connection, passionate attachment, and intimacy in terms of the relationship between the customer and the firm branding (Smit et al., 2007). Connection thus has a strong relation to attitudinal loyalty, which relates to the emotional desire of customers to maintain a relationship with a brand in addition to their transactional requirements (Hawkins & Vel, 2013). Strong emotional connections or psychological bonding between customers and the firm drive attitudinal loyalty (Evanschitzky et al., 2011; Hawkins & Vel, 2013; Kumar & Purkayastha, 2013). These emotional connections are developed through customer engagement strategies in service industries (Banyte & Dovaliene, 2014). It is thus expected that connection would positively affect attitudinal loyalty in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 3a: Connection directly affects attitudinal loyalty in the financial services industry.

2.5.3.2 The relationship between connection and behavioural loyalty

Customer fit or connection between the firm and the customer drives repeat purchase behaviour and as such behavioural loyalty (McCall & Voorhees, 2010). Financial and social bonding activities aimed at creating a connection with the customer have been found to have a significant and positive effect on behavioural loyalty in the financial services industry (Liang & Wang, 2006) and has been further supported by research in the retail industry (Meyer-Waarden, 2008). It is thus expected that connection would positively affect behavioural loyalty in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 3b: Connection directly affects behavioural loyalty in the financial services industry.

2.5.3.3 The relationship between partner quality and attitudinal loyalty

Partner quality relates to how the customer has been treated by the firm. This includes service quality and satisfaction which are both very important in service industries (Smit et al., 2007). Service quality and satisfaction have been found to have a significant and positive effect on the development of attitudinal loyalty in the financial services industry (Kumar, Mani, Mahalingam, & Vanjikovan, 2010; Ou et al., 2011;

Sivadas & Baker-Prewitt, 2000). It is thus expected that partner quality would positively affect attitudinal loyalty in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 3c: Partner quality directly affects attitudinal loyalty in the financial services industry

2.5.3.4 The relationship between partner quality and behavioural loyalty

Perceived service quality and satisfaction, which are important aspects of partner quality, have a significant and positive effect on behavioural loyalty (Bridson et al., 2008; Hallak et al., 2017; Rai & Medha, 2013; Sivadas & Baker-Prewitt, 2000). Customer orientation, which influences customer engagement strategies and are aspects of partner quality, have a direct effect on behavioural loyalty (Laškarin, 2013). In the financial services industry specifically, satisfaction with service has been proven to drive behavioural loyalty (Jayathilake et al., 2016). It is thus expected that partner quality would positively affect behavioural loyalty in the financial services industry. Based on this, the study thus proposes the following hypothesis:

Hypothesis 3d: Partner quality directly affects behavioural loyalty in the financial services industry.

2.6 Moderating variables reward type and timing

The reward design elements type and timing of rewards were developed by Dowling & Uncles (1997), and utilised in empirical research on loyalty programme effectiveness (Hu et al., 2010; Park et al., 2013; Yi & Jeon, 2003). Reward type can either be direct or indirect, and reward timing immediate or delayed (Dowling & Uncles, 1997). Refer to Figure 1 in the Purpose section for a graphical representation.

2.6.1 Reward timing

Reward timing is a reward design element frequently used to enhance loyalty programme effectiveness, where immediate rewards are used when the customer is not intrinsically motivated to develop a relationship with the firm and delayed rewards for customers in markets marked by variety-seeking behaviour (Dorotic et al., 2012). Some programmes provide immediate gratification in the form of cash back at point of sale, where other programmes provide delayed rewards in the form of points accrual or equity shares (Altinkemer & Ozcelik, 2007; Park et al., 2013). Immediate rewards are evaluated in terms of their face value and delayed rewards in terms of their goal congruity (Roehm & Roehm, 2010). Instant loyalty programmes have been found not to create sustained revenue potential or customer loyalty for the firm (Leenheer & Bijmolt, 2008). In programmes where rewards are accrued and then redeemed, the time taken to get to redemption as well as the ease of redemption are critical success factors for the programme (Berman, 2006). These programmes reduce the effect of competitor promotions and are very effective in building long-term relationships with the customer (Zhang & Breugelmans, 2012). These delayed rewards also have their drawbacks, for example, in the airline industry, where some airlines make it very difficult for customers to use their miles.

Immediate rewards in the form of cash rewards are very expensive and only viable if the high usage segment is relatively small (Kim, Shi & Srinivasan, 2001). These rewards are also very inefficient as the consumers' perceived valuation matches the cost of the reward to the company (Kim et al., 2001). Immediate cash discounts instigate spurious loyalty and decrease customers' intrinsic relational motivation (Dholakia, 2006; Roehm, Pullins, & Roehm Jr, 2002; Wendlandt & Schrader, 2007). High reward programmes (high reward costs) are seen to be the least cost-effective in driving repeat purchase intentions across heavy, medium, and light user customer bases, while low reward programmes are proven to be the most effective (Wansink, 1996).

The problem for many loyalty programmes with delayed rewards is that they produce liabilities rather than assets in terms of the promise of future rewards or rebates. These are usually schemes where points or a loyalty currency is earned which are difficult to redeem. These loyalty programmes maximise immediate revenue while producing future obligations for the firm (Bolton, Lemon, & Verhoef, 2004). The liabilities may or may not be reflected on the firm's balance sheet. Customer trust is not created, but switching costs are raised which often detract from brand building. Some have argued that loyalty programmes should rather invest in the customer by providing training, education, and customisation to encourage future revenues, saying that investments in customer assets produce greater future returns (Shugan, 2005). In contrast, customers' behaviour may change to obtain future rewards faster (Kivetz et al., 2006). These effects are moderated by programme structure and the competitive environment (Liu & Yang, 2009).

The incorrect use of timing of reward may lead to the finding that customers participating in loyalty programmes do not generate higher cash flows than non-members and the variability of their cash flows are larger (less consistent) (Tarasi et al., 2013). This finding was reached through the study of two loyalty programmes offering economic rewards only. The variability in cash flows can be explained by the acceleration of purchases of customers when nearing redemption hurdles (Kivetz et al., 2006). This finding supports the previous finding that many loyalty programmes do not have a positive impact on business performance (Dowling & Uncles, 1997). They attract price-sensitive customers who have more variable purchasing behaviour.

Tarasi et al. (2013) established that customer satisfaction, rather than a loyalty programme, is critical to reducing cash flow variability. The loyalty programme should increase customer satisfaction rather than create short-term incentives to increase revenue. Intangible benefits associated with loyalty tiers reduce the variability of cash flows from customers (Nunes & Drèze, 2006). Currency programmes provide for long-term relationship building compared to immediate cash discounts. It is thus expected that delayed rewards are preferred over immediate rewards in terms of developing intellectual market-based assets in the financial services industry.

Some loyalty programmes develop switching costs and take advantage of habit formation in order to create barriers for customers to exit the programme (Carlsson & Löfgren, 2006). These types of structures are very popular in industries suited to repeat purchases such as the airline industry and relate specifically to delayed rewards. It has been found that high switching costs reduce the impact of corporate brand image and customer value perceptions on customer loyalty (Wang, 2010). Loyalty programmes create switching costs that decrease the tendency to buy an alternative brand (Hartmann & Viard, 2007). In order for the switching costs to be cost effective, the value of the rewards of the loyalty programme needs to be comparable with the margin between the firm brand and that of its competitors (Kim, Shi, & Srinivasan, 2001). Loyalty programmes can also lead to market and category expansion (Kopalle & Neslin, 2003).

The loyalty programme design framework type and timing of reward (Dowling & Uncles, 1997) is similar to the behavioural learning theory framework where incentive schemes have primary and secondary influencers that may be immediate or delayed (Rothschild & Gaidis, 1981). The two frameworks provide contradictory views in relation to the effectiveness of immediate and delayed rewards. The research by Yi and Jeon (2003) provides the first empirical testing of the Dowling and Uncles (1997) framework in terms of the effect of reward timing in the context of involvement on brand loyalty as well as its effect on programme loyalty. In low customer involvement instances, immediate rewards were more effective in improving the value perception of the loyalty programme than delayed rewards.

Findings further indicate that customer satisfaction plays a moderating role on timing and its effect on customer loyalty is empirically validated. Delayed rewards were found to be more effective in building customer loyalty in cases where customer satisfaction existed for the service (Hu et al., 2010; Keh & Lee, 2006). Direct rewards should be delayed for satisfactory experiences, but provided immediately for unsatisfactory experiences. Customer satisfaction played a moderating role on the timing of the reward, with delayed rewards only being effective in driving customer loyalty when the customer was satisfied with the products and services provided. In contrast, when the customer was dissatisfied with the services, immediate rewards still led to customer loyalty.

Based on the above, and due to the effectiveness of delayed rewards in building long-term relationships with the customer (Zhang & Breugelmans, 2012), it is expected that delayed rewards will have a more significant positive effect on the relationship between perceived benefits and perceived relationship investment in the financial services industry. The study thus proposes the following hypothesis:

Hypothesis 4a: Reward timing moderates the relationship between customer perceived benefits and relationship investment in the financial services industry.

2.6.2 Reward type

Rewards can be firm specific and relate to the products and services of the firm itself (direct rewards), or unrelated to the products and services provided by the firm (indirect rewards) (Berman, 2006; Dorotic et al., 2014; Kopalle & Neslin, 2003; Park et al., 2013). An example of a direct reward for a financial services loyalty programme would be cash back based on transactions performed on accounts, and an example of indirect rewards would be discounts on airline tickets.

Loyalty programmes build brand association and an emotional connection with the brand in cases where the rewards are aligned to brand associations of the firm (direct rewards) (Roehm et al., 2002). Although single firm loyalty programmes that offer direct rewards only have long dominated the landscape, multi-partner programmes providing direct and indirect rewards have become more popular (Berman, 2006; Capizzi, Ferguson, & Cuthbertson, 2004). The loyalty programme strategy determines which programme structure to adopt. Some of the options are: a) a single firm level programme with direct rewards only, b) a programme with both direct and indirect rewards (multiple-partners), or c) a coalition (Capizzi et al., 2004). Multi-partner programmes can take the form of coalition programmes that serve a number of partners and have a unique branding that is unrelated to any of the participating partner firms, or a programme with a dominant firm's branding with selected indirect partner benefits on the programme to boost earn and redemption opportunities. Multi-partner and coalition loyalty programmes aim to include partners in the value proposition in order to enhance the attractiveness of the programme, provide choice to the customer, as well as penetrate partner customer bases with complementary value propositions (Berman, 2006).

Loyalty programmes are evolving to provide a wider range of reward options for their customers, which leads to the engagement of more strategic partners (Kumar & Shah, 2004). Rowley (2005) established through a qualitative case study of both the Nectar and Tesco loyalty programmes, that these programmes introduce their customers to the brands and communities of their partners. Loyalty programmes thus enable strategic partnerships with brands that can add value to customers within the loyalty programme. A partner networking effect or partner preference has been proven in customer purchase decisions for customers of coalition programmes (Meyer-Waarden & Benavent, 2006).

Coalition programmes provide a number of advantages to participating partners namely: a) economies of scale resulting in reduced costs, b) access to advanced capabilities, c) access to other partners' customer bases for cross-sell opportunities, and d) exposure to other partners' and coalition programme branding (Capizzi et al., 2004; Varadarajan, 1986). Disadvantages of coalition programmes are the possible incongruence with the firm's brand and the division of loyalty across competing partners within the coalition (Dowling & Uncles, 1997; Roehm et al., 2002).

The success of these coalition programmes is contested in the literature. Empirical evidence obtained in relation to Fly Buys, one of the most prominent coalition programmes in Australia, indicated that purchase frequency at participating partners did not increase significantly (Sharp & Sharp, 1997). It has also been found that some multiple partner programmes in the retail sector do not lead to increased market penetration or new customer acquisition (Dowling & Uncles, 1997; Meyer-Waarden & Benavent, 2006), which has resulted in very low cross-sell or promotional impact between partners (Dorotic et al., 2011). The effectiveness of firm-branded loyalty programmes offering multiple partner benefits has also not been proven to exceed that of loyalty programmes with direct firm benefits only (De Wulf, Odekerken-Schröder, de Canniere, & Van Oppen, 2003).

Direct rewards provide brand exposure and utility for the firm. It is thus foreseen that direct rewards will develop relational market-based assets for the firm. Coalition programmes may appear unrelated to the cultivation of customer loyalty to the firm and thus the creation of customer assets (Shugan, 2005). The branding of the loyalty programme can either enhance or dilute the relationship-building efforts of the programme. Alignment of the loyalty programme branding to that of the firm increases the relationship-building effectiveness of the programme.

There are diverse findings in the literature around the customer's preferred reward type and timing. Some authors find that customers have a preference for a point system of rewards benefits at partners of the firms (indirect delayed luxury rewards), rather than benefits related to the products and services of the firm. Findings also reflect a preference for experiential rewards over transactional rewards (Cedrola & Memmo, 2010; Dorotic et al., 2014). In contrast the firm may prefer direct rewards over indirect rewards due to their association and positive effect on brand building for the firm (Dorotic et al., 2014). This is because direct rewards stimulate attitudinal attachment and intrinsic relational motivation (Roehm et al., 2002).

The empirical findings by Yi & Jeon (2003) were the first to provide a clear causal relationship between type and timing of rewards, the value of the loyalty programme, customer loyalty to the loyalty programme, and customer loyalty to the firm that is measured in terms of relative attitude. This research also provided the first empirical support that loyalty programmes can build customer loyalty for the firm. It developed a deeper understanding of the constructs and variables involved in the causal relationship between loyalty programmes and customer loyalty, a market-based asset. Direct rewards were in general found to be more effective than indirect rewards (Keh & Lee, 2006). As a result, it is expected that direct rewards will have a more significant positive effect on the relationship between perceived benefits and perceived relationship investment in the financial services industry. Based on the arguments provided in this section, the study thus proposes the following hypothesis:

Hypothesis 4b: Reward type moderates the relationship between customer perceived benefits and relationship investment in the financial services industry.

2.7 Scope of the research

This research focuses on the design elements of loyalty programmes and their effectiveness in terms of developing customer loyalty to the firm in the financial services industry. It extends the framework developed by Wang et al. (2014) by taking both type and timing of rewards from Dowling & Uncles (1997), and the customer perceived benefits developed by Mimouni-Chabaane and Volle (2010), to examine their effects on perceived relationship investment, brand relationship quality, and customer loyalty. The research extends the Wang et al. (2014) framework on the basis of: a) the inclusion of type and timing of reward as moderating variables and important loyalty programme design elements, b) holistic measurement of customer loyalty in terms of both behavioural and attitudinal loyalty, and c) providing insights specific to the financial services industry, taking into consideration that a significant investment has already been made in loyalty programmes in this industry.

The research excluded involvement as a moderating construct, for the following reasons: a) focus is placed on the design elements of a loyalty programme that build relationships which foster customer loyalty; b) consumer characteristics influencing customer loyalty should be dealt with holistically in future research; c) seminal research by Wang et al. (2014) only found partial support for involvement moderating the research framework; d) seminal research focusing on design elements of loyalty programmes by Mimouni-Chabaane and Volle (2010) and Kim et al. (2013) did not include consumer characteristics, enabling designs independent of consumer characteristics; e) testing of involvement was product-specific and not firm specific (De Wulf et al., 2001; Yi & Jeon, 2003); and f) most loyalty programmes in South Africa in the financial services industry are similar as they all require a transactional account, and incentivise the take-up of all other products, which makes product-specific involvement irrelevant.

Customer satisfaction and relationship proneness were also excluded from the research, as they relate to consumer characteristics which may vary considerably between consumers and should be included in holistic research focusing on the impact of consumer characteristics on developing loyalty through relationships. Partner quality, measuring the way the customer has been treated by the firm, already includes a dimension of customer satisfaction (Hennig-Thurau et al., 2002). Satisfied customers do not necessarily become loyal customers (Rudež, 2010). Programme loyalty is also not included as the research aims to establish loyalty effectiveness in terms of customer loyalty to the firm.

2.8 Theoretical model

This section summarises the hypotheses as developed in the literature review. The hypotheses are an extension of the theory presented in this chapter, introducing important moderating variables type and timing of rewards, extending the research to the financial services industry, and introducing attitudinal loyalty as an additional dimension of customer loyalty.

Figure 4: Theoretical model

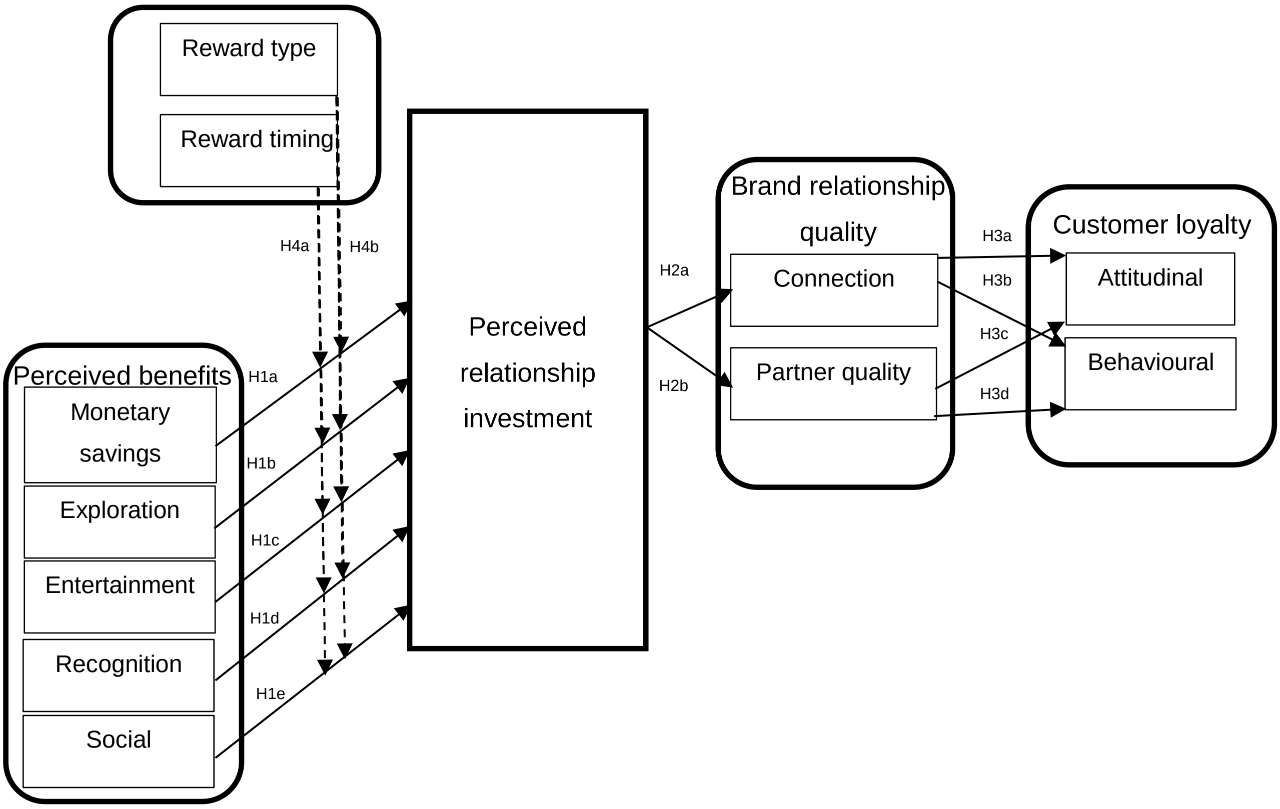

Figure 4. Schematic representation of the theoretical model being tested in this research.

The financial services industry was selected for this study due to the limited amount of research on loyalty programmes in this industry, identifying the specific design elements required to drive programme effectiveness. The theoretical model depicts the effect of customer perceived benefit categories (design elements) of a loyalty programme being: a) monetary savings, b) exploratory, c) entertainment, d) recognition, and e) social benefits on perceived relationship investment. The individual and unique effect and influence of each benefit category on perceived relationship investment in the financial services industry is established.

The research further explores the effect of design elements reward type and timing as moderators on the relationship between customer perceived benefits and perceived relationship investment. The moderating effect of type and timing on each benefit category is established in terms of its relationship with perceived relationship investment. This enables an understanding of not only the contribution of each customer perceived benefit category to perceived relationship investment, but also the effect of the timing and type of this reward category on its effectiveness in driving perceived relationship investment.

The effect of perceived relationship investment emanating from reward design elements of the loyalty programme on both connection and partner quality–components of composite construct brand relationship quality–is established. Customer relationships is a market-based asset driving future revenue for the firm, and as such very important for service firms, and particularly the financial services industry. The effects of both these components of brand relationship quality on attitudinal and behavioural loyalty are established, providing for a deeper understanding of the effect of customer relationships on both attitude and behaviour of the customer. The SEM method adopted and explained in the following chapter allowed for this model to be enhanced and direct relationships to be included in cases where the relationship was significant.

3 Research design and methodology

3.1 Introduction

This chapter details the full research methodology adopted for this research. It covers the research paradigm, methodology design, and strategy of enquiry as well as the data collection and analysis approach utilised to test the hypotheses. The chapter concludes with the approach followed to ensure the required ethical standards were applied for the research.

The research philosophy adopted was that of positivism and post-positivism, with a deduction approach and a mono-method quantitative design. The unit of analysis was the effects of customer perceived benefits on loyalty programme effectiveness. The research strategy was survey and the data collection method questionnaire. The analysis was quantitative, explaining the relationships between the constructs. Ethics, reliability, and validity were key focus areas for this research.

3.2 Research paradigm

This section evaluates the appropriate research philosophy and approach adopted to answer the research question adequately. The research adopted pragmatism philosophy, which enabled the use of methods that facilitated the collection of credible, reliable, and relevant data to advance theory (Kelemen & Rumens, 2008). This research philosophy informed the methodological choices made in the research.

The research also adopted the philosophy of positivism, with the aim of searching for regularities which lead to law-like generalisations (Gill & Johnson, 2010). A very structured methodology that included quantifiable observations and statistical analysis was utilised to facilitate replication (Gill & Johnson, 2010). This is very similar to the approach taken by academics who developed the theory being tested and extended (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014). An overview of previous empirical studies performed is detailed in Table 1. The research approach was mainly that of deduction as it involved the development of theory that was tested through a number of hypotheses (Saunders, Lewis, & Thornhill, 2012).

3.3 Research design

Descriptive research is used to determine whether relationships exist between variables and to identify differences between groups of respondents (Aaker, Kumar, Leone, & Day, 2013). This research uses a descriptive design to measure and test the relationships between the constructs of customer perceived benefits, perceived relationship investment, brand relationship quality, and customer loyalty (Aaker et al., 2013). The objective was to explain, confirm, validate, and test the extension of existing theory. The research was structured around known constructs and variables, established guidelines for its operationalisation, and statistical analysis (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014), and makes inferences about the effects of customer perceived benefits on loyalty programme effectiveness.

3.4 Information type

The type of information gathered can be either primary data or secondary data or both (Malhotra, Hall, Shaw, & Oppenheim, 2010). Primary data are newly sourced data specifically for the purpose of the research, while secondary data exist and have been sourced for other purposes. This research utilised primary data specifically sourced for this research as it was the first time that such research was conducted in the financial services industry.

3.5 Research type

There are three distinct categories within survey research based upon the mode of administration, namely, personal-administered surveys, telephone-administered surveys and self-administered surveys (Wiid & Diggines, 2010). Personal-administered surveys involve face-to-face contact between a trained interviewer and the respondent. Telephone-administered surveys involve the exchange of a question-and-answer interview conducted over the telephone with a respondent (Shiu et al., 2009). A self-administered survey is where a structured questionnaire is completed by respondents in the absence of a trained interviewer (Mitchell & Jolley, 2009).

Because of the deductive, explanatory, and descriptive design of the research, a self-administrated survey strategy was adopted for this research whereby standardised data were obtained from a sizable population allowing for multilevel analysis through structured questionnaires (Leedy & Ormrod, 2010; Shiu, Hair, Bush, & Ortinau, 2009). Survey strategies have frequently been used to obtain both attitudinal and objective data (Saunders et al., 2012). Data obtained from the survey strategy allowed for statistical models to be built for both descriptive and inferential statistics. Benefits of the survey strategy are: a) the questionnaire can be easily managed, b) limited response options are provided for, increasing the reliability of the data, c) questions are str uctured and consistently presented in the same format, eliminating inconsistencies relating to different interviewers, and d) the analysis and interpretation of the data collected becomes easier (Malhotra et al., 2010). The constructs measured were well defined and the aim of the research was to understand interrelationships between the variables, which makes the questionnaire survey strategy most appropriate (Gill & Johnson, 2010).

Even though both telephonic and face-to-face administrated surveys have higher response rates, the time taken to perform these interviews is much longer. A self-administered survey is completed by respondents in their own time without any intervention of an interviewer. The study adopted a self-administered survey administration approach obtaining the data for each variable at a point in time to understand the relationships between the variables and both types of loyalty. The research was thus not longitudinal in nature. The survey was distributed through emails with a link to the questionnaire and presented on a commercially available online survey platform, SurveyMonkey (www.surveymonkey.com). Both e-mail and online were well suited for this research due to the ability to reach a large number of respondents and the automatic capturing of the data on the target system for analytical purposes (Leedy & Ormrod, 2010). SurveyMonkey enables the coding of the questionnaire such that only relevant questions can be posed based on responses obtained, enabling improved time-handling and convenience for the respondent. It also eliminates researcher capturing errors that may occur for manual capture of the data collected. By emailing the questionnaire, targeted reach is enabled in contrast with online research surveys open to the wider public. Online surveys have also effectively been used in previous research on customer loyalty (Hallak et al., 2017; Jai & King, 2015; Kim et al., 2013; Mimouni-Chaabane & Volle, 2010; Picon-Berjoyo et al., 2016; Wang et al., 2014; Xiong et al., 2014).

This research followed a quantitative methodology in order to compare the results with previously reported findings in the retail, airline, and grocery industries (De Wulf et al., 2001; Kim et al., 2013; Mägi, 2003; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014), and to compare the findings with previous research in terms of the interrelationships of the variables (Leedy & Ormrod, 2010). A further consideration was that the majority of empirical research done on the effectiveness of loyalty programmes to date had been quantitative in nature, with a small number of studies following experiential design (Table 1, p. 28).

3.6 Population and sampling

In order to identify the respondents required for the research study, a sampling plan is required (Parasuraman, Grewal, & Krishnan, 2007). The sample selected needs to be representative of the population. A well-defined target population facilitates the accurate identification of the sample (Shiu et al., 2009). The population for this research consisted of respondents belonging to a loyalty programme in the financial services industry.

Respondents were sourced from a market research company named P-Cubed, which owns the largest established commercial consumer database in South Africa. P-Cubed collects data on consumers from credit bureaus, the deeds office, census information, CIPRO, and Home Affairs in order to provide insights. These insights relate to consumer credit history, to their overall wealth, where they live, whether they are company directors, and how many dependents they might have. At the time of the research, P-Cubed provided 2,700 fields of data on over 33 million economically active consumers in South Africa (P-Cubed, 2017). The data segment consumers in terms of their demographics, financial affluence, preferred credit consumption, digital enablement, entrepreneurial spirit, life-stage and neighbourhood trends. The P-Cubed database of individuals was used as the sample frame for this research due to its size and richness in terms of consumer data.

The sampling frame is defined based on the population, and can never be perfect (Shiu et al., 2009), as all sampling frames consist of an error margin which depict the deviation of the sample frame from the population. This error can be alleviated through appropriate screening questions (Malhotra et al., 2010). No database exists of consumers belonging to financial services loyalty programmes, and as such no suitable sample frame could be adopted for this research.

Whilst the sampling frame may not have included all consumers who belonged to loyalty programmes from financial services institutions in South Africa, and would have included consumers who did not belong to any loyalty programme in South Africa, only respondents that belonged to at least one loyalty programme were able to complete the questionnaire as the coding within the questionnaire enabled termination after this question was posed. The P-Cubed database could be seen as representative of the population due to its size and its spread across all consumer segments. This database is suited to research in the financial services industry as the services provided by P-Cubed target banking, micro-lending, credit, insurance, loyalty and rewards (P-Cubed, 2017). The survey introduced a bias towards English-speaking consumers as the survey was only presented in English. P-Cubed is one of the most dominant institutions with respect to customer insights, research and analytics in Africa, with the largest consumer database in South Africa and as such should have provided for maximum variation in terms of respondents targeted.

All sampling methods are either classified as probability or non-probability sampling (Churchill & Iacobucci, 2006). Probability sampling provides for equal probability for each respondent to be selected (Aaker et al., 2013; Leedy & Ormrod, 2010; Malhotra et al., 2010). Non-probability sampling entrusts the researcher to select the respondents for the study, and there exists no way to determine whether each element of the population is covered (Leedy & Ormrod, 2010; Malhotra et al., 2010). This research adopted a two-staged sampling approach where Stage 1 consisted of simple random sampling (the pilot) and Stage 2 of stratified random sampling. Only respondents with a) a high probability that their e-mail addresses are valid, b) who have not opted out to the P-cubed communication before, and c) have not opted out on the Direct Marketing Association database, were available for selection in stage 1. Stage 1 selected consumers randomly for the pilot. Stage 2 eliminated respondents who were not between 18 and 60 years old as well as those that were deceased. Stratified random sampling was then performed where male and female respondents were given an equal opportunity to be selected across six financial affluent segments. Each financial affluent segment was given equal weighting. The financial affluent segments indicate the consumer's level of affluence and financial product utilisation and provide for six broad segments indicating wealth. These segments have been statistically obtained by P-cubed through the analysis of 140 variables, including profession, income class, marital status, household makeup, gender, age, race, property value, geographic location, preferred communications channels, retail store cards, account/credit/loan/vehicle finance status, and insurance policies. An equal number of respondents was selected between male and female per financial affluent segment. This ensured representativeness of the sample in terms of the population.

This sampling strategy ensured limiting wastage through mailing to incorrect email addresses and an equal distribution between male and female as well as across all six affluent segments. The strategy ensured realistic response rates and limited the harassment factor of unsolicited e-mail communication, but it introduced a bias towards respondents with email addresses. Due to the fact that respondents selected may not belong to a financial services loyalty programme, and as such not be able to complete the questionnaire, the sample size needed to accommodate this aspect. A sample of approximately 50 000 respondents was selected in line with the stratified random sampling strategy, to ensure a response of between 250 and 500 at a rate of between 0.5 and 1%. This response rate was acceptable due to the fact that e-mailers did not a) associate with a specific brand that the customer had an affinity or relationship with, but b) requested respondent to partake in a PHD research study that was not specific to any company they may have had an association with, c) was sent to the open market without knowledge whether the respondent had any affiliation with any loyalty program or not, d) a limited time period of three weeks were given to respond and e) no follow-up e-mailers were sent out. A response rate of 0.5% was thus justified, taking into consideration that this study covered all loyalty programmes in the financial services industry, and was not specific to a single programme where members could be targeted. This methodology aids to the strength and depth of the findings in this industry.

The number of respondents in recent empirical research on loyalty programme effectiveness ranged between 740 and 371, with an average of 500. Seminal research conducted in three countries by De Wulf et al. (2001) included 371 respondents in total, 120 per country, while that of Wang et al. (2014) included 750 respondents from an international airline loyalty programme in Taiwan. This research aimed to acquire 266 respondents as the questionnaire consisted of 38 questions, and sought to achieve 7/8 respondents per question for statistical relevance (Zikmund, Babin, Carr, & Griffin, 2012). This is supported by sample size requirements for SEM, with sample size requirements of more than 200 or 5 to 20 times the variables being measured (Lei & Wu, 2007). The samples size is further supported by Hair (2014) indicating a requirement of 5 respondents per item. As the model consists of 36 items, 180 respondents would be sufficient.

Table 2:

Sampling plan

Element	Description
Target population	All consumers belonging to financial services loyalty programmes
Sampling method	Two-staged sampling involving: i. Random sampling as part of the pilot ii. Stratified random sampling – Across gender and financial affluence segments. Ages were restricted between 18 and 60 and only respondents with email addresses with valid formats were selected.
Sampling units	Consumers who have valid e-mail address formats
Sampling elements	Consumers belonging to a financial services loyalty programme
Sample size	266
Extent	South Africa
Time period	16 August 2016 to 6 November 2016

During both stages respondents who had valid email address formats were selected on the P-Cubed database, which resulted in higher response rates than what would have been expected of respondents recruited randomly via internet platforms. Previous product campaigns against this database provided response rates between 0.5% and 2.5%. As no surveys have been conducted against this base before, and surveys could only be completed by consumers who belonged to a loyalty programme, the expected response rate was unknown. Only responses on financial services loyalty programmes were used in this research. The following levels of non-response were recorded: a) complete refusal, b) partial response (more than 50% answered), and c) complete response. The reason for no reminder emails being sent was a couple of complaints received during the pilot of the questionnaire from respondents in terms of their selection for the research. This resulted in a disclaimer being included in the email to respondents enabling them to deactivate marketing survey emails (Appendix B).

3.7 Units of analysis

The unit of analysis was the effects of customer perceived benefits on loyalty programme effectiveness. The unit of response for this study was the consumer who belonged to at least one loyalty programme. This was in line with prior studies on the effectiveness of loyalty programmes presented in Table 1, which were predominantly industry focused and supported by seminal research by De Wulf et al. (2001), Mimouni-Chabaane & Volle (2010), Kim et al. (2013) and Wang et al. (2014). The effectiveness of loyalty programmes was evaluated in terms of the relationship between type, timing, customer perceived benefits, and customer loyalty. The dependent variable for this research was customer loyalty.

Data were collected from respondents belonging to loyalty programmes of all industries. The focus of the research was the financial services industry in South Africa. The questionnaire design included a question asking the respondents whether they belonged to a financial services industry loyalty programme. The response to this question determined whether the data were included in the analysis for the theoretic model.

3.8 Data collection methods

As mentioned before; this study followed a mono-method quantitative approach, with survey as research strategy and a questionnaire as the data collection method. The survey was distributed via email with a link to an online survey platform SurveyMonkey, for completion. The e-mail design is included in Appendix B. The utilisation of an online survey platform to execute self-administered surveys had proved beneficial in prior loyalty effectiveness research, due to the requirement for a large sample from a geographically dispersed population (Kim et al., 2013; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014). This was in line with the characteristics of the respondents from which data needed to be collected. The aim was to reach respondents that could be contacted via email and had access to the internet, as all loyalty programmes for the financial services industry made extensive use of the internet and email to reach their members with new benefits in line with the general direction being taken by the financial services industry (Forbes Finance Council, 2016). This method also provided for high confidence in terms of the right respondent being reached. The method was also suitable for the closed questions posed in the questionnaire and was not expensive to administrate. Another benefit of the method was that data are automatically captured for review and analysis and respondent anonymity is easily achieved. Email surveys with an embedded URL which links the respondent to a web-based questionnaire had been proven for simplicity in terms of the respondent's required action, execution and data collection, while maintaining anonymity (Kim et al., 2013; Michaelidou & Dibb, 2006).

The questionnaire was provided in English only to respondents. This was in line with previous research on brand affinity in South Africa (Beneke & Carter, 2014). All major loyalty programmes in South Africa (Absa Rewards, Ucount, Greenbacks, Ebucks and Vitality) use English as their main web and e-commerce communication language, with Absa Rewards providing the customer the option to interact in Afrikaans or English once logged in. All respondents were asked to complete the same questionnaire with the same set of questions in the same order. The email contained the instructions to the respondent, detailing the objectives of the academic research and the fact that participation in the research was voluntary and confidential (Appendix B). A loyalty programme was defined and the respondent was required to be a member of at least one loyalty programme in order to participate. The respondents were requested to indicate whether they belonged to a loyalty programme of a firm in the financial services industry.

The respondents were given the option to advise which other loyalty programme they belonged to if they did not have a membership with a loyalty programme of a financial services institution. This approach ensured that data were obtained on loyalty programmes in the financial services industry as a priority. The questions were then completed in respect of the stated membership. Please refer to Appendix C for the full questionnaire. This approach was similar to that of Kim et al. (2013), where respondents first chose a loyalty programme that they belonged to and then completed the questionnaire in terms of the chosen programme. The questionnaire was designed to enable completion within 10 to 15 minutes and it provided the respondents with the opportunity to complete the questionnaire in their own time at their own leisure. No follow-up communication was required.

Because the design of the questionnaire was so critical in terms of response rate and reliability of the data, a pilot test with a sample of 50 customers was undertaken before the questionnaire was finalised and sent to the remainder of the sample. The objective of the pilot was to confirm the reliability of the scales as well as the suitability of the length of the questionnaire and format of the questions posed. Feedback was solicited on all aspects of the questionnaire and the distribution process. Respondents were comfortable with the length of the questionnaire and the questions posed. Three respondents were not comfortable to have been selected for the research, which led to the insertion of a disclaimer at the end of the email enabling respondents to opt-out of future research studies (Appendix B).

3.8.1 Questionnaire design

A questionnaire is a formal structure of questions and scales aimed to collect primary data relating to the objectives of the research (Aaker et al., 2013). The questionnaire design aims to motivate and make it easy for the respondent to answer questions in order to limit incorrect responses (Leedy & Ormrod, 2010; Malhotra et al., 2010). The questions are developed from established measurement scales and worded such that that the required information is obtained (Aaker et al., 2013; Shiu et al., 2009). The questionnaire was first piloted to ensure ease of administration and completion (Leedy & Ormrod, 2010).

3.8.2 Measurement scales

Measurement scales are classified as nominal, ordinal, interval, and ratio (Leedy & Ormrod, 2010). Nominal data are used to identify categories, ordinal data reflect order or sequence, interval data reflect equal units of measurement and ratio data are the same as ordinal with a specific origin or zero point (Leedy & Ormrod, 2010). This research included nominal, ordinal, and interval measurement scales.

3.8.3 Response formats

The response format is very important in questionnaire design as it determines the measurement scale and directs the formatting of the question (Malhotra et al., 2010). The questionnaire consisted of closed-ended questions required for statistical analysis. Response formats included dichotomous (two possible responses), multiple choice (selection of possible responses), and scaled (multiple-item possible responses with a specific sequence) (Malhotra et al., 2010). Due to the service-oriented nature of the financial services industry, a 5-point Likert scale (Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree) was used in the questionnaire design to measure the following constructs: a) customer perceived benefits, b) perceived relationship investment, c) brand relationship quality, and d) customer loyalty, in line with previous research in this field (De Wulf et al., 2001; Kim et al., 2013; Wang et al., 2014).

3.8.4 Operationalisation of the construct measures

The construct items were derived from existing measures used in previous research. All constructs were measured by using multi-item scales that were developed and utilised in previous studies, while some items may have been modified to represent the research context of this study. The following variables were analysed:

Table 3:

Variables

Independent Variables	Mediating variables	Dependent variable
Type of reward (Moderating)	Perceived relationship investment	Customer loyalty
Timing of reward (Moderating)	Brand relationship quality	
Customer perceived benefits		
Age		
Gender		

3.8.4.1 Type and timing of reward (Dowling & Uncles, 1997)

The respondent was given the opportunity to advise their preferences in terms of the type and timing of rewards. This was then related to the perceived benefits of the programme and its effect on perceived relationship investment. Both type of rewards and timing of rewards as developed by Dowling and Uncles (1997) had been utilised in a number of studies, with specific reference to Yi and Jeon (2003) in terms of their measurement of customer loyalty.

3.8.4.2 Customer perceived benefits – (Mimouni-Chaabane & Volle, 2010)

Customer perceived benefits were measured by utilising the five dimensions or categories developed by Mimouni-Chabaane and Volle (2010), namely: a) monetary savings, b) exploration, c) entertainment, d) recognition, and e) social, with each benefit dimension measured by three items. Some questions were adapted for the financial services industry – as the original construct measurement was designed for the retail sector.

Table 4:

Customer perceived benefits operationalisation

Dimension	Items adapted to context of this research	Original items
Monetary savings	Because I participate in this loyalty programme, I incur lower financial costs	Because I participate in this loyalty programme, I shop at a lower financial cost
	I spend more wisely	I spend less
	I save money	I save money
Exploration	Because I participate in this loyalty programme, I discover new products	Because I participate in this loyalty programme, I discover new products
	I have access to more information to make better financial decisions	I discover products I would not have discovered otherwise.
	I try new products	I try new products.
Entertainment	Because I participate in this loyalty programme, I have access to entertainment benefits	Because I participate in this loyalty programme, Collecting points is entertaining
	Redeeming points is enjoyable	Redeeming points is enjoyable
	It is fun to participate in the programme	When I redeem my points, I am good at myself.
Recognition	Because I participate in this loyalty programme, The employees of the company take better care of me	Because I participate in this loyalty programme, The store employees take better care of me
	I am treated better than other customers	I am treated better than other customers
	I feel I am more distinguished than other customers	I feel I am more distinguished than other customers
Social benefits	Because I participate in this loyalty programme, I belong to a community of people who share the same values	Because I participate in this loyalty programme, I belong to a community of people who share the same values.
	I feel close to the brand	I feel close to the brand
	I feel I share the same values as the brand	I feel I share the same values as the brand

Note. Adapted for financial services industry from Kim et al., 2013; Mimouni-Chaabane & Volle, 2010

This scale was proven for convergent validity (the variance explained for each of the five benefit dimensions or categories was greater than the variance due to the error) with a Cronbach alpha between 0.89 and 0.97 for all constructs and discriminant validity (the average variance was higher than the squared correlations among the five dimensions or categories) (Mimouni-Chaabane & Volle, 2010) and utilised in similar prior research on loyalty programme effectiveness (Kim et al., 2013; Wang et al., 2014).

3.8.4.3 Perceived relationship investment – (De Wulf et al., 2001)

Perceived relationship investment was measured according to the scales developed by De Wulf et al. (2001) and adapted for the financial services industry. This scale is still being used by multiple authors and in recent research (Wang et al., 2014).

Table 5:
Perceived relationship investment operationalisation

Dimension	Items adapted to context of this research	Original items
Perceived relationship investment	The company that owns the loyalty program, This company makes efforts to increase regular customers' loyalty. This company makes various efforts to improve its tie with regular customers. This company really cares about keeping regular customers	The company that owns the loyalty program, This store makes efforts to increase regular customers' loyalty. This store makes various efforts to improve its tie with regular customers. This store really cares about keeping regular customers.

Note. Adapted for financial services industry from De Wulf et al., 2001

This scale was proven for convergent validity (the variance explained for perceived relationship investment was greater than the variance due to the error) and discriminant validity (the average variance was higher than the squared correlations among the five dimensions), with a composite reliability of between 0.86 and 0.93 for various countries (De Wulf et al., 2001).

3.8.4.4 Brand relationship quality – (Smit et al., 2007)

Brand relationship quality was measured according to the scales developed by Smit et al. (2007), and comprised of two dimensions: a) connection and b) partner quality, that were adapted for the financial services industry. This scale is still being used by multiple authors and for very recent research (Wang et al., 2014).

Table 6:

Brand relationship quality operationalisation

Dimension	Items adapted to context of this research	Original items
Partner Quality	I trust the brand	I trust X
	The brand is honest	X is an honest brand
	I will continue using the brand in the future	I will continue driving X in the near future
	The brand has always been good to me	X has always been good to me
Connection	This brand reminds me of things I have done or places I have been	X reminds me of things I have done or places I have been
	This brand reminds me of who I am	X reminds me of who I am
	This brand reminds me of a certain period in my life	X will always remind me of a certain period in my life
	Something would definitely miss in my life when the brand does not exist any more	Something would definitely miss in my life when X does not exist anymore
	The brand and I have a lot in common	X and I have lots in common

Note. Adapted for financial services industry from Smit et al., 2007

This scale was proven for convergent and discriminant validity with a Cronbach alpha of 0.95 (Smit et al., 2007).

3.8.4.5 Customer loyalty – (Bennett & Rundle-Thiele, 2002; Chaudhuri & Holbrook, 2001; Kumar, Mani, Mahalingam, & Vanjikovan, 2010; Sirdeshmukh et al., 2002)

Customer loyalty was measured according to the scales developed by Sirdeshmukh et al. (2002), in terms of behavioural (four items) and attitudinal loyalty (five items). These scales were adapted for the financial services industry for this research, and is still being used by multiple authors for very recent research (Kim et al., 2013).

Table 7:

Customer loyalty operationalisation

Dimension	Items adapted to context of this research	Original items
Behavioural loyalty	How likely are you to	How likely are you to
	Utilise the services of this company most frequently compared to similar offerings	Take more than 50% of you flights on this airline?
	Do more than 50% of your purchases at this company	Take more than 50% of you flights on this airline?
	Buy this company's products next time you need similar products or services	Use this airline the next time you need to travel?
	Do most of your future purchases at this company	Do most of your future travel on this airline?
Attitudinal loyalty	Say positive things about the company to other people	Say positive things about your bank to other people.
	Do more business with the company in the next few years	Do more business with your bank in the next few years.
	Consider this company as your first choice for these type of products and services	Consider this bank as your first choice to transact services.
	Recommend this company to someone who seeks your advice	Recommend your bank to someone who seeks your advice.
	Encourage friends and relatives to do business with this company	Encourage friends and relatives to do business with your bank

Note. Adapted to cater for attitudinal loyalty for the financial services industry from Bennett & Rundle-Thiele, 2002; Chaudhuri & Holbrook, 2001; Kumar et al., 2010; Sirdeshmukh et al., 2002

This scale was proven for convergent and discriminant validity (Bennett & Rundle-Thiele, 2002; Chaudhuri & Hoibrook, 2001; Kumar et al., 2010; Sirdeshmukh et al., 2002). Composite reliability for behavioural loyalty exceeded 0.7 (Kim et al., 2013), and Cronbach alpha greater than 0.9 (Sirdeshmukh et al., 2002), and a Cronbach alpha of 0.94 for attitudinal loyalty (Kumar et al., 2010).

3.8.4.6 Reward type and timing – (Dowling & Uncles, 1997)

The customer preference in terms of reward type and timing were established according to the definitions provided by Dowling & Uncles (1997), augmented by practical examples in the financial services industry.

Table 8:

Reward type and timing preference operationalisation

Dimension		
Reward type	In this loyalty program, which reward type do you prefer?	Direct Rewards (Rewards relating to the products and services of the firm to which the loyalty program belongs, e.g. banking benefits from your loyalty program)
		Indirect Rewards (Rewards that do not relate to the products and services of the firm to which the loyalty program belongs, e.g. travel benefits from the banking loyalty program)
Rewards timing	In this loyalty program, which reward timing do you prefer?	Immediate Reward (upfront discount)
		Delayed Reward (accumulating cash back or points)

3.8.5 Structure of the final questionnaire

The appearance and layout of the questionnaire influences the respondent's willingness to complete the questionnaire and understanding of the questions (Malhotra et al., 2010; Parasuraman et al., 2007). Table 8 below details the structure of the final questionnaire included in Appendix C.

Table 9:

Structure of the final questionnaire

Section	Structure of the final questionnaire
Preface	The objectives of the research are detailed, as well as the rights of the respondents with contact details provided for the researcher and supervisor of this research.
Screening Question 1	Ensures that the respondent is a member of a loyalty program.
Demographic information Question 2 and 3	Determines the respondent's age and gender.
Industry information Question 4 and 5	Determines whether the respondent belongs to a loyalty programme in the financial industry. If not, the respondent is requested to select which industry the loyalty program they belong to relates to.
Reward type and timing Question 6 and 7	Determines which type and timing of reward is preferable for the respondent.
Customer perceived benefits Question 8	Determines the relevance of monetary savings, exploratory, entertainment, recognition, and social benefits to the respondent.
Perceived relationship investment Question 9	Determines the respondent's perceived relationship investment.
Brand relationship quality Question 10	Determines the brand relationship quality between the firm and the respondent in terms of both connection and partner quality.
Customer loyalty Question 11	Determines the respondent's loyalty to the firm, both in terms of attitude and behaviour.
Closure	Thanking the respondent for participating in the research

3.8.6 Content of the final questionnaire

The content of the final questionnaire is discussed in this section.

3.8.6.1 Preface

The preface of the questionnaire explained the purpose of the study being to investigate, analyse, and describe how the perceived benefits of loyalty programmes influence customer loyalty, in terms of both their behaviours and attitudes. It also explained that the questionnaire would only take 10 minutes to complete and that participation was voluntary and anonymous.

3.8.6.2 Screening questions

The screening questions ensured that only respondents who belonged to a loyalty programme would participate in the research.

Table 10:

Screening questions

Screening questions				
Nr	Question	Response format	Measurement scale	Source
1	Please indicate whether you are a member of any loyalty programme (examples are ABSA Rewards, PNP Smartshopper, Ucount, eBucks, Vitality)	Dichotomous	Nominal	Self-generated

3.8.6.3 Demographic information

The only demographic information obtained was age and gender.

Table 11:

Demographic information

Demographic information				
Nr	Question	Response format	Measurement scale	Source
	Please complete the following information about yourself:			
2	My Age:	Ratio	Ratio	Self-generated
3	My Gender:	Dichotomous	Nominal	Self-generated

3.8.6.4 Industry information

Industry information indicated the industry of the firm to whose loyalty programme the respondent belonged. Preference was given to a financial services industry loyalty programme.

Table 12:

Industry information

Industry information				
Nr	Question	Response format	Measurement scale	Source
4	Are you a member of a Financial Services loyalty programme (examples are ABSA Rewards, Nedbank Greenbacks, Standard Bank Ucount, FNB eBucks)?	Dichotomous	Nominal	Self-generated
5	If you do not belong to a Financial Services loyalty programme, please answer the following questions in terms of one of the following categories: • Health (examples are Clicks Clubcard, Vitality, Multiply, Dischem) • Travel (examples are Avios, Voyager, Protea, Procard, Legacy Lifestyle) • Retailer/Grocer (examples are WReward, Thank U, Pnp SmartShopper) • Other (please specify)	Multiple-choice	Nominal	Self-generated

3.8.6.5 Type and timing of rewards

This section requested the respondents to identify their preferences in terms of the type and timing of rewards on the loyalty programme to which they belonged.

Table 13:

Type and timing of rewards

Type and timing of rewards				
Nr	Question	Response format	Measurement scale	Source
6	**In this loyalty program, which reward type do you prefer?** • Direct Rewards (Rewards relating to the products and services of the firm to which the loyalty programme belongs, e.g. banking benefits from your loyalty programme) • Indirect Rewards (Rewards that do not relate to the products and services of the firm to which the loyalty program belongs, e.g. travel benefits from the banking loyalty programme)	Dichotomous	Nominal	Self-generated
7	**In this loyalty program, which reward timing do you prefer?** • Immediate Reward (upfront discount) • Delayed Reward (accumulated cash back or points)	Dichotomous	Nominal	Self-generated

3.8.6.6 Customer perceived benefits

This section requested the respondents to indicate which perceived customer benefits they experienced on their loyalty programme.

Table 14:

Customer perceived benefits

Customer perceived benefits					
Nr	Benefit	Question	Response format	Measurement scale	Source
8	Monetary savings	**Because I participate in this loyalty programme** • I incur lower financial costs • I spend more wisely • I save money	Likert-scale	Interval	Self-generated
	Exploration	**Because I participate in this loyalty programme** • I discover new products • I have access to more information to make better financial decisions • I try new products	Likert-scale	Interval	Self-generated
	Entertainment	**Because I participate in this loyalty programme** • I have access to entertainment benefits • Redeeming points is enjoyable • It is fun to participate in the program	Likert-scale	Interval	Self-generated
	Recognition	**Because I participate in this loyalty programme** • The employees of the company take better care of me • I am treated better than other customers • I feel I am more distinguished than other customers	Likert-scale	Interval	Self-generated
	Social	**Because I participate in this loyalty programme** • I belong to a community of people who share the same values • I feel close to the brand • I feel I share the same values as the brand	Likert-scale	Interval	Self-generated

3.8.6.7 Perceived relationship investment

This section requested the respondents to indicate their view on perceived relationship investment of the firm as a result of their loyalty programme.

Table 15:

Perceived relationship investment

Perceived relationship investment				
Nr	Question	Response format	Measurement scale	Source
9	**The company that owns the loyalty programme,** • Makes an effort to increase customers' loyalty • Makes various efforts to improve its ties with customers • Really cares about keeping customers	Likert-scale	Interval	Self-generated

3.8.6.8 Brand relationship quality

The following section determined the respondent-firm brand relationship quality in terms of connection and partner quality.

Table 16:

Brand relationship quality

Brand relationship quality					
Nr	Benefit	Question	Response format	Measurement scale	Source
10	Partner quality	**In terms of this company:** • I trust the brand • The brand is honest • I will continue using the brand in future • The brand has always been good to me	Likert-scale	Interval	Self-generated
	Connection	**In terms of this company:** • The brand reminds me of things, I have done or places I have been • The brand reminds me of who I am • The brand reminds me of a certain period in my life • Something would definitely be amiss in my life if the brand did not exist • The brand and I have a lot in common	Likert-scale	Interval	Self-generated

3.8.6.9 Customer loyalty

This section referred to the respondent's loyalty in terms of both attitude and behaviour.

Table 17:

Customer loyalty

Customer loyalty					
Nr	Benefit	Question	Response format	Measurement scale	Source
11	Behavioural loyalty	**How likely are you to:** • Utilise the products and services of this company most frequently compared to similar offerings? • Do more than 50% of your purchases at this company? • Buy this company's products and services next time you need similar products or services? • Do most of your future purchases with the company?	Likert-scale	Interval	Self-generated
	Attitudinal loyalty	**How likely are you to:** • Say positive things about the company to other people? • Do more business with the company in the next few years? • Consider this company as your first choice for these type of products and services? • Recommend this company to someone who seeks your advice? • Encourage friends and relatives to do business with this company?	Scale	Interval	Self-generated

3.8.6.10 Closure

This section thanked the respondent for participating in the research.

3.9 Data analysis methods

Data analysis was performed after the data were prepared for quantitative analysis. The data were interrogated by the researcher to establish whether every questionnaire was completed. Where missing values were identified, questionnaires were excluded. This was required to ensure consistency and accurate data analysis. The data were captured and analysed using the SPSS statistical program. Data were collected via Survey Monkey and downloaded into Excel from where it was transported into SPSS (SPSS Inc., version 21; 2012) and AMOS. Both descriptive and inferential analyses were conducted on the observed data. The data analysis comprised of 5 steps detailed below.

3.9.1 Descriptive Statistics

The first stage of the analysis included detailed descriptive analysis to gain a deeper understanding of the distribution and nature of the data. It was followed by inferential data analysis testing the proposed hypotheses in this research (Leedy & Ormrod, 2010) from a sample of the population. The descriptive analysis provided for an overview in terms of the demographic composition of the respondents. Tables 9, 10 and 11 detail the observations included in this part of the analysis. Descriptive statistical measures were utilised, as illustrated in Table 18:

Table 18:

Descriptive statistical measures:

Method	Description	Variable
Frequency distribution	The number of times a response appears between certain values	Age
Percentage distribution	A frequency distribution expressed as a percentage of all responses	Gender Participation in a financial services industry loyalty programme
Mean	The average of responses obtained	Behavioural loyalty Attitudinal loyalty
Standard deviation	The degree of variation from the mean in the responses obtained	Behavioural loyalty Attitudinal loyalty

3.9.2 Reliability and validity of measurement scales:

3.9.2.1 Reliability

Data need to be assessed in terms of both reliability and validity of the measurement scales contained in the questionnaire of the research study before the data can be utilised in further analysis (Malhotra et al., 2010). The reliability of the measurement scales of the questionnaire refers to the consistency of producing similar results should the study be repeated (Leedy & Ormrod, 2010). Internal consistency reliability measures the correlation between responses to items making up a measurement scale, to establish to what extent these items measure the construct to which they relate. The correlation between these items is used to calculate an average correlation measure which indicates the reliability of the measurement scale (Kent, 2007). The internal correlation measure calculated indicates the extent to which all the items in a measurement scale measure the same construct (Cooper & Schindler, 2011; Leedy & Ormrod, 2010). The Kuder-Richardson Formula 20 coefficient is used in this regard for dichotomous responses, and the Cronbach's alpha (α) coefficients for rating scales (Leedy & Ormrod, 2010; Malhotra et al., 2010; Shiu et al., 2009). The internal consistency reliability measures used in this research were Cronbach alpha and composite reliability which are suitable for rating scales and mostly reported in SEM analysis (Hair, Black, Babin, & Anderson, 2014). A coefficient value of 1 for Cronbach's alpha (α) or the composite reliability coefficient signifies perfect reliability, 0.80 to 0.96 signifies very good reliability, 0.70 to 0.80 indicates good reliability and values lower than 0.60 signify poor reliability (Shiu et al., 2009).

The reliability measure adopted for this research was internal consistency reliability, since questionnaires could only be presented to respondents once, and the measurement scales included multiple items. Cronbach's alpha was used to confirm the items measuring every construct, due to the Likert-scale responses obtained. It confirmed uni-dimensionality of each construct with a Cronbach alpha (α) larger than 0.7 through a pilot test of the questionnaire. Composite reliability measures were also obtained to confirm the reliability of all measurement scales (Hair et al., 2014).

3.9.2.2 Validity

Both reliability and validity are required: “Reliability is a necessary but insufficient condition for validity” (Leedy & Ormrod, 2010, p. 92). The validity of measurement scales relates to the extent to which the scale measures the constructs as intended (Churchill & Iacobucci, 2006). Convergent validity relates to the extent to which the measurement scales measure what they should. This is established through confirmatory factor analysis (CFA) which ensures that items load on constructs being measured and this is confirmed through AVE measures. Convergent validity was assessed through CFA in the measurement model that was developed and confirmed through AVE coefficients with values greater than 0.5 (Fornell & Larcker, 1981). The discriminant validity of the scales was confirmed as good where the MSV coefficient was lower than the AVE coefficient (Hair et al., 2014). Discriminant validity confirmed that all constructs in the measurement model were significantly distinct from each other in terms of their correlation with each other and the extent to which the variables measured a single construct. These validity measures are extensively used in SEM studies (Hair et al., 2014).

3.9.3 Structural Equation Modelling

Structural Equation Modelling comprises two stages, namely, a) the development of a measurement model using CFA (model estimation), and thereafter b) the development of the structural model (model evaluation) (Bagozzi & Yi, 2012; Lei & Wu, 2007). The measurement model verifies the validity of the constructs and the structural model tests the relationships between the constructs and the underlying hypotheses.

Structural Equation Modelling (SEM) is proposed as the technique suitable for this research as it measures multiple relationships at the same time as required in the theoretical model. SEM provides for testing mediation and construct validity in a broader and deeper way than correlation analysis, while providing for the testing of a model as an integrative function (Bagozzi & Yi, 2012), and enabling the simultaneous analysis of relationships between latent construct measures consisting of multiple items (Bag, 2015; Lei & Wu, 2007). It provides measures for the statistical fit of the observed data with the proposed theoretical model and hypotheses.

The SEM approach was also used by De Wulf et al. (2001) in their multi-country, multi-industry research on loyalty effectiveness as well as by Wang et al. (2014) and Kim et al. (2013). SEM was used in this research to test the theoretical model and associated hypotheses, as is shown in Figure 5. The measurement and structural model was tested and improved using AMOS 23 statistical software. The model was improved based on the modification indices (Byrne, 2010). These are used to determine correlations indicating statistical significant relationships that need to be added to either the measurement model or the structural model. No missing data values per response were allowed for the measurement and the structural model.

3.9.3.1 Confirmatory factor analysis (Measurement model)

Confirmatory factor analysis (CFA) was conducted in this research to test the measurement model by confirming the validity of the instrument used to measure the constructs. CFA identified highly correlating variables and established the validity of the constructs (Churchill & Iacobucci, 2006; Kent, 2007; Malhotra et al., 2010). Factor loadings between constructs and their items, and correlation between constructs were established. Beta values of the regression model summary detailed the best predictors, where the significance needed to be smaller than 0.05 in the regression performed. Factor loadings were utilised to ensure that each item's factor loading exceeded 0.5 for the construct being measured and was less than 0.3 on all the other constructs being measured. The factor loadings indicate the extent to which the items load to the construct being measured. Multi-collinearity was verified between constructs with a correlation greater than 0.85. Correlations between constructs needed to be smaller than 0.8 for the constructs to be independent of each other. The model fit was then established utilising a number of indices.

3.9.3.2 Structural model

The structural model comprised a set of constructs linked by the hypothesised relationships in the theoretical model (Hair et al., 2014). It was a conceptual representation of the structural interrelationships between the constructs.

The fit of the theoretical model with the observed data was established through various model fit indices used simultaneously (Lei & Wu, 2007). TLI provided an index relating to null models and RMSEA provided an index relating to the discrepancy with the proposed theoretical model (Bagozzi & Yi, 2012). The CFI index provided the comparative fit, while the GFI provided the goodness of fit. These indices use various formulae and together provide a very good indication of model fit. Table 18 below represents the model fit indices and their respective cut-off points used in the SEM analysis (Lei & Wu, 2007).

Table 19:

Common model fit indices with their thresholds

Measure	Description	Threshold
Chi-square/df (cmin/df)	Goodness of fit in terms of observed frequencies (Leedy & Ormrod, 2010)	< 3 good; < 5 sometimes acceptable
CFI	Comparative Fit (Lei & Wu, 2007)	>.80 sometime acceptable; >.90 good
GFI	Goodness-of-fit Index (Lei & Wu, 2007)	>.80 sometime acceptable; >.90 good
TLI	Tucker-Lewis Index (Lei & Wu, 2007)	>.80 sometime acceptable; >.90 good
RMSEA	Root Mean Square Error of Approximation (Lei & Wu, 2007)	<.05 good; .05 to .1 moderate; >.1 bad

Chi-square was reported but not interpreted because it is sensitive to sample size. The path coefficient of each variable was tested for significance in order to verify each research hypothesis.

3.9.4 Moderation analysis

Moderation is the effect of a third variable (also called moderating variable) on the relationship between an independent variable and a dependent variable. Moderating variables provide context or conditions that affect relationships between independent and dependent variables (Leedy & Ormrod, 2010) and are also referred to as the “instantaneous indirect effect” (Hayes & Preacher, 2010, p. Abstract). Reward type and timing were reviewed in terms of their moderating effect on the relationship between customer perceived benefits and perceived relationship investment. In this study, the moderation analysis was carried out using the Hayes and Preacher’s (2010) PROCESS macro with SPSS (Hayes & Preacher, 2010). In that type and timing are both multi-categorical variables, the Hayes & Preacher approach was selected as it is more effective for moderators with multi-categorical variables than the Baron & Kenny approach (Field, 2014). Their PROCESS tool accurately automates the levels of the moderating variable into sequential and centred Helmert or effect codes, in the SPSS package. This feature enables the establishment of an interaction effect per category and eases the interpretation of the results.

3.10 Quality and ethics

The quality or reliability of research depends on whether the data collection and analysis techniques would produce consistent findings if they were to be repeated by another researcher. This is only possible with full transparency on each step of the process. Construct reliability and validity were ensured by adopting known and frequently used measures detailed in this chapter.

The questions in the questionnaire related to the customer’s perceived preferences in terms of loyalty benefits from financial institutions. Some customers may have found that the questions asked were sensitive or irrelevant if they had never been a member of a loyalty programme before. It was thus of utmost importance to ensure anonymity of the respondents. No personal information that identified the respondent was stored. Anonymity was achieved through the software used for the questionnaire distribution and data capturing.

The covering letter detailed the objectives of the research and enabled each respondent to get a summary report of the findings. Respondents were also guaranteed anonymity in the process. The aim was to gain informed consent, where the respondent provided consent freely with a full understanding of the objectives of the research, his/her participation rights and how/where the data would be utilised. The researcher needed to be positioned as independent to establish the required credibility with the respondents (Saunders et al., 2012). Any relation to a competitor loyalty programme or consultancy house may have been seen as inappropriate and for personal gain only. The integrity and objectivity of the researcher needed to display truthfulness, honesty, transparency, and advocate accuracy.

4 Results

4.1 Introduction

This chapter documents and interprets the empirical results obtained in this study. The respondent data obtained in terms of the sampling methodology are presented, followed by descriptive analytics detailing the composition of the sample in terms of age, gender, and participation in a loyalty programme. This is followed by the measurement model (confirmatory factor analysis) which assesses the validity of the research instruments, and the structural model that aims to test the theoretical model and associated hypotheses. Finally, ten moderation analyses were conducted to establish the impact of the type and timing of reward on the relationships between customer perceived benefits and perceived relationship investment.

4.2 Questionnaire response

A total of 392 responses were received of which 25 respondents did not belong to a loyalty programme and 49 responses were incomplete. These were excluded from the analysis. Out of the remaining 318 respondents, 41 were not members of a financial services industry loyalty programme, leaving 277 respondents who were included in the research. The required sample size of 180 detailed in section 3.6 was thus achieved. The response rates and response inclusions in the research are detailed in Table 20 below:

Table 20:

Response rates

Description	Count
Emails sent	58236
Emails delivered	35407
Emails opened	7727
Click-through on link	577
Questionnaires responses received	392
Non-qualifying (do not belong to a loyalty programme)	25
Incomplete	49
Not member of a financial services industry loyalty programme	41
Valid responses used in the research	277

4.3 Sample profile of respondents

The demographic distribution of respondents focuses on age and gender. Table 21 and 22 below displays the percentage in terms of frequencies for these demographics.

Table 21:

Age distribution of respondents

		Frequency	Valid Percent
Age group	20 years and less	2	0.6
	21-30 years	35	11.0
	31-40 years	115	36.2
	41-50 years	94	29.6
	51-60 years	64	20.1
	More than 60 years	8	2.5
	Total	318	100.0

It is evident from Table 21 that most respondents who participated in this research study were between the ages of 31 and 60 (85,9%), with the largest number of respondents being between 31 and 40 years old (36.2%). The respondents adequately cover all age groups, indicating no exclusion of a specific age group.

Table 22:

Gender distribution of respondents

		Frequency	Valid Percent
Gender	Female	153	48.1
	Male	165	51.9
	Total	318	100.0

This is very close to the overall employment statistics in South Africa, with 49,4% being male and 50,6% female (Statistics South Africa, 2017).

4.4 Participation in a financial services industry loyalty programme

Only respondents participating in a loyalty programme could progress to complete the questionnaire. Table 23 presents the percentage (%) of respondents out of the total belonging to any loyalty program, who at least belong to one financial services loyalty programme.

Table 23:

Respondent's participation in financial services industry loyalty programmes

		Frequency	Valid Percent
Participants	No	41	12.9
	Yes	277	87.1
	Total	318	100.0

Of the respondents, 87% were members of a loyalty programme in the financial services industry. This provided for the necessary sample size to perform structural equation modelling.

4.5 Proposed theoretical model

Latent variable or construct modelling was done utilising Structural Equation Modelling (SEM) on Amos software, as described in Section 3.9.6. SEM enables the simultaneous measurement of relationships between constructs, the relative importance of the constructs, and the overall fit of the observed data with the theoretical model (Hair, Ringle, & Sarstedt, 2011; Svensson, 2015). SEM is used to test hypotheses H1 to H3 in this study. The SEM results and main findings in terms of the hypotheses are presented in this section. The proposed theoretical model for SEM evaluation for this study is provided below:

Figure 5: Proposed theoretical model

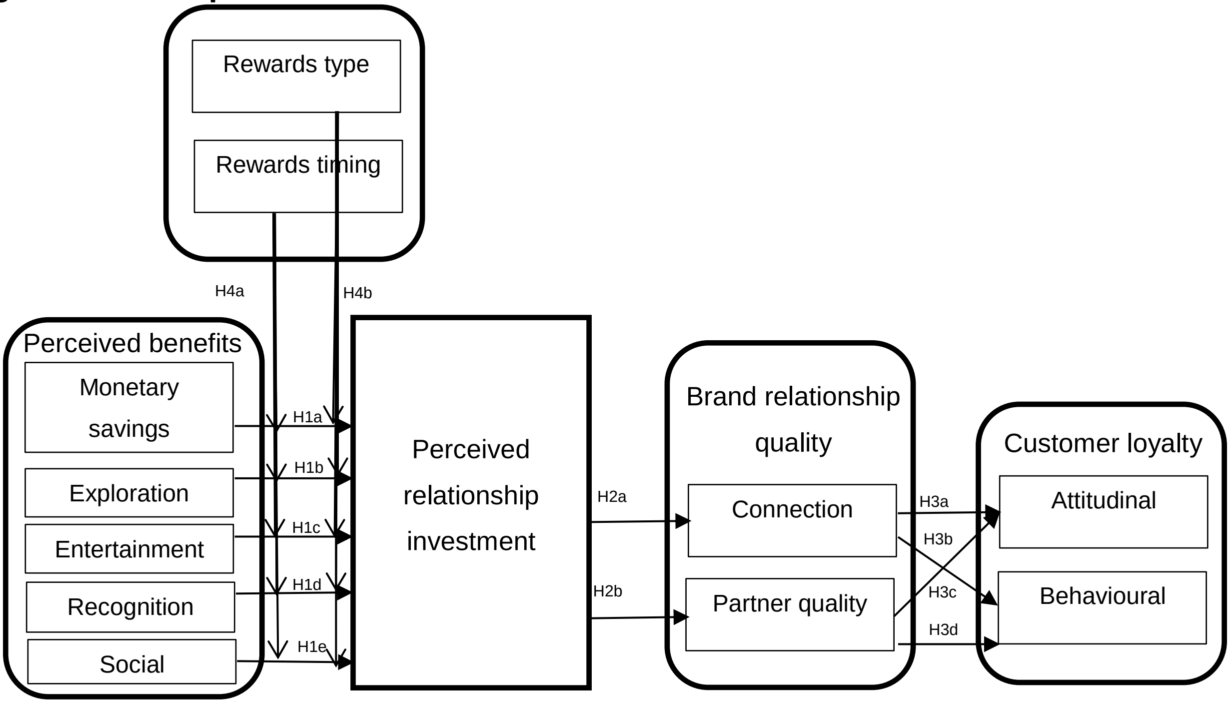

Figure 5. Proposed theoretical model

Table 24 details the proposed hypotheses evaluated through SEM:

Table 24:

Proposed hypotheses evaluated via SEM

Relationship between customer perceived benefits and perceived relationship investment	
H1a:	Monetary savings benefits directly affect perceived customer relationship investment.
H1b:	Exploration benefits directly affect perceived customer relationship investment.
H1c:	Entertainment benefits directly affect perceived customer relationship investment.
H1d:	Recognition directly affects perceived customer relationship investment.
H1e:	Social benefits directly affect perceived customer relationship investment.
Relationship between perceived relationship investment and brand relationship quality	
H2a:	Perceived relationship investment directly affects connection.
H2b:	Perceived relationship investment directly affects partner quality.
Relationship between brand relationship quality and customer loyalty	
H3a:	Connection directly affects attitudinal loyalty.
H3b:	Connection directly affects behavioural loyalty.
H3c:	Partner Quality directly affects attitudinal loyalty.
H3d:	Partner Quality directly affects behavioural loyalty.

4.6 Measurement model

The coding that was used throughout the research study to depict latent variables or constructs is shown below in Table 25.

Table 25:

Research model coding

Composite Construct	Construct	Construct Coding	Item coding
Customer perceived benefits	Monetary savings benefits	Mo	Mo1
			Mo2
			Mo2
	Exploration benefits	Exp	Exp1
			Exp2
			Exp3
	Entertainment benefits	Ent	Ent1
			Ent2
			Ent3
	Recognition benefits	Rec	Rec1
			Rec2
			Rec3
	Social benefits	Sob	Sob1
			Sob2
			Sob3
	Perceived relationship investment	Perc	Perc1
			Perc2
			Perc3
Brand relationship quality	Connection	Con	Con1
			Con2
			Con3
			Con4
			Con5
	Partner Quality	ParQ	ParQ1
			ParQ2
			ParQ3
			ParQ4
Customer loyalty	Behavioural Loyalty	BeL	BeL1
			BeL2
			BeL3
			BeL4
	Attitudinal Loyalty	AttL	AttL1
			AttL2
			AttL3
			AttL4
			AttL5

The measurement model was developed and its results are depicted in Figure 6 below:

Figure 6: Measurement model (CFA) of the proposed model

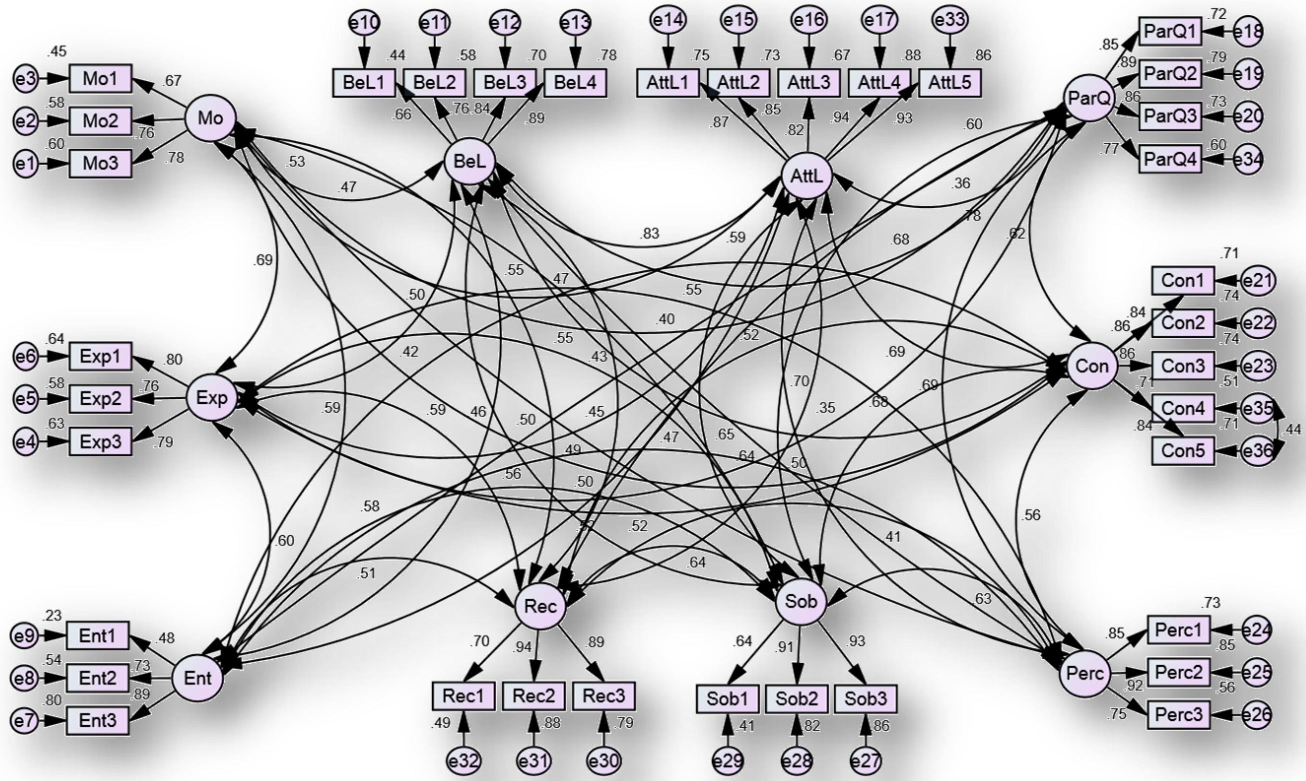

*Figure 6***.** Schematic representation of the measurement model

The bigger circles represent the latent variables or constructs included in the research as depicted in Table 25. Each one of these constructs is measured through defined scale items that were shown in Tables 14 to 17. The measurement contribution of each item in the construct is indicated by its factor loading represented on the arrow connecting the construct with its items; any factor loading above 0.5 is acceptable, while anything below 0.5 indicates a poor measure. For example, the factor loading of the item (Mo1) is equal to 0.67; meaning this item contributes 67% to the variation in the construct monetary saving benefits, where the item (Mo2) contributes 76% and the item (Mo3) 78%. These factor loadings are further explained in the next section.

There is always a margin of error when measuring abstract constructs, with the resultant error term associated with each item. In the case of the construct monetary savings benefit, for example, e1 is the error term of the item (Mo1) in terms of the construct, e2 the error term of item (Mo2), and e3 the error term of the item (Mo3). The coefficients situate between the items and the error terms for example, Mo1 (0.45); Mo2 (0.58), and Mo3 (0.60) indicate the variance explained of each item by its error. Although they are reported, these variances are not important for the measurement model analysis.

The coefficients of double-headed arrows indicate the bivariate correlation coefficients between constructs. For example, the correlation coefficient between monetary savings benefits (Mo) and exploration benefits (Exp) is 0.69, meaning when one of these two variables increases with 1 standard deviation, the other variable also increases 69% of its own standard deviation.

4.6.1 Measurement model improvement

Due to the quality of the pilot study, no further improvements were required in terms of the measurement model fit. The only improvement introduced was the correlation between e35 and e36 which was informed by the modification indices.

Considering that the purpose of the measurement model is to assess the reliability and validity of the scales, the next section examines the reliability, the convergent validity, and the discriminant validity of the instruments.

4.6.2 Reliability, convergent and discriminant validity assessment

The reliability and validity of the scales were assessed through series of tests, namely, a) Alpha Cronbach, b) composite reliability, c) convergent validity, and d) discriminant validity tests.

Table 26:

Reliability and validity of the scales

Construct	Cronbach Alpha	Composite Reliability (CR)	Convergent validity (AVE)	Discriminant validity (MSV)
Monetary savings	.781	0.781	0.544	0.477
Exploration	.824	0.827	0.614	0.477
Entertainment	.714	0.754	0.520	0.365
Recognition	.866	0.883	0.718	0.403
Social benefits	.858	0.872	0.699	0.468
Perceived relationship investment	.871	0.881	0.712	0.494
Partner quality	.904	0.907	0.710	0.607
Connection	.915	0.914	0.682	0.479
Behavioural loyalty	.862	0.868	0.625	0.682
Attitudinal loyalty	.945	0.946	0.778	0.682

Table 256 indicates that the Cronbach's alpha coefficient values for the measurement scales measuring the constructs of this research study all exceed 0.70, which indicates good internal consistency (Malhotra et al., 2010). The composite reliability scores are also all above 0.7, indicating overall good reliability of all the constructs.

The convergent validity of all the scales is also good given that all the AVEs are above 0.5. Convergent validity means that the instruments used are appropriate. Although there is a minor concern regarding the discriminant validity (0.682 > 0.625) of behavioural loyalty, the discriminant validity of the rest of the scales is good. Since discriminant validity is supported, we can conclude that each construct in the measurement model measures adequately a different concept; in other words, there are no constructs which are strongly correlated in the measurement model.

Details of factor loadings and correlation coefficients displayed in the measurement model are presented in Table 27.

4.6.3 Measurement model assessment

The measurement model was assessed through Confirmatory Factor Analysis (CFA) which was conducted for a ten-construct measurement model (monetary savings benefits, exploratory benefits, entertainment benefits, recognition benefits, social benefits, perceived relationship investment, connection, partner quality, behavioural loyalty, and attitudinal loyalty). CFA was utilised to test the validity of the measurement scales adopted for the constructs within the measurement model.

4.6.4 Confirmatory factor analysis results

The standardised factor loadings and p-value for each item in the measurement model is reflected in Table 27. The standardised model results enable the evaluation of the extent to which each item loads onto the construct it is intended to measure in the measurement model.

Table 27:

Standardised model results – Regression weights

Item	Code		Construct	Estimates	P values
Because I participate in this loyalty programme I incur lower financial costs	Mo1	<---	Monetary Savings	.672	***
Because I participate in this loyalty programme I spend more wisely	Mo2	<---		.759	***
Because I participate in this loyalty programme I save money	Mo3	<---		.777	***
Because I participate in this loyalty programme I discover new products	Exp1	<---	Exploration	.798	***
Because I participate in this loyalty programme I have access to more information to make better financial decisions	Exp2	<---		.759	***
Because I participate in this loyalty programme I try new products	Exp3	<---		.793	***
Because I participate in this loyalty programme I have access to entertainment benefits	Ent1	<---	Entertainment	.476	***
Because I participate in this loyalty programme redeeming points is enjoyable	Ent2	<---		.732	***

Item	Code		Construct	Estimates	P values
Because I participate in this loyalty programme It is fun to participate in the program	Ent3	<---		.893	***
Because I participate in this loyalty programme the employees of the company take better care of me	Rec1	<---	Recognition	.703	***
Because I participate in this loyalty programme I am treated better than other customers	Rec2	<---		.936	***
Because I participate in this loyalty programme I feel I am more distinguished than other customers	Rec3	<---		.886	***
Because I participate in this loyalty programme I belong to a community of people who share the same values	Sob1	<---	Social	.642	***
Because I participate in this loyalty programme I feel close to the brand	Sob2	<---		.906	***
Because I participate in this loyalty programme I feel I share the same values as the brand	Sob3	<---		.929	***
Because I participate in this loyalty programme the company that owns the loyalty programme makes an effort to increase customers' loyalty	Perc1	<---	Perceived Relationship Investment	.855	***
Because I participate in this loyalty programme the company that owns the loyalty programme makes various efforts to improve its ties with customers	Perc2	<---		.921	***
Because I participate in this loyalty programme the company that owns the loyalty programme really cares about keeping customers	Perc3	<---		.747	***
In terms of this company, I trust the brand	ParQ1	<---	Partner quality	.851	***
In terms of this company , the brand is honest	ParQ2	<---		.887	***
In terms of this company , I will continue using the brand in future	ParQ3	<---		.857	***
In terms of this company, the brand has always been good to me	ParQ4	<---		.772	***
In terms of this company, the brand reminds me of things, I have done or places I have been	Con1	<---	Connection	.840	***
In terms of this company, the brand reminds me of who I am	Con2	<---		.862	***
In terms of this company, the brand reminds me of a certain period in my life	Con3	<---		.863	***
In terms of this company, something would definitely be amiss in my life if the brand did not exist	Con4	<---		.712	***
In terms of this company, the brand and I have a lot in common	Con5	<---		.842	***

Item	Code		Construct	Estimates	P values
How likely are you to utilise the products and services of this company most frequently compared to similar offerings?	BeL1	<---	Behavioural Loyalty	.664	***
How likely are you to do more than 50% of your purchases at this company?	BeL2	<---		.760	***
How likely are you to buy this company's products and services next time you need similar products or services?	BeL3	<---		.836	***
How likely are you to do most of your future purchases with the company?	BeL4	<---		.885	***
How likely are you to say positive things about the company to other people?	AttL1	<---	Attitudinal Loyalty	.868	***
How likely are you to do more business with the company in the next few years?	AttL2	<---		.854	***
How likely are you to consider this company as your first choice for these type of products and services?	AttL3	<---		.820	***
How likely are you to recommend this company to someone who seeks your advice?	AttL4	<---		.938	***
How likely are you to encourage friends and relatives to do business with this company?	AttL5	<---		.926	***

Note. *** indicates significant relationship at the level 0.0001

Table 27 above indicates that all the items have good factor loadings on the constructs they are measuring, because their estimates are above >0.5. They are also all significant at 99% confidence interval. This implies that the instruments used are very good measures. Therefore, the standardised model results indicate that all items in the measurement model have significant factor loadings in terms of the construct they are measuring, which resulted in the retention of all items in the subsequent statistical analysis.

4.6.5 Correlation estimates

In order to establish the strength of the relationships between the constructs or latent variables, correlation analysis was conducted (Aaker et al., 2013). Please refer to Appendix D for the correlation estimated between constructs.

Appendix D indicates an overall acceptable level of correlations between all the constructs as all correlation estimates were less than 0.8 (Hair et al., 2014) at a 99% confidence level, except for the correlation between behavioural loyalty and attitudinal loyalty. This is consistent with discriminant validity results found earlier, and in line with theory indicating a causal relationship between attitudinal and behavioural loyalty (Dick & Basu, 1994). All the correlations between the constructs were significantly low indicating independent measurement scales for constructs to be utilised in the subsequent statistical analysis.

4.6.6 Model fit analysis

Multiple fit indices are reviewed in order to evaluate the theoretical measurement model fit with the observed data (Bag, 2015; Hair, Black, Babin, & Anderson, 2014; Hair et al., 2011; Svensson, 2015). Both incremental and absolute fit indexes are included in this review, CFI, GFI, and TLI being incremental fit indices and RMSEA being an absolute fit index. Table 28 below provides the measurement model fit indices for this research with their recommended values.

Table 28:

Common model fit indices with their thresholds

Measure	Threshold	Value
Chi-square/df (cmin/df)	< 3 good; < 5 sometimes acceptable (Hair et al., 2014)	2.172
CFI	>.80 sometimes acceptable; >.90 good (Hair et al., 2014)	.826
GFI	>.80 sometimes acceptable; >.90 good (Hair et al., 2014)	.928
TLI	>.80 sometimes acceptable; >.90 good (Hair et al., 2014)	.917
RMSEA	<.05 good; .05 to .1 moderate; >.1 bad (Hair et al., 2014)	.061

The Chi-square of the measurement model was 2.172, indicating a good fit as it is smaller than 3. The degrees of freedom here were 548 with a P value of 0.000, indicating significance at 99% level. The comparative fit index (CFI) at 0.826 indicated sometimes acceptable, which made the other indices and their values important in motivating the final fit for the model. Goodness-of-fit index (GFI) at 0.928 and TLI at 0.917 both exceed the recommended cut-off points of 0.90 indicating a good measurement model fit (Hair et al., 2014). The root mean square error approximation (RMSEA) of 0.061 was higher than the recommended cut-off point of 0.05, indicating a moderate model fit (Hair et al., 2014). The measurement model indices thus indicate a moderate fit in terms of RMSEA and CFI indices and a good fit in terms of Chi-square, GFI, and TLI indices. An acceptable to good fit of the measurement model was thus established. It was therefore concluded that the measurement model adequately represents the observed data. Given that the measurement model provided satisfactory results, the structural model is evaluated in the next section.

4.7 Structural model

To test the structural model fit with the observed data, as shown in Figure 7 below, Structural Equation Modelling with maximum likelihood was performed using AMOS 23. Some relationships were missing in the proposed model and consequently the model could not fit the data. The missing paths were added and a complete structural model is proposed for respondents who are on loyalty programmes in the financial services industry.

4.7.1 Model fit improvement process

The model was improved based on the modification indices (Byrne, 2010). The results of the model fit diagnosis indicated that additional statistical significant relationships were missing in the model. These additional relationships were therefore added to improve the model fit in sequence of priority. Their regression weights are reflected in Appendix E. According to the finding, these new paths do exist in the financial services industry, and ignoring them would make the model inaccurate. However, we suggest that further studies should investigate these new paths in other industries.

Table 29 illustrates the paths that were added to the structural model as a result of the structural model mapping.

Table 29:

New paths added to the structural model

Hypothesis	Dependent Variable	Independent Variable
New path	Partner Quality	Exploration
New path	Partner Quality	Social Benefits
New path	Connection	Social Benefits
New path	Behavioural Loyalty	Perceived Relationship Investment
New path	Attitudinal Loyalty	Perceived Relationship Investment

Figure 7: Structural model – Loyalty programmes in the financial services industry

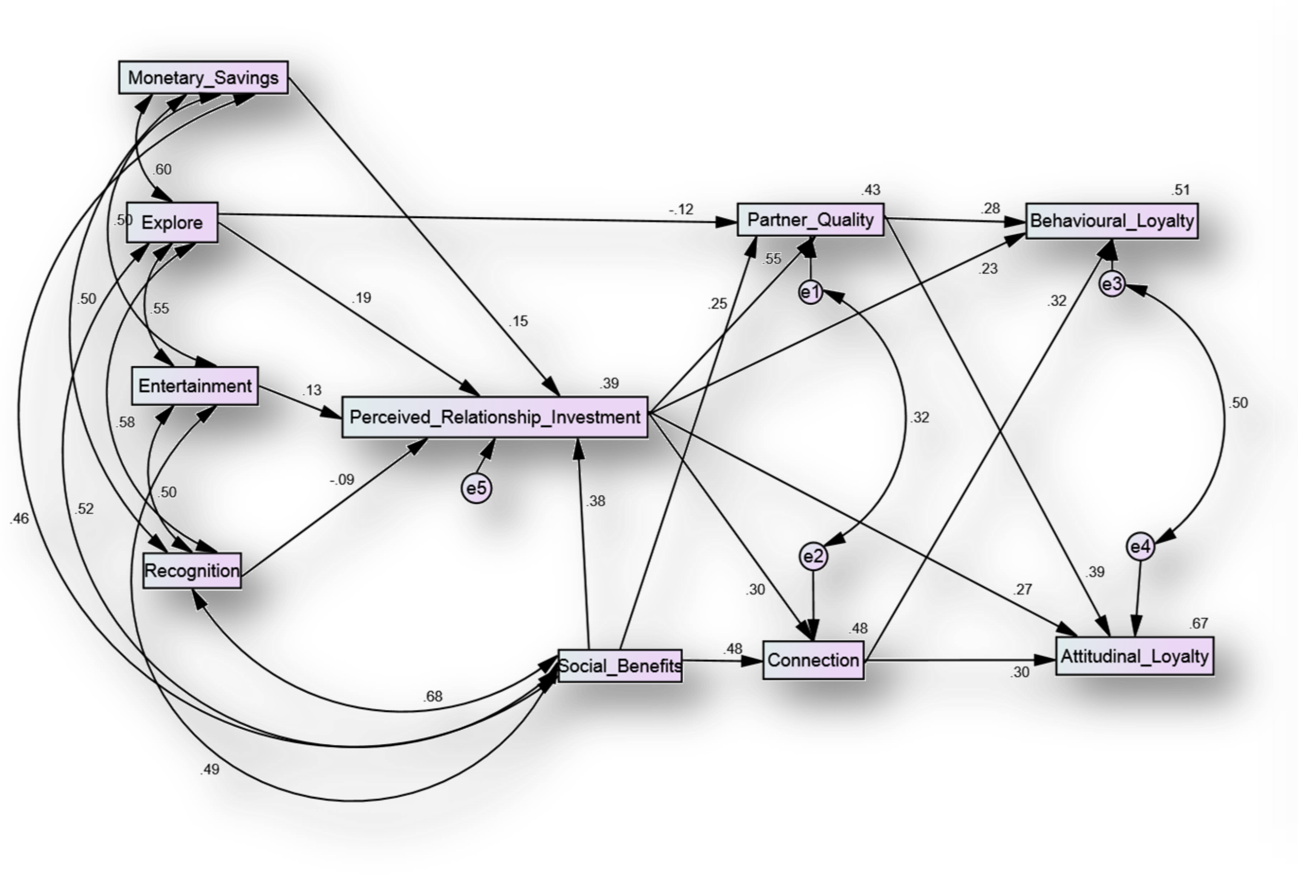

Figure 7. Schematic representation of the structural model for this research.

4.7.2 Structural model fit indices

Multiple fit indices were utilised to assess the fit between the structural model (Figure 7) and the observed data (Bag, 2015; Hair et al., 2014; Hair et al., 2011; Svensson, 2015). These include Chi-square, incremental fit indices GFI, CFI, and TLI, and RMSEA as an absolute fit index. Table 30 below details the various model fit indices with their associated cut-off points as well as the values established.

Table 30:

Structural model fit indices

Fit indices	Threshold	Value
Chi Square /CMIN/Df	< 3 good; < 5 sometimes acceptable (Hair et al., 2014)	1.970
GFI	>.80 sometimes acceptable; >.90 good (Hair et al., 2014)	.980
CFI	>.80 sometimes acceptable; >.90 good (Hair et al., 2014)	.991
TLI	>.80 sometimes acceptable; >.90 good (Hair et al., 2014)	.976
RMSEA	<.05 good; .05 to .1 moderate; >.1 bad (Hair et al., 2014)	.055

The Chi-square of the structural model was 1.970, degrees of freedom 17 and its P value is 0.010, at a significance level of 99%. The Chi-square index indicates good structural model fit with the observed data. The GFI index measured at 0.980, the CFI index at 0.991, and the TLI index at 0.976, all indicating a good fit and exceeding the 0.9 threshold (Hair et al., 2014). These values exceeded those obtained in the measurement model, where a GFI index of 0.928, CFI index of 0.826, and a TLI index of 0.917 were measured, indicating that the structural model displays a better fit than the measurement model to the observed data. The RMSEA index at 0.55 indicates a moderate model fit and is slightly lower than the measure obtained in the measurement model (0.061). It can thus be concluded that the structural model fit to the observed data is adequate to good and the model may be used with confidence to draw conclusions on the research hypotheses.

4.7.3 Structural model regression weights and hypotheses testing

The hypothesised relationships between the constructs in the structural model (H1a, H1b, H1c, H1d, H1e, H2a, H2b, H3a, H3b, H3c and H3d) and their regression weights indicating the strength of the relationship, the size of the effect, and the statistical significance of the relationship are detailed in Table 31 below. A relationship is significant when the p-value is less than 0.05; if the p-value is above 0.05, then the relationship is not significant. A relationship is statistically and practically significant when the regression weight estimate r exceeds 0.30 indicating a medium effect, and r exceeding 0.50 indicating a large effect. The significance of the structural relationships is now further explored and relevant conclusions drawn.

A summary of the hypotheses results and associated findings is included in the table below:

Table 31:

Summary of hypotheses outcomes for the structural model

	Hypotheses	Finding
	Effects on perceived relationship investment	
H1a	Monetary savings positively affect perceived relationship	Accept
H1b:	Exploratory benefits positively affect perceived relationship	Accept
H1c:	Entertainment benefits positively affect perceived relationship	Accept
H1d:	Recognition benefits positively affect perceived relationship	Reject
H1e:	Social benefits positively affect perceived relationship investment	Accept
	Effects on brand relationship quality	
H2a	Perceived relationship investment positively affects partner quality	Accept
H2b	Perceived relationship investment positively affects customer brand connection	Accept
	Effects on customer loyalty	
H3a	Partner quality positively affects behavioural loyalty	Accept
H3b	Partner quality positively affects attitudinal loyalty	Accept
H3c	Customer brand connection positively affects behavioural loyalty	Accept
H3d	Customer brand connection positively affects attitudinal loyalty	Accept

Table 32:

Summary of findings for the structural model

Number	Finding
	Effects on perceived relationship investment
1	Monetary savings has a significant, positive effect on perceived relationship investment at a 95% confidence interval
2	Exploratory benefits has a significant, positive effect on perceived relationship investment at a 95% confidence interval
3	Entertainment benefits has a significant, positive effect on perceived relationship investment at a 95% confidence interval
4	Recognition benefits has no significant, positive effect on perceived relationship investment at a 95% confidence interval
5	Social benefits has a significant, positive effect on perceived relationship investment at a 95% confidence interval positively affect perceived relationship investment
	Effects on brand relationship quality
6	Perceived relationship investment has a significant, positive effect on partner quality at a 95% confidence interval
7	Perceived relationship investment a significant, positive effect on connection at a 95% confidence interval
	Effects on customer loyalty
8	Partner quality has a significant, positive effect on behavioural loyalty at a 95% confidence interval
9	Partner quality has a significant, positive effect on attitudinal loyalty at a 95% confidence interval
10	Connection has a significant, positive effect on behavioural loyalty at a 95% confidence interval
11	Connection has a significant, positive effect on behavioural loyalty at a 95% confidence interval

4.7.4 Relative importance of relationships within the structural model

The strongest relationship measured within the structural model was found to be that between perceived relationship investment and partner quality (the way the customer has been treated by the firm). This clearly signals the importance of perceived relationship investment in influencing the partner quality dimension of brand relationship quality in the financial services industry. Partner quality had a significantly strong effect on attitudinal loyalty, driving future revenue for the firm.

This is followed in terms of relative importance by the relationship between social benefits and perceived relationship investment, perceived relationship investment and connection (identification of the customer with the brand), social benefits and connection, and connection with behavioural loyalty. This clearly indicates the strong effects of social benefits on brand association, establishing an emotional connection with the customer and affecting purchase behaviour.

4.7.5 Analysis of significant predictors of dependent variables in the structural model

The table below details the predictors of perceived relationship investment:

Table 33:

Summary of significant predictors of perceived relationship investment by order of importance

Predictors	Regression weights	Variance explained
Social benefits	0.38	
Exploration	0.19	
Monetary savings	0.15	39%
Entertainment	0.13	

According to Table 33 social benefits is the strongest predictor of perceived relationship investment. In other words, if a financial institution wants to improve perceived relationship investment it should mainly focus on social benefits as a key driver. However, all four predictors put together have the potential to improve perceived relationship investment up to 39%. This finding is in line with previous research indicating that loyalty programmes that enable a sense of community are more successful in developing customer loyalty (Dowling & Uncles, 1997; Evanschitzky et al., 2011; Noble & Noble, 2012; Rosenbaum et al., 2005) and can be seen as differentiating the programme (Rosenbaum et al., 2005; Rudež, 2010; Wang et al., 2014). The finding on exploration benefits also supports previous research, indicating that these benefits are tangible and difficult to replicate (Mimouni-Chaabane & Volle, 2010) and drive customer loyalty (Ludin & Cheng, 2016), especially for millennials (Bowen & McCain, 2015), having a significant effect on perceived relationship investment (Mimouni-Chaabane & Volle, 2010). The finding on the effect of monetary savings on perceived relationship investment is supported by previous findings in other industries (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010) as well as its effect on customer loyalty (Kim et al., 2013; Winters & Ha, 2012). The effect of entertainment on perceived relationship investment and customer loyalty is also supported by research (Baharun et al., 2014; Mimouni-Chaabane & Volle, 2010; Papadatos, 2006; Shaukat & Auerbach, 2012).

The table below details the predictors of partner quality:

Table 34:

Summary of significant predictors of partner quality by order of importance

Predictors	Regression weights	Variance explained
Perceived relationship investment	0.55	
Social benefits	0.25	43%
Exploration	-0.12	

According to Table 34 perceived relationship investment is the strongest predictor of partner quality; in other words, if a financial institution wants to improve its partner quality, it should mainly focus on perceived relationship investment as a key driver. However, all three predictors put together have the potential to improve partner quality up to 43%. This finding is supported by research (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014).

The table below details the predictors of connection:

Table 35:

Summary of significant predictors of connection by order of importance

Predictors	Regression weights	Variance explained
Social benefits	0.48	
Perceived relationship investment	0.30	48%

According to Table 35 social benefits is the strongest predictor of connection; in other words, if a financial institution wants to improve connection, it should mainly focus on social benefits as a key driver. However, both predictors put together have the potential to improve connection up to 48%. This finding is supported by research (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014).

The table below details the predictors of behavioural loyalty:

Table 36:

Summary of significant predictors of behavioural loyalty by order of importance

Predictors	Regression weights	Variance explained
Connection	0.32	
Partner quality	0.28	51%
Perceived relationship investment	0.23	

According to Table 36 connection is the strongest predictor of behavioural loyalty; in other words, if a financial institution wants to improve the behavioural loyalty of its customers, it should mainly focus on connection as a key driver. However, all three predictors put together have the potential to improve behavioural loyalty up to 51%. This finding is supported by research (Mimouni-Chaabane & Volle, 2010; Wang et al., 2014).

The table below details the predictors of attitudinal loyalty:

Table 37:

Summary of significant predictors of attitudinal loyalty by order of importance

Predictors	Regression weights	Variance explained
Partner quality	0.39	
Connection	0.30	67%
Perceived relationship investment	0.27	

According to Table 37 partner quality is the strongest predictor of attitudinal loyalty; in other words, if a financial institution wants to improve the attitudinal loyalty of its clients, it should mainly focus on partner quality as a key driver. However, all three predictors put together have the potential to improve attitudinal loyalty up to 67%. This finding is supported by research (Mimouni-Chaabane & Volle, 2010; Wang et al., 2014).

4.8 Moderation analyses

Moderation is the effect of a third variable (also called moderating variable) on the relationship between an independent variable and a dependent variable. In this study, the moderation analysis was carried out using the Hayes and Preacher's (2010) PROCESS macro with SPSS with regular regression analysis (Hayes & Preacher, 2010). This method is used in similar research where moderation evaluation is done in relation to SEM models (Levant et al., 2015; Roldán, Felipe, & Leal Rodríguez, 2015).

4.8.1 The moderating effect of timing of reward

The moderating effect of reward timing on the relationship between customer perceived benefits and perceived relationship investment was assessed and a graphical presentation is found in Figure 4. The hypotheses are detailed below:

Table 38:

Hypotheses on moderating variable reward timing

HYPOTHESIS 4a: Reward timing moderates the relationship between customer perceived benefits and perceived relationship investment.
Reward timing moderates the relationship between monetary savings and perceived relationship investment.
Reward timing moderates the relationship between exploration and perceived relationship investment.
Reward timing moderates the relationship between entertainment and perceived relationship investment.
Reward timing moderates the relationship between recognition and perceived relationship investment.
Reward timing moderates the relationship between social benefits and perceived relationship investment.

The following analysis details the moderation analysis for timing of reward on the relationship of all customer perceived benefit categories and perceived relationship investment. The moderating model takes one construct at a time and controls for the other perceived benefits and timing of rewards to establish the moderating effect.

Table 39:

Moderating effect of reward timing on the relationship between customer perceived benefits and perceived relationship investment

	coeff	Se	T	P
Relationship between monetary savings and perceived relationship investment				
Constant	1.3233	.2907	4.5525	.0000
Timing of reward	-.0740	.0829	-.8926	.3728
Monetary savings	.0926	.0605	1.5304	.1269
Interaction	-.0013	.1012	-.0127	.9898
Relationship between exploration benefits and perceived relationship investment				
Constant	1.5673	.3059	5.1232	.0000
Timing of reward	-.0718	.0857	-.8382	.4026
Exploration benefit	.1798	.0708	2.5405	.0116
Interaction	-.0782	.1150	-.6799	.4971
Relationship between entertainment benefits and perceived relationship investment				
Constant	1.5816	.2246	7.0414	.0000
Timing of reward	-.0747	.0837	-.8920	.3731
Entertainment benefit	.1572	.0731	2.1495	.0324
Interaction	-.0530	.1203	-.4405	.6599
Relationship between recognition benefits and perceived relationship investment				
Constant	.8958	.3581	2.5015	.0129
Timing of reward	-.0736	.0842	-.8743	.3826
Recognition benefits	-.0446	.0791	-.5640	.5732
Interaction	-.0485	.0945	-.5127	.6085
Relationship between social benefits and perceived relationship investment				
Constant	2.1020	.3413	6.1594	.0000
Timing of reward	-.0744	.0838	-.8869	.3758
Social benefits	.3542	.0794	4.4605	.0000
Interaction	-.0332	.0918	-.3616	.7179

The moderation models involve three independent variables at a time: a) reward timing; b) monetary savings, exploration benefits, entertainment benefits, recognition benefits, or social benefits; and c) the interacting variable, with the remainder of the variables being controlled for (type of reward, and the benefits types not being interrogated), and one dependent variable, which is perceived relationship investment.

According to the moderation model for monetary savings, the interaction effect (-0.0013) on perceived relationship investment was non-significant because of a p value of 0.9898 (which is greater than 0.05). As a result, reward timing did not moderate the relationship between monetary savings and perceived relationship investment. The preference of the customer for immediate or delayed benefits has no significant impact on the effect of monetary rewards on perceived relationship investment. Due to the long terms service relationship customer have with financial service firms, the immediacy of the reward has no impact on the effect the monetary reward has on perceived relationship investment.

The moderation model for exploration benefits displayed an interaction effect (-0.0782) on perceived relationship investment which was non-significant because of a p value of 0.4971 (which is greater than 0.05). As a result, reward timing did not moderate the relationship between exploration benefits and perceived relationship investment.

The moderation model for entertainment benefits indicated an interaction effect (-0.0530) on perceived relationship investment which was non-significant because of a p value of 0.6599 (which is greater than 0.05). As a result, reward timing did not moderate the relationship between entertainment and perceived relationship investment.

The moderation model for recognition benefits displayed an interaction effect (-0.0485) on perceived relationship investment which was non-significant because of a p value of 0.6085 (which is greater than 0.05). As a result, reward timing did not moderate the relationship between recognition and perceived relationship investment.

Finally, the moderation model for social benefits indicated an interaction effect (-0.0332) on perceived relationship investment which was also non-significant because of a p value of 0.7179 (which is greater than 0.05). As a result, reward timing did not moderate the relationship between social benefits and perceived relationship investment. In addition to seminal research indicating that customers who seek long-term relationships, or who have a long-term orientation, are not sensitive about the timing of the reward (Dorotic et al., 2012; Keh & Lee, 2006; Meyer-Waarden, 2015; Park et al., 2013), this research indicates that the effects of benefits of the loyalty programme on perceived relationship investment are also not affected by the timing preferences of the customer for these rewards.

Based on these outcomes, the following finding was made: Reward timing does not moderate the relationship between any of the perceived benefits and perceived relationship investment. This finding led to the hypotheses results rulings displayed in Table 40 below.

Table 40:

Summary of hypotheses results for moderating variable reward timing

HYPOTHESIS 4a: Reward timing moderates the relationship between customer perceived benefits and perceived relationship investment.	RESULT
Reward timing moderates the relationship between monetary savings and perceived relationship investment.	Rejected
Reward timing moderates the relationship between exploration and perceived relationship investment.	Rejected
Reward timing moderates the relationship between entertainment and perceived relationship investment.	Rejected
Reward timing moderates the relationship between recognition and perceived relationship investment.	Rejected
Reward timing moderates the relationship between social benefits and perceived relationship investment.	Rejected

Table 41:

Summary of findings in terms of the moderating effect of reward timing

Number	Finding
12	Timing of reward has no significant, positive effect on the relationship between customer perceived benefits and perceived relationship investment at a 95% confidence interval

4.8.2 The moderating effect of type of reward

The moderating effect of reward type on customer perceived benefits was assessed and is depicted in Figure 4. The hypotheses are detailed below:

Table 42:

Hypotheses on moderating variable reward type

HYPOTHESIS 4b: Reward type moderates the relationship between customer perceived benefits and perceived relationship investment.
Reward type moderates the relationship between monetary savings and perceived relationship investment.
Reward type moderates the relationship between exploration and perceived relationship investment.
Reward type moderates the relationship between entertainment and perceived relationship investment.
Reward type moderates the relationship between recognition and perceived relationship investment.
Reward type moderates the relationship between social benefits and perceived relationship investment.

The following analysis details the moderation analysis for type of reward on the relationship between each category of customer perceived benefits and perceived relationship investment. As described previously, the moderating model takes one construct at a time and controls for the other customer perceived benefit categories and timing of rewards to establish the moderating effect.

Table 43:

Moderating effect of reward type on the relationship between customer perceived benefits and perceived relationship investment

	coeff	Se	T	P
Relationship between monetary savings and perceived relationship investment				
Constant	1.4597	.2819	5.1783	.0000
Reward type	.2202	.2202	2.6375	.0088
Monetary savings	.0868	.0616	1.4099	.1596
Interaction	-.1296	.1003	-1.2920	.1973
Relationship between exploration benefits and perceived relationship investment				
Constant	1.7144	.3011	5.6939	.0000
Reward type	.2179	.0831	2.6229	.0092
Exploration benefit	.1745	.0702	2.4845	.0135
Interaction	-.2133	.1097	-1.9439	.0500
Conditional effect of X on Y at values of the moderator – exploration benefits				
Ind. Reward	.2959	.0893	3.3140	.0010
Dir. Reward	.0826	.0884	.9339	.3511
Relationship between entertainment benefits and perceived relationship investment				
Constant	1.7292	.2379	7.2698	.0000
Reward type	.2298	.0846	2.7164	.0070
Entertainment benefit	.1640	.0724	2.2630	.0243
Interaction	-.2524	.1287	-1.9608	.0500
Conditional effect of X on Y at values of the moderator- entertainment benefits				
Ind. Reward	.3076	.1191	2.5830	.0103
Dir. Reward	.0552	.0750	.7360	.4623
Relationship between recognition benefits and perceived relationship investment				
Constant	1.0588	.3508	3.0187	.0027
Reward type	.2226	.0848	2.6258	.0091
Recognition benefit	-.0416	.0798	-.5214	.6024
Interaction	-.0571	.1002	-.5698	.5692
Relationship between social benefits and perceived relationship investment				
Constant	2.2472	.3337	6.7336	.0000
Reward type	.2211	.0838	2.6382	.0088
Social benefit	.3522	.0797	4.4206	.0000
Interaction	-.1158	.0955	-1.2130	.2261

As was the case with timing of the reward, the moderation models indicate three independent variables at a time with the remainder of variables being controlled for, and one dependent variable, which is perceived relationship investment.

According to the moderation model results for monetary savings, the interaction effect (-0.1296) on perceived relationship investment was non-significant with a p value of 0.1973 (which is greater than 0.05). As a result, reward type does not moderate the relationship between monetary savings and perceived relationship investment.

The moderation model result for exploration benefits displayed an interaction effect (-0.2133) on perceived relationship investment which is significant with a p value of 0.05. As a result, reward type moderates the relationship between exploration benefits and perceived relationship investment. Due to the conditional effect results (above), the effect of exploration on perceived relationship investment is stronger (0.2959) and significant (p-value =0.001<0.05) for respondents who prefer the indirect reward, while the effect of exploration is weaker (0.0826) and non-significant (0.3511>0.05) for respondents who prefer the direct reward.

The moderation model for entertainment benefits displayed an interaction effect (-0.2524) on perceived relationship investment which is significant with a p value of 0.05. As a result, reward type moderates the relationship between entertainment and perceived relationship investment. The conditional effect results above indicated that the effect of entertainment on perceived relationship investment is stronger (0.3076) and significant (p-value =0.0103<0.05) for respondents who prefer the indirect reward, while the effect of entertainment is weaker (0.0552) and non-significant (0.4623>0.05) for respondents who prefer the direct reward.

The moderation model for recognition benefits displayed an interaction effect (-0.0571) on perceived relationship investment which is not significant with a p value of 0.5692 (which is greater than 0.05). As a result, reward type does not moderate the relationship between recognition and perceived relationship investment.

The moderation model for social benefits displayed an interaction effect (-0.1158) on perceived relationship investment which is not significant with a p value of 0.2261, (which is greater than 0.05). As a result, reward type does not moderate the relationship between social benefits and perceived relationship investment.

These findings are supported by previous research indicating that millennials prefer rewards that create experiences and have entertainment value (Bowen & McCain, 2015). These types of rewards would be indirect as they do not relate directly to the products and services within the financial services industry. These findings indicate that for customers with a preference for non-financial services benefits on the programme, the entertainment and exploration benefits will have a stronger effect on perceived relationship investment. Seminal research also indicate that multi-partner programmes provide more opportunity to earn and redeem points (Berman, 2006; Capizzi et al., 2004; Dorotic et al., 2012, 2011).

Based on these outcomes, the following finding was made: Reward type moderates only two relationships, namely, a) the relationship between exploration benefits and perceived relationship investment, and b) the relationship between entertainment benefits and perceived relationship investment. The relationships in both cases were stronger in cases where customers preferred the indirect reward.

These findings lead to the following rulings made in terms of the proposed hypotheses:

Table 44:

Hypotheses results for moderating variable reward type

HYPOTHESIS 4b: Reward type moderates the relationship between customer perceived benefits and perceived relationship investment.	RESULT
Reward type moderates the relationship between monetary savings and perceived relationship investment.	Rejected
Reward type moderates the relationship between exploration and perceived relationship investment.	Accepted
Reward type moderates the relationship between entertainment and perceived relationship investment.	Accepted
Reward type moderates the relationship between recognition and perceived relationship investment.	Rejected
Reward type moderates the relationship between social benefits and perceived relationship investment.	Rejected

Table 45:

Summary of findings in terms of moderating variable reward type

Number	Finding
13	Reward type has a significant, positive moderating effect on two relationships, namely, a) the relationship between exploration benefit s and perceived relationship investment, and b) the relationship between entertainment benefits and perceived relationship investment at a 95% confidence interval. The relationships in both cases were stronger in cases where customers preferred the indirect reward.

5 Discussion

5.1 Introduction

This study was designed to examine the relationship between the perceived benefits of a loyalty programme and their ability to develop customer loyalty through customer relationships. These relationships are researched using the concept of customer perceived relationship investment and brand relationship quality as mediators to customer loyalty. Both customer loyalty and customer relationships are market-based assets of the firm (Gupta et al., 2004; Hogan et al., 2002; Lemon & Wangenheim, 2008; Srivastava et al., 1998) that are known to drive shareholder value (Kumar & Shah, 2009). It is proposed that customer perceived benefits affect perceived relationship investment, brand relationship quality, and ultimately customer loyalty, and that these factors affect behavioural and attitudinal loyalty differently. By understanding the effect that each customer perceived benefit category has on customer loyalty in the financial services industry, loyalty programmes can be structured to drive firm value.

The study also evaluates timing of rewards in terms of its moderating effect on the relationship between customer perceived benefits and customer relationships which lead to customer loyalty. Programmes in South Africa offer both instant discounts (47%) and delayed rewards (57%) (Olivier & Burnstone, 2014). By understanding the moderating effect of timing when designing a loyalty programme to drive customer loyalty and firm value, reward design can be leveraged for maximum impact.

Type of rewards is also researched in terms of its moderating effect on the relationship between customer perceived benefits and customer relationships that lead to customer loyalty. Only 27% of programmes in South Africa provide indirect rewards or rewards that are not related to the products and services of the firm (Truth, 2016). The effect of the type of rewards on fostering customer loyalty is thus also very relevant in this context. A vast array of rewards aimed at diverse perceived benefits is available in the market, making an understanding of the effect of rewards type on customer loyalty important. The type (direct or indirect) and timing (immediate or delayed) of rewards have a significant effect on the perceived value of rewards (Dorotic et al., 2012; Dowling & Uncles, 1997; Yi & Jeon, 2003).

The design of this research differs from previous loyalty programme effectiveness research that were based predominantly on the retail, grocery, and airline industries (Table 1), in that the sample on which this research is based only included respondents that have memberships with financial services industry loyalty programmes. The research also introduces customer loyalty from both a behavioural and attitudinal perspective, in contrast to the predominantly behavioural based empirical research currently available.

The key findings are interpreted and their contribution to the body of knowledge on loyalty programme effectiveness demonstrated in this chapter. Guidelines are also provided to managers on the effective design of loyalty programmes to drive firm value and results of this study are compared with results from studies in other industries. The final section details the limitations of this study as well as areas for future research.

5.2 Review of the findings

The primary objective of this research study was to establish the effects of customer perceived benefits on loyalty programme effectiveness in the financial services industry. The secondary objectives were stated in Chapter 1. The theoretical background pertaining to these objectives has been provided in Chapter 2 and the empirical results in Chapter 4.

The structural model validated in Figure 7 expands and tests the theoretical framework for loyalty programme effectiveness developed and empirically tested by Wang et al. (2014) in the airline industry, by measuring customer loyalty from both a behavioural and an attitudinal perspective. The model has been validated to predict customer loyalty in terms of perceived benefits. Significant relationships were found between customer perceived benefits, perceived relationship investment, connection, partner quality, and in turn with customer loyalty.

5.2.1 Effects of customer perceived benefits on perceived relationship investment

Previous research has indicated that the concept customer perceived benefits of a loyalty programme relates to the value customers attach to the experience they have on the programme, which can be classified into utilitarian benefits (monetary savings benefits and convenience), hedonic benefits (ability to explore and be entertained), and symbolic benefits (recognition and social benefits) (Mimouni-Chaabane & Volle, 2010).

Reward structure–which leads to these customer perceived benefits–is acknowledged to be the main driver of loyalty programme effectiveness (Gandomi & Zolfaghari, 2013). The classification of perceived customer benefits into monetary savings, exploration, entertainment, recognition, and social benefits by Mimouni-Chabaane & Volle (2010) was adopted in this research. Previous research utilising the same classification called for testing of this model in various industries and contexts (Kim et al., 2013; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014), while other authors requested testing of theories on loyalty effectiveness in general across industries and contexts (Dorotic et al., 2012; Reinartz, 2010). Thus far, empirical studies have been industry specific, mainly within the retailing (Islam, Khadem, & Sayem, 2012; Lewis, 2004; Mägi, 2003; Meyer-Waarden & Benavent, 2009; Saili et al., 2012), airline, and hospitality industry (Hallak et al., 2017; Voorhees et al., 2014; Wang et al., 2014; Xiong et al., 2014) with a more recent study in the automotive industry (Nyadzayo & Khajehzadeh, 2016), and the telecommunication industry (Shaukat Malik et al., 2015).

A key finding of this study is that customer perceived benefits that drive customer relationships and customer loyalty differ significantly between industries. This study conducted in the financial services industry indicates that out of the five categories of customer perceived benefits being recognition, social, entertainment, monetary savings and exploration, recognition was found not to significantly affect perceived relationship investment. This finding supports the call from Mimouni-Chabaane and Volle (2010) with empirical results in the retail apparel industry and Wang et al. (2014) in the airline industry for industry specific research to be conducted in order to understand the differences between industries, as both these studies indicated that recognition was a significant contributor to perceived relationship investment. Mimouni-Chabaane and Volle (2010) established that all reward types except social rewards had a positive and significant impact on perceived relationship investment with recognition and monetary savings having the most significant impact. The study was performed in France in the retail sector and included two quantitative studies involving 658 respondents. Further findings by Wang et al. (2014) in the airline industry in Taiwan indicated that recognition and social benefits have positive effects on perceived relationship investment, with involvement moderating the relationship between perceived benefits and perceived relationship investment.

In this study in the financial services industry, monetary savings, social, exploration, and entertainment benefits were all found to be significant predictors of perceived relationship investment, with social being the most significant (Findings 1, 2, 3, 4, and 5). Social benefits, followed by exploratory, then monetary savings, and last entertainment benefits significantly predict perceived relationship investment for loyalty programmes in the financial services industry (Table 32, p. 113). This is in support of similar studies in the retail and apparel industries indicating that monetary savings, entertainment, and social benefits were important predictors of perceived relationship investment (Kim et al., 2013), with entertainment being the most significant predictor and recognition having been removed from the model as it had no significant effect. This study also supports previous empirical studies indicating a statistically significant relationship between customer perceived benefits and perceived relationship investment. Studies in the airline industry indicated that recognition and social aspects drive perceived relationship investment (Wang et al., 2014), while findings in the retail industry indicate that interpersonal communication is dominant in increasing perceived relationship investment, with monetary savings providing mixed findings (De Wulf et al., 2001). Since the same scales were used in this comparative research, this research is able to support the finding that the relationship between customer perceived benefit categories and perceived relationship investment is very different among different industry loyalty programmes. These programmes thus require different design elements in order to effectively drive firm value. The specific findings for financial services in this study are now explored further.

In this study, social benefits were by far the most important predictor of perceived relationship investment. Social benefits are symbolic benefits, which satisfy the customer's need of self-expression, obtaining social approval and self-esteem (Keller, 1993; Mimouni-Chaabane & Volle, 2010). These benefits relate to intangible attributes of the overall offering, for example, the experience of ownership and consumption of the product (McAlexander, Schouten, & Koenig, 2002). These social benefits induce the customer to perceive themselves as part of an exclusive group of privileged customers with which they associate and share brand values, of which brand communities is an example. Social benefits enable the opportunity for co-creation of value (Banyte & Dovaliene, 2014; Kandampully et al., 2015; Kumar et al., 2010; Reichheld et al., 2000), and customer engagement opportunities (Banyte & Dovaliene, 2014; Bowden, 2009; Hollebeek, 2011; Van Doorn et al., 2010; Xie & Chen, 2013) that drive customer loyalty and differentiation (Voorhees et al., 2015).

Customers' financial products integrate closely with their social lives, being interactions with family, friends and community, and lifestyle. Loyalty programmes for this industry should thus focus on enhancing these relationships and adding value in this context. Engagement is established when a personal connection is formed with the brand and there is integration of goals and purpose (Dawes & Larson, 2011) and it drives an emotional connection at scale with the customer, which leads to attitudinal loyalty (McCall et al., 2010; Shaukat & Auerbach, 2012), with social media, for example, enabling a personalised and relevant interaction amongst their friends, family, and peers (Xie & Chen, 2013). Examples of such benefits would be those that drive value to friends, children, spouses, and community, while also enabling the consumer to connect to the social positioning of the brand. Financial services are required to enable consumers to provide for their lifestyle and their loved ones in terms of, for example, food, homes, cars, education, and general everyday purchases. Loyalty programmes in the financial services industry should thus provide value in this regard, making a real difference in their customers' daily lives.

In this study, exploration, a hedonic benefit, was found to be the second most important perceived benefit influencing perceived relationship investment. Exploration benefits relate to the ability to try new products and obtain information in order to keep up with new trends (Mimouni-Chaabane & Volle, 2010), and have been proven to increase both attitudinal and behavioural loyalty (Saili et al., 2012). The digital revolution has made exploration easily accessible driving customer e-loyalty through quality of information, customer-centric website design, security, and e-service quality (Ludin & Cheng, 2016), which is very relevant to millennial customers (Bowen & McCain, 2015). Loyalty programmes should guide customers through exploration benefits to form authentic connections and become intrinsically engaged (Dawes & Larson, 2011). Loyalty programmes in the financial services industry thus need to expose their customers to new and innovative products and experiences through relevant information sharing and propositions. These will need to be relevant and driven from a deep understanding of the customer, and include providing customers with innovative ways to improve the management of their finances. The ability of the loyalty programme to enable such insights would be a prerequisite of implementing such benefits.

In this study, monetary savings, a utilitarian benefit, was found to be the next most effective in developing perceived relationship investment, after social and exploration. Monetary savings is a utilitarian benefit relating to financial benefits in the form of savings and cash back (Li & Green, 2011; Sheth & Parvatiyar, 1995), or item-based cash back (Zhang & Breugelmans, 2012), which contribute to customer loyalty (Bolton et al., 2004; Kim et al., 2013; Mimouni-Chaabane & Volle, 2010; Verhoef, 2003) and increase switching costs (Wang & Wu, 2012). Monetary savings or tangible benefits drive customer loyalty where customer involvement is low (Meyer-Waarden, 2015) or long-term orientation is low (Park et al., 2013). As a result, the monetary value of benefits is important, but not as important as might have been expected. Monetary benefits are very costly and should be supplemented with other benefits on the programme (McCall et al., 2010; Shaukat & Auerbach, 2012). This finding has significant implications for the cost of loyalty programmes in the financial services industry, and should support the design of more effective loyalty programmes in terms of the costs associated with them.

In this study, entertainment, a hedonic benefit, was found to be the fourth most important perceived benefit influencing perceived relationship investment.

Entertainment benefits on a loyalty programme drive perceived relationship investment and includes, but are not limited to gamification and enjoying unique experiences (Kim et al., 2013; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014), which creates an emotional attachment with the customer (Mascarenhas, Kesavan, & Bernacchi, 2006; Meyer-Waarden, 2015) and adds to the customer brand experience (Brakus et al., 2009). These benefits can easily be integrated with the customer experience through digital journeys and gamification on mobile channels (Kaplan, 2012), differentiating, and incentivising customer engagement (Van Doorn et al., 2010).

In this study, recognition, a symbolic benefit, had no statistical significant effect on perceived relationship investment, even though it is utilised extensively in loyalty programmes worldwide (Bolden et al., 2014; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014) and is acknowledged for its ability to develop emotional connections (Drèze & Nunes, 2009; Laškarin, 2013; Liu, 2007; Reinartz, 2010; Shaukat & Auerbach, 2012; Wagner et al., 2009). Recognition-type benefits, such as a leader board on years of being a customer of a financial institution will not significantly contribute to perceived customer relationship investment, supporting similar findings in seminal research on the retail industry (Kim et al., 2013) . Customers thus do not expect these programmes to provide special recognition or status, contrary to the airline industry where customers expect the loyalty programme to recognise their status, which relates to the number of times they have flown with the airline (Wang et al., 2014). These loyalty programmes are structured to provide lounge access, special queues, and special treatment depending on the status of the frequent flyer. This finding may be due to the differentiation in service models and benefits already in operation for segments such as private banking and wealth in the financial services industry.

Based on the Findings 1, 2, 3, 4, and 5, as well as the arguments provided above, the following conclusions and recommendations are made:

Table 46:

Conclusions and recommendations in terms of customer perceived benefits

RESEARCH OBJECTIVE 1: To establish the relative effects of each perceived customer benefit category on perceived relationship investment		
Research question	How do rewards that provide monetary savings, exploration, entertainment, recognition and social benefits each affect customer perceived relationship investment?	
Social benefits	Conclusion	It can be concluded that social benefits have a significant effect on perceived relationship investment.
	Recommendation 1	Loyalty programmes in the financial services industry should provide social benefits on the programme driving engagement and social relevance.
Exploration	Conclusion	It can be concluded that exploration benefits have a significant effect on perceived relationship investment.
	Recommendation 2	Loyalty programmes in the financial services industry should provide exploration benefits on the programme by exploiting digital channels.
Monetary savings	Conclusion	It can be concluded that monetary savings benefits have a significant effect on perceived relationship investment.
	Recommendation 3	Loyalty programmes in the financial services industry should provide monetary saving benefits on the programme.
Entertainment	Conclusion	It can be concluded that entertainment benefits have a significant effect on perceived relationship investment.
	Recommendation 4	Loyalty programmes in the financial services industry should include entertainment benefits on the programme.
Recognition	Conclusion	It can be concluded that recognition benefits do not have a significant effect on perceived relationship investment.
	Recommendation 5	Loyalty programmes in the financial services industry do not need to include recognition benefits on the programme.

5.2.2 Effect of perceived relationship investment on brand relationship quality

Brand relationship quality is defined and operationalised as consisting of brand connection (establishment of a brand image connection of attachment and intimacy with the consumer) and brand partner quality (partner quality between customer and brand indicating the way the customer has been treated by the company). Brand relationship quality is a known predictor of customer loyalty (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang & Wu, 2012), and satisfaction and commitment two dimensions of brand relationship quality (Hennig-Thurau et al., 2002). In this study, perceived relationship investment has been found to significantly contribute to partner quality and connection (Findings 6 and 7, Section 4.7.4). This is in support of the seminal research by Wang et al. (2014) in the airline industry, Mimoune-Chabaane & Volle (2010) in the retail apparel industry and De Wulf et al. (2001) in the restaurant and retail industry.

This study found that perceived relationship investment is the strongest predictor of partner quality, with social benefits the second strongest predictor, and the inverse of exploratory benefits the third but weakest predictor (Table 33, Section 4.7.3) In other words, if a financial service institution wants to improve its partner quality, it should mainly focus on perceived relationship investment as a key driver. Partner quality also relates to trust, personal commitment, and love (Smit et al., 2007). This is in support of customer satisfaction in terms of the requirement for customised service and sales (Coelho & Henseler, 2012; Sung & Choi, 2010) and customer satisfaction driving partner quality and customer loyalty (Parahoo, 2012). This research indicated an inverse relationship between exploration and partner quality, which indicates that by increasing exploration benefits, partner quality will decrease. This finding is in support of customers wanting to be able to find (or be offered) personalised propositions and services easily and conveniently (Cedrola & Memmo, 2010; Kandampully et al., 2015; Melnyk & van Osselaer, 2012), and they want to be treated fairly and adequately by the firm (Evanschitzky et al., 2011; Parahoo, 2012; Saili et al., 2012). It is important for customers in the financial services to be serviced appropriately in their everyday lives. This is contrary to the finding by Wang et al. (2014) in the airline industry where no significant relationship was found between perceived customer relationship investment and partner quality. This can be attributed to the fact the frequency that customers fly does not warrant such a relationship and the service component of the relationship is relatively low.

In this study, social benefits (as a new path) represented the strongest predictor of connection, with perceived relationship investment the other significant predictor (Table 34, Section 4.7.4). This was to be expected, given that brand image connection with a customer revolves around identification with the brand (Hawkins & Vel, 2013; Hollebeek & Business, 2011; Thompson & Sinha, 2008; Wang et al., 2014) and the fact that purchase decisions for millennials are a form of self-expression (Bowen & McCain, 2015). In other words, if a financial service institution wants to improve the brand image connection with the consumer, it should focus on social benefits as a key driver. This finding clearly highlights the ability of the loyalty programme to provide social benefits in order to drive customer relationships (Hennig-Thurau, Gwinner, & Gremler, 2000; Kandampully et al., 2015; Mägi, 2003). Congruency between brand positioning and loyalty programme benefits is fundamental in order to build customer relationships of association between the customer and the financial institution (Ha & Stoel, 2014). Based on Findings 6 and 7, as well as the arguments provided above, the following conclusions and recommendations are made:

Table 47:

Conclusions and recommendations in terms of brand relationship quality

RESEARCH OBJECTIVE 2: To establish the effect of perceived relationship investment on brand relationship quality		
Research question	How does perceived relationship investment affect brand relationship quality?	
Partner quality	Conclusion	It can be concluded that perceived relationship investment has a significant effect on partner quality.
	Recommendation 6	Loyalty programmes in the financial services industry should enhance perceived relationship investment by introducing social, exploratory, monetary and entertainment benefits which will increase partner quality.
	Conclusion	It can be concluded that social benefits have a significant effect on partner quality.
	Recommendation 7	Loyalty programmes in the financial services industry should include social benefits which will increase partner quality.
	Conclusion	It can be concluded that exploration benefits have a significant inverse effect on partner quality.
	Recommendation 8	Exploration benefits that are not targeted and relevant should be minimized in order to maximize partner quality.
Connection	Conclusion	It can be concluded that social benefits have a significant effect on connection.
	Recommendation 9	Loyalty programmes in the financial services industry should provide social benefits on the programme that drives brand connection.
	Conclusion	It can be concluded that perceived relationship investment has a significant effect on brand connection.
	Recommendation 10	Loyalty programmes in the financial services industry should enhance perceived relationship investment in order to increase brand connection.

5.2.3 Effect of brand relationship quality on customer loyalty

This research specifically focuses on customer loyalty to the company and contribution to firm value as a market-based asset. Customer loyalty as a primary outcome of loyalty programmes is thus measured both from an attitudinal and a behavioural perspective (Banyte & Dovaliene, 2014; Dick & Basu, 1994; Hawkins & Vel, 2013; Kim et al., 2013; Kumar & Shah, 2004; Larsen, 2011; Steyn et al., 2010; Terblanche & Boshoff, 2006). In this study, Findings 8, 9, 10, and 11 indicate that brand relationship quality is a significant predictor of both behavioural and attitudinal loyalty, which is in support of seminal research (De Wulf et al., 2001; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014).

This study found that connection (association with the brand) is the strongest predictor of behavioural loyalty, followed by partner quality and perceived relationship investment (Table 35, Section 4.7.4). Brand connection drives repeat purchase and cross sell (Fullerton, 2014; Liu-Thompkins & Tam, 2013; Parahoo, 2012; Richard et al., 2012). This is in support of previous seminal research indicating perceived relationship investment driving behavioural loyalty (Liang & Wang, 2006), customer engagement enabling stronger customer relationships driving behavioural loyalty (Banyte & Dovaliene, 2014), and customer relationship orientation driving behavioural loyalty (Alrubaiee & Al-Nazer, 2010).

The study further found that partner quality (the way the customer has been treated by the company) is the strongest predictor of attitudinal loyalty and should be leveraged as such. Customer satisfaction and service quality as well as personalisation of the service (Palmer et al., 2000) thus play a major role in driving attitudinal loyalty (Chen & Hu, 2013; Kumar et al., 2010; Wang & Wu, 2012) Habit can easily be misinterpreted as attitudinal loyalty but does not drive cross sell opportunities (Liu-Thompkins & Tam, 2013). Attitudinal loyalty can also provide better market share than behaviour loyalty (Hawkins & Vel, 2013) and can be developed through customer engagements in value creation (Banyte & Dovaliene, 2014). This study found that connection and perceived relationship investment together with partner quality have the potential to improve attitudinal loyalty by up to 67% (Table 36, Section 4.7.4). These components should be used to develop an emotional attachment of the customer to the brand in order to sustain the financial success of the programme (Hallberg, 2004).

Based on Findings 8, 9, 10, and 11, as well as the arguments provided above, the following conclusions and recommendations are made:

Table 48:

Conclusions and recommendations in terms of customer loyalty

RESEARCH OBJECTIVE 3: To establish the effects of brand relationship quality on behavioural and attitudinal loyalty		
Research question	How does brand relationship quality affect both behavioural and attitudinal loyalty?	
Behavioural loyalty	Conclusion	It can be concluded that connection has a significant effect on behavioural loyalty.
	Recommendation 11	Loyalty programmes in the financial services industry should build a brand connection with the customer in order to increase behavioural loyalty.
	Conclusion	It can be concluded that partner quality has a significant effect on behavioural loyalty.
	Recommendation 12	Loyalty programmes in the financial services industry should develop partner quality through customer service which will increase behavioural loyalty.
	Conclusion	It can be concluded that perceived relationship investment has a significant effect on behavioural loyalty.
	Recommendation 13	Loyalty programmes in the financial services industry should invest in customer relationships which will increase behavioural loyalty.
Attitudinal loyalty	Conclusion	It can be concluded that partner quality has a significant effect on attitudinal loyalty.
	Recommendation 14	Loyalty programmes in the financial services industry should develop partner quality through customer service which will increase attitudinal loyalty.
	Conclusion	It can be concluded that connection has a significant effect on attitudinal loyalty.
	Recommendation 15	Loyalty programmes in the financial services industry should build a brand connection with the customer in order to increase attitudinal loyalty.
	Conclusion	It can be concluded that perceived relationship investment has a significant effect on attitudinal loyalty.
	Recommendation 16	Loyalty programmes in the financial services industry should invest in customer relationships which will increase attitudinal loyalty.

5.2.4 Moderating effect of type and timing of reward on perceived relationship investment

The moderating effect of both the type and timing of rewards on the relationship between customer perceived benefits and perceived relationship investment is now discussed. Findings 12 and 13 have relevance here.

This study found that reward timing does not moderate the relationship between customer perceived benefit categories and perceived relationship investment in the financial services industry (Finding 12). This is in support of the latest empirical research (Meyer-Waarden, 2015), indicating that reward timing does not have a significant effect on customer preferences in the grocery and perfumery retail industry. Earlier research by Dowling and Uncles (1997) indicated on the contrary that immediate rewards were preferable. Further empirical research by Yi and Jeon (2003), including beauty and restaurant products and services, indicated that customer satisfaction plays a moderating role on reward timing. This means that delayed rewards are only effective in driving customer loyalty when the customer is satisfied with the products and services provided. In contrast, when the customer is dissatisfied with the services, immediate rewards can still lead to customer loyalty. Direct rewards should be delayed for satisfactory experiences, but provided immediately for unsatisfactory experiences (Keh & Lee, 2006). Empirical research in the lodging industry indicated that in terms of the relationship between the timing of rewards and programme value, immediate rewards were much more effective in building programme value, leading to programme and customer loyalty than delayed rewards (Hu et al., 2010).

Implications of the findings in this study for the financial services industry are that both immediate and delayed rewards across all benefit types will be equally effective in driving perceived relationship investment. This is further supported by recent research conducted in South Africa (Truth, 2016), indicating that 63% of customers value cash and 62% of customers value points across all industries. The finding may point towards satisfactory customer experiences in this industry, making the requirement for immediate rewards redundant.

In this study, type of reward was found to moderate both the relationships of entertainment and exploration benefits with perceived relationship investment for the financial services industry (Finding13). Exploration and entertainment, being strong predictors of perceived relationship investment, had a stronger effect on perceived relationship investment mostly among respondents who preferred the indirect reward. These benefits are easily provided through multi-partner benefits (Cedrola & Memmo, 2010; Dorotic et al., 2011; Rese et al., 2013). This indicates that loyalty programmes in the financial services industry can increase their impact in terms of perceived relationship investment by providing exploratory and entertainment benefits through partnerships with, for example, travelling, dining, and theatre providers. This finding does not support previous research indicating that direct rewards are in general found to be more effective than indirect rewards (Keh & Lee, 2006), but it provides guidelines on which type of indirect rewards would be effective in building customer relationships. Based on Findings 12 and 13, as well as the arguments provided above, the following conclusions and recommendations are made:

Table 49:

Conclusions and recommendations in terms of type and timing of rewards

RESEARCH OBJECTIVE 4: To establish the moderating effects of reward type and timing on the relationship between each customer perceived benefit category and perceived relationship investment.		
Research question	How do reward type and timing moderate the relationship between each customer perceived benefit category and perceived relationship investment?	
Timing	Conclusion	It can be concluded that reward timing does not have a significant effect on any of the relationships between monetary savings, exploration, entertainment, recognition or social benefits with perceived relationship investment.
	Recommendation 16	Loyalty programmes in the financial services industry do not need to use timing of reward to influence stronger impact of customer benefits on perceived relationship investment.
Type	Conclusion	It can be concluded that reward type does not have a significant effect on any of the relationships between monetary savings, recognition or social benefits with perceived relationship investment.
	Recommendation 17	Loyalty programmes in the financial services industry do not need to use reward type to influence stronger impact of monetary savings, recognition or social benefits. These benefits can be provided either by the firm or partners with the same effect.
	Conclusion	It can be concluded that reward type has a significant effect on the relationship between exploratory benefits and perceived relationship investment. The relationship between exploratory benefits and perceived relationship investment is stronger for customers who prefer indirect rewards from partners.
	Recommendation 18	Loyalty programmes in the financial services industry should include exploratory benefits from partners on the programme for customers who prefer indirect rewards.
	Conclusion	It can be concluded that reward type has a significant effect on the relationship between entertainment benefits and perceived relationship investment. The relationship between entertainment benefits and perceived relationship investment is stronger for customers who prefer indirect rewards from partners.
	Recommendation 19	Loyalty programmes in the financial services industry should include entertainment benefits from partners on the programme for customers who prefer indirect rewards.

5.3 Limitations of the research

Research studies have limitations that influence their outcomes. The limitations in terms of both the theoretical background and the empirical research performed are detailed in this section.

The exclusion of customer involvement is a limitation in this research study. Previous research indicates that product category involvement moderates various causal relationships in the customer loyalty model tested in this research, namely the relationship between perceived relationship investment and brand relationship quality, monetary savings benefits and perceived relationship investment, rewards and value perception of the loyalty programme, and between value perception of a loyalty programme and customer brand loyalty (De Wulf et al., 2001; Wang et al., 2014; Yi & Jeon, 2003). Product category involvement is defined by Mittal (1995) is “a consumer's enduring perceptions of the importance of the product category based on the consumer's inherent needs, values, and interests” (De Wulf et al., 2001, p. 37). These empirical findings are further supported by earlier academic research indicating that consumers with a high product category involvement tended to be more loyal (Dick & Basu, 1994).

In low customer involvement instances, immediate rewards were found to be more effective than delayed rewards in improving the value perception of the loyalty programme. In high customer involvement instances, value perception of the loyalty programme affected brand loyalty both directly and indirectly through programme loyalty (Yi & Jeon, 2003). In low involvement instances, the value perception of loyalty programmes had no direct effect on brand loyalty.

A further possible limitation to the research is the exclusion of customer satisfaction. Satisfaction and its effect on timing of rewards and type of rewards in developing customer loyalty was empirically tested, with delayed rewards found to be more effective in building customer loyalty in cases where customer satisfaction exists for the service (Hu et al., 2010; Keh & Lee, 2006). Customer satisfaction plays a moderating role on the relationship between reward type and reward timing and customer loyalty. Direct rewards should be delayed for satisfactory experiences, but provided immediately for unsatisfactory experiences. Direct rewards are in general found to be more effective than indirect rewards (Keh & Lee, 2006).

If involvement and customer satisfaction were included in the research, a deeper understanding of the impact of these on type, timing of rewards and perceived benefits could have been obtained. It is recommended that these variables are included in future research which holistically deals with consumer characteristics and their impact on customer loyalty through relationships.

A clear limitation of the research is found in Table 26 where the discriminant validity of behavioural loyalty is weak. This is further supported in Appendix D by the strong correlation between attitudinal loyalty and behavioural loyalty. The research could thus be enhanced by exploring alternative operationalisation scales for the composite construct customer loyalty in terms of both behavioural and attitudinal loyalty as indicated by Dick & Basu (1994). This will enhance the findings and provide insights in terms of the effects of attitudinal loyalty on behavioural loyalty.

5.4 Future research

Very limited empirical research has been conducted in terms of the effects of loyalty programmes–and specifically perceived benefits–on customer loyalty and firm value. This research provides valuable insights in terms of design elements for these programmes in the financial services industry. The research can be utilised as a framework to explore such design elements for other industries such as the health, beauty, telecommunication, tourism, fuel/energy, and entertainment sectors. These industries have loyalty programmes of significant size, and many of them are multinational. Such research will enable firms to drive relevant, effective benefits to consumers and as such enable them to develop relationships that result in customer loyalty. Recent empirical findings in the telecommunication industry, indicating a direct relationship between marketing and customer loyalty (Shaukat Malik et al., 2015), can easily be extended to indicate the influence of perceived benefits of loyalty programmes in this industry on customer relationships and loyalty. Seminal research in the tourism industry on the influence of perceived quality and perceived value on customer loyalty, as another example, can easily be extended to include perceived customer benefits and its impact on customer loyalty (Hallak et al., 2017; Palmer et al., 2000).

The research framework needs to be tested on coalitions such as Nectar in the UK. These coalitions comprise firms from various industries. The findings of research in such a context would be very valuable in order to determine to what extent consumer loyalty is developed for the participating firms in the coalition. It will also clearly indicate the ability of the coalition to develop customer relationships for the participating firms. The effects of perceived benefits of the coalition programme on customer loyalty for each participating firm will provide valuable guidance to improve the effectiveness of such programmes. Seminal research done on coalition programmes indicated no significant benefit (Dorotic et al., 2011), and can be extended through this research framework to provide insights into reward design structures driving customer loyalty.

The research focused on the effects of reward design elements on loyalty programme effectiveness, not including any customer characteristics. Research investigating the effects of customer segment and characteristics such as involvement, satisfaction, and relationship proneness on customer loyalty through relationships would be very valuable. Extending seminal research done on the effects of customer psychographic characteristics on customer loyalty (Picon-Berjoyo et al., 2016) would extend the current study and framework with a customer specific dimension, enabling targeted and personalised offers and benefits. The moderating effect of timing may be different between customer segments, as indicated in earlier research.

In addition to the role played by reward design elements of a loyalty programme in developing customer loyalty through relationships, the role of employees and their interaction with customers as a focus for loyalty programmes should be included in future research as this aspect has been proven to drive behavioural loyalty (Dorotic et al., 2012; Vesel & Zabkar, 2009).

Loyalty programmes drive engagement and customer relationships through perceived benefits. The framework of research can be utilised as a base to establish to what extent the loyalty programme develops not only customer loyalty, but also increases engagement, involvement, and customer satisfaction through relationships. This would be an extension of the seminal research indicating a relationship between customer engagement and loyalty through customer relationships (Banyte & Dovaliene, 2014). Such insights would enable the integration of the loyalty programme in key customer servicing processes driving effectiveness and firm value and would include interpersonal communication and its effect on perceived relationship investment (De Wulf et al., 2001). This type of research should also consider the inclusion of the effects of loyalty programmes on key customer relationship management processes being a) product innovation management, b) supply-chain management and c) customer relationship management.

Future research including the relationship between attitudinal loyalty and behavioural loyalty would aid to the general understanding of the potential future firm value of programmes geared to drive high levels of attitudinal loyalty. Historic research has omitted attitudinal loyalty, while its effect on driving behavioural loyalty is not understood.

5.5 Academic and managerial contribution

The study expands and tests the theoretical framework for loyalty programme effectiveness developed and empirically tested by Wang et al. (2014) in the airline industry, by including type and timing of rewards as moderators and by measuring customer loyalty from both a behavioural and an attitudinal perspective. It extends this framework to the financial services industry, where products and services range from basic to advanced, and which are very different to the products and services provided by the airline industry for which the framework was developed. Wang et al. (2014) called for the framework to be tested in other industries, as their findings related directly to the terms and conditions of an international airline loyalty programme in Taiwan.

This research confirms that customer loyalty developed through relationships with the firm is highly dependent on the type of relationships being formed within that industry and might even be different within the industry. An example of within-industry differences is the retail industry–where loyalty programme adoption is driven by sector characteristics and average purchase frequency (Leenheer & Bijmolt, 2008). The financial services industry mainly provides for contractual relationships, and the characteristics of these types of relationships influence the design elements required for loyalty programmes and the effectiveness thereof, as long-term orientation is an important moderator in developing customer loyalty (Park et al., 2013). Loyalty programme design elements differ between industries aiming to establish a contractual relationship versus those that do not (Furinto et al., 2009; Meyer-Waarden, 2008; Ojaiku et al., 2017), which have implications for switching costs (Hawkins & Vel, 2013; Kumar & Shah, 2004; Tarasi et al., 2013). The results also clearly indicate the difference made by long-term orientation in the service industry and contractual relationships in terms of timing of reward (Park et al., 2013).

This research confirms that the design elements in terms of customer perceived benefits and type and timing of rewards differ between industries, and thus supports the call for research to include more industries (De Wulf et al., 2001; Kim et al., 2013; Mimouni-Chaabane & Volle, 2010; Wang et al., 2014; Yi & Jeon, 2003). Loyalty programmes in the financial services industry differ substantially from those in the airline industry, as repeat purchase behaviour is not as relevant in the financial services industry as it is in the airline industry, but cross sell and relationship building is very important. Financial products are also seen as a necessity to be economically active, where airline products and services are optional and luxurious. The designs of these programmes are thus very different in terms of incentivising behaviour. This research provides firms in the financial services industry with valuable insights in terms of the design and structuring of their loyalty programmes to develop both attitudinal and behavioural loyalty.

The specific design elements for loyalty programmes in the financial services industry were determined to be social, exploration, monetary savings, and entertainment in nature. Social benefits were found to be the most effective, followed by exploratory and monetary saving benefits. This has significant implications for loyalty programme design within the financial services industry.

The finding that timing of rewards had no significant moderating effect on the relationship between customer perceived benefits and perceived relationship investment for loyalty programmes in the financial services industry, is very significant in both the academic and managerial domain. It is supported by seminal research indicating that customers who seek long-term relationships, or who have a long-term orientation, are not sensitive about the timing of the reward (Dorotic et al., 2012; Keh & Lee, 2006; Meyer-Waarden, 2015; Park et al., 2013), Timing has historically been linked to customer satisfaction in seminal research, which indicates that customers are in general satisfied with the products and services in this industry and do not expect loyalty programmes to compensate on this dimension. Programmes that aim to differentiate their offerings based on timing of rewards in this industry will not succeed.

Type of reward moderates both exploratory and entertainment benefits on the programme. Customers with a preference for indirect rewards will benefit from partners in these two categories. This finding is of importance, taking into consideration the multiplicity of partners on financial services industry loyalty programmes. This finding enables managers to choose the correct design elements to maximise loyalty programme effectiveness.

Partner quality has been found to be the strongest contributor to attitudinal loyalty, which in turns drive behavioural loyalty. Partner quality relates to the way the customer is being treated by the financial institution. This provides insight in terms of the relative importance of customer service versus benefits provided by the loyalty programme. Loyalty programmes cannot replace customer service dimensions in building attitudinal loyalty.

5.6 Conclusion

The research provides valuable insights into design elements of an effective loyalty programme for the financial services industry developing market-based assets and driving long-term value for the firm. Loyalty programmes in this industry need to focus primarily on social benefits, augmented by exploratory and monetary saving benefits, to drive customer relationships. Recognition has been found to have no significant impact on customer relationships. The relevance of these findings is marked, as financial institutions are challenged to align their loyalty programmes to foster brand association through social benefits that relate to the unique experience of ownership and utilisation of the financial products and which integrate with family, communities, and for example, education. The inclusion of exploration provides the opportunity for these programmes to expose consumers to integrated digitally enabled new generation financial services, with social impact.

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7 Appendix A

7.1 Acronyms and abbreviations

Table 50: Abbreviations used in this document

Abbreviation	Meaning
CRM	Customer Relationship Management
CLV	Customer Lifetime Value
CSAT	Customer Satisfaction
NPS	Net Promotor Score
CES	Customer Effort Score
SOW	Share of Wallet
RBT	Resource Based Theory
CE	Customer Equity
MC	Market Capitalisation
BRQ	Brand Relationship Quality
RFT	Regulatory Focus Theory
MSOP	Multiple Stakeholder Partnerships
PRI	Perceived Relationship Investment
SEM	Structured Equation Modelling
CFA	Confirmatory Factor Analysis

8 Appendix B

8.1 E-mailer to respondents

Gordon Institute of Business Science
University of Pretoria

Dear Ferdie,

You are invited to participate in an academic research study conducted by Sonja Fourie, Doctoral student from the Gordon Institute of Business Science at the University of Pretoria.

The purpose of the study is to investigate, analyse and describe how the perceived benefits of loyalty programmes influence customer loyalty in terms of both their behaviours and attitudes in the Financial Industry. We will provide you with a summary of our findings on request.

Please note the following:

- Your voluntary participation is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences. Please answer the questions as completely and honestly as possible. This should not take more than 10 minutes of your time.

- The study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give. (Kindly note that consent cannot be withdrawn once the questionnaire is submitted as there is no way to trace the particular questionnaire that has been completed.)

- The results of the study will be used for academic purposes and may be published in an academic journal or other lay articles.

- **Please feel free to contact me at sfourie@tiscali.co.za should you have any questions regarding the research.**

- **My supervisor is Dr Michael Goldman, Assistant Professor Sport Management Programme | University of San Francisco and Gordon Institute of Business Science.**

By participating in this electronic survey you agree that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

Please click on the following link to complete the survey: https://www.surveymonkey.com/r/GVDLGLM

Thank you so much in advance,
Sonja Fourie
(14461073)

This email was sent via P Cubed Analytical Intelligence (Pty) Ltd on behalf of Sonja Fourie who is a GIBS graduate. If you would like to unsubscribe from P Cubed Analytical Intelligence (Pty) Ltd marketing database, please click here; https://www.nationaloptout.co.za/DNC.aspx

Information contained in this e-mail, including attachments are at discretion of said scholar. It is confidential, private and intended for the addressee only and should you not be the addressee and receive it by mistake, kindly notify the sender and delete this information immediately without further disclosure to any other party. Save for bona fide views of P Cubed Analytical Intelligence (Pty) Ltd, views and opinions expressed in this e-mail are those of the sender only. P Cubed Analytical Intelligence (Pty) Ltd accepts no liability whatsoever for any loss or damages incurred, or suffered, arising from the use the information in this e-mail. P Cubed Analytical Intelligence (Pty) Ltd does not warrant the integrity of this e-mail nor that it is free of errors, viruses, interception or interference.

9 Appendix C

9.1 Questionnaire

Gordon Institute of Business Science
University of Pretoria

Loyalty Program Effectiveness

You are invited to participate in an academic research study conducted by Sonja Fourie, a Doctoral student from the Gordon Institute of Business Science at the University of Pretoria. The purpose of the study is to investigate, analyze and describe how the perceived benefits of loyalty programs influence customer loyalty, in terms of both their behaviours and attitudes.

Your voluntary participation is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences. Please answer the questions as completely and honestly as possible. This should not take more than 10 minutes of your time.

The study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give. (Kindly note that consent cannot be withdrawn once the questionnaire is submitted as there is no way to trace the particular questionnaire that has been completed.) The results of the study will be used for academic purposes and may be published in an academic journal or other lay articles. We will provide you with a summary of our findings on request.

Please feel free to contact myself on sfourie@tiscali.co.za should you have any further queries about this research. I am studying under my supervisor, Dr Michael Goldman, who can be contacted on goldmanm@gibs.co.za.

By participating in this electronic survey, you agree that:

- **You have read and understand the information provided above.**
- **You give your consent to participate in the study on a voluntary basis.**

1. Please indicate whether you are a member of any loyalty program (examples are ABSA Rewards, PNP Smartshopper, Ucount, eBucks, Vitality)

☐ Yes

☐ No

Respondents that are not a member of a current loyalty program will not be able to proceed to the next questions.

Please complete the following information about yourself:

2. My Age:

3. My Gender:

☐ Male

☐ Female

4. Are you a member of a Financial Services loyalty program (examples are ABSA Rewards, Nedbank Greenbacks, Standard Bank Ucount, FNB eBucks)?

☐ Yes

☐ No

If so, please answer the following questions in terms of the Financial Services loyalty program you belong to:

5. If you do not belong to a Financial Services loyalty program, please answer the following questions in terms of one of the following categories:

☐ Health (examples are Clicks Clubcard, Vitality, Multiply, Dischem)

☐ Travel (examples are Avios, Voyager, Protea, Procard, Legacy Lifestyle)

☐ Retailer/Grocer (examples are WReward, Thank U, Pnp SmartShopper)

☐ Other (please specify)

Please answer the following questions in terms of the loyalty program category you indicated you belong to:

6. In this loyalty program, which reward type do you prefer

- ☐ Direct Rewards (Rewards relating to the products and services of the firm to which the loyalty program belongs, e.g. banking benefits from your loyalty program)
- ☐ Indirect Rewards (Rewards that do not relate to the products and services of the firm to which the loyalty program belongs, e.g. travel benefits from the banking loyalty program)

7. In this loyalty program, which reward timing do you prefer?

- ☐ Immediate Reward (upfront discount)
- ☐ Delayed Reward (accumulating cash back or points)

8. Because I participate in this loyalty program

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I incur lower financial costs	☐	☐	☐	☐	☐
I spend more wisely	☐	☐	☐	☐	☐
I save money	☐	☐	☐	☐	☐
I discover new products	☐	☐	☐	☐	☐
I have access to more Information to make better financial decisions	☐	☐	☐	☐	☐
I try new products	☐	☐	☐	☐	☐
I have access to entertainment benefits	☐	☐	☐	☐	☐
Redeeming points is Enjoyable	☐	☐	☐	☐	☐
It is fun to participate in the program	☐	☐	☐	☐	☐
The employees of the company take better care of me	☐	☐	☐	☐	☐
I am treated better than other customers	☐	☐	☐	☐	☐
I feel I am more distinguished than other customers	☐	☐	☐	☐	☐
I belong to a community of people who share the same values	☐	☐	☐	☐	☐
I feel close to the brand	☐	☐	☐	☐	☐
I feel I share the same values as the brand	☐	☐	☐	☐	☐

9. The company that owns the loyalty program,

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Makes an effort to increase customers' loyalty	☐	☐	☐	☐	☐
Makes various efforts to improves its ties with customers	☐	☐	☐	☐	☐
Really cares about keeping customers	☐	☐	☐	☐	☐

10. In terms of this company:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I trust the brand	☐	☐	☐	☐	☐
The brand is honest	☐	☐	☐	☐	☐
I will continue using the brand in future	☐	☐	☐	☐	☐
The brand has always been good to me	☐	☐	☐	☐	☐
The brand reminds me of things, I have done or places I have been	☐	☐	☐	☐	☐
The brand reminds of who I am	☐	☐	☐	☐	☐
The brand reminds me of a certain period in my life	☐	☐	☐	☐	☐
Something would definitely be amiss in my life if the brand does not exist	☐	☐	☐	☐	☐
The brand and I have a lot in common	☐	☐	☐	☐	☐

11. How likely are you to:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Utilise the products and services of this company most frequently compared to similar offerings	☐	☐	☐	☐	☐
Do more than 50% of your purchases at this company	☐	☐	☐	☐	☐
Buy this company's products and services next time	☐	☐	☐	☐	☐

you need similar products or services					
Do most of your future purchases with the company	☐	☐	☐	☐	☐
Say positive things about the company to other people	☐	☐	☐	☐	☐
Do more business with the company in the next few years	☐	☐	☐	☐	☐
Consider this company as your first choice for these type of products and services	☐	☐	☐	☐	☐
Recommend this company to someone who seeks your advice	☐	☐	☐	☐	☐
Encourage friends and relatives to do business with this company	☐	☐	☐	☐	☐

Thank you for participating in this research.

10 Appendix D

10.1 Correlation estimates between constructs

	Monetary savings	Exploration	Entertainment	Recognition	Social benefits	Perceived relationship investment	Partner quality	Connection	Behavioural loyalty	Attitudinal loyalty
Monetary savings		.691	.594	.548	.534	.500	.403	.500	.465	.504
Exploration			.604	.594	.549	.546	.355	.525	.415	.492
Entertainment				.510	.583	.472	.446	.470	.464	.517
Recognition					.635	.411	.357	.522	.431	.497
Social benefits						.632	.600	.684	.565	.591
Perceived relationship investment							.688	.560	.641	.703
Partner quality								.621	.678	.779
Connection									.645	.692
Behavioural loyalty										.826
Attitudinal loyalty										

Note. All the P-Values indicate significant relationship at the level 0.0001

11 Appendix E

11.1 Regression weights and hypotheses

Hypothesis	Independent variable	Dependent variable	Estimate	P	Size of the effect	Hypothesis conclusion
H1a	Monetary savings	Perceived relationship investment	0.150	.015	Small	Monetary savings has a positive and significant effect on Perceived relationship investment because its P value (.015) is lower than .05. The Estimate value (0.150) means that when Monetary savings goes up by 1 standard deviation, Perceived relationship investment also improves by 0.15 standard deviations.
H1b	Exploration	Perceived relationship investment	0.186	.006	Small	Exploration has a positive and significant effect on Perceived relationship investment because its P value (.006) is lower than .05. The Estimate value (0.186) means that when Exploration goes up by 1 standard deviation, Perceived relationship investment also improves by 0.186 standard deviations.
H1c	Entertainment	Perceived relationship investment	0.129	.032	Small	Entertainment has a positive and significant effect on Perceived relationship investment because its P value (.032) is lower than .05. The Estimate value (0.129) means when Entertainment goes up by 1 standard deviation, Perceived relationship investment also improves by 0.129 standard deviations.
H1d	Recognition	Perceived relationship investment	-0.090	.194	Small	Recognition has no significant effect on Perceived relationship investment because its P value (.194) is above .05.
H1e	Social benefits	Perceived relationship investment	0.381	***	Medium	Social benefits has a positive and significant effect on Perceived relationship investment because its P value (***) is lower than .05. The Estimate value (0.381) means that when Social benefits goes up by 1 standard deviation, Perceived relationship investment also improves by 0.381 standard deviations.
H2a	Perceived relationship investment	Partner quality	0.550	***	Large	Perceived relationship investment has a positive and significant effect on Partner quality because its P value (***) is lower than .05. The Estimate value (0.550) means when Perceived relationship investment goes up by 1 standard deviation, Partner quality also improves by 0.550 standard deviations.
H2b	Perceived relationship investment	Connection	0.301	***	Medium	Perceived relationship investment has a positive and significant effect on Connection because its P value (***) is lower than .05. The Estimate value (0.301) Meaning when Perceived relationship investment goes up by 1 standard deviation, Connection also

Hypothesis	Independent variable	Dependent variable	Estimate	P	Size of the effect	Hypothesis conclusion
						improves by 0.301 standard deviations.
H3a	Partner quality	Behavioural loyalty	0.277	***	Small	Partner quality has a positive and significant effect on Behavioural loyalty because its P value (***) is lower than .05. The Estimate value (0.277) means when Partner quality goes up by 1 standard deviation, Behavioural loyalty also improves by 0.277 standard deviations.
H3b	Partner quality	Attitudinal loyalty	0.385	***	Medium	Partner quality has a positive and significant effect on Attitudinal loyalty because its P value (***) is lower than .05. The Estimate value (0.385) means when Partner quality goes up by 1 standard deviation, Attitudinal loyalty also improves by 0.385 standard deviations.
H3c	Connection	Behavioural loyalty	0.324	***	Medium	Connection has a positive and significant effect on Behavioural loyalty because its P value (***) is lower than .05. The Estimate value (0.324) means when Connection goes up by 1 standard deviation, Behavioural loyalty also improves by 0.324 standard deviations.
H3d	Connection	Attitudinal loyalty	0.298	***	Small	Connection has a positive and significant effect on Attitudinal loyalty because its P value (***) is lower than .05. The Estimate value (0.298) means when Connection goes up by 1 standard deviation, Attitudinal loyalty also improves by 0.298 standard deviations.
New path	Exploration	Partner quality	-0.119	.024	Small	Exploration has a negative and significant effect on Partner quality as its P value (.025) is lower than .05. The Estimate value (-0.119) means when Exploration goes up by 1 standard deviation, Partner quality goes down by 0.119 standard deviations.
New path	Social benefits	Partner quality	0.246	***	Small	Social benefits has a positive and significant effect on Partner quality as its P value (***) is lower than .05. The Estimate value (0.246) means when Social benefits increases by 1 standard deviation, Partner quality also improves by 0.246 standard deviations.
New path	Social benefits	Connection	0.477	***	Medium	Social benefits has a positive and significant effect on Connection because its P value (***) is lower than .05. The Estimate value (0.477) means when Social benefits goes up by 1 standard deviation, Connection also improves by 0.477 standard deviations.
New path	Perceived relationship investment	Behavioural loyalty	0.233	***	Small	Perceived relationship investment has a positive and significant effect on Behavioural loyalty as its P value (***) is lower than .05. The Estimate value (0.233) means when Perceived relationship investment goes up by 1 standard deviation, Behavioural loyalty also improves by 0.233 standard deviations.

Hypothesis	Independent variable	Dependent variable	Estimate	P	Size of the effect	Hypothesis conclusion
New path	Perceived relationship investment	Attitudinal loyalty	0.268	***	Small	Perceived relationship investment has a positive and significant effect on Attitudinal loyalty because its P value (***) is lower than .05. The Estimate value (0.268) means when Perceived relationship investment goes up by 1 standard deviation, Attitudinal loyalty also improves by 0.268 standard deviations.

Note. *** indicates significant relationship at the level 0.0001