




“Brand loyalty as a competitive advantage for South African banks”

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BRAND LOYALTY AS A COMPETITIVE ADVANTAGE FOR SOUTH AFRICAN BANKS

Abstract

This study investigates the role of brand loyalty in South African banking. More specifically, the study identifies brand loyalty factors in South Africa's banking industry. Brand loyalty can significantly impact a bank's competitiveness. Loyal customers do not switch banks and use more banking products; this earns a better income for a bank in the long run (such as home loans). The study's primary aim is to identify factors of brand loyalty in South African banks. Data were gathered from South African banking customers using a Google Forms digitized format questionnaire with a 5-point Likert scale. More than 1,000 questionnaires were distributed, and 150 completed questionnaires were returned (representing a 15% response rate). The results show that the data are suitable for multivariate analysis. It has an adequate sample (Kaiser, Meyer and Olkin measure > 0.70), acceptable sphericity ($p \leq 0.05$), and satisfactory reliability ($\alpha \geq 0.70$). The exploratory factor analysis identified four factors explaining a cumulative variance of 55%. These factors are: 1) customer service and satisfaction (34%); 2) negative publicity (7.5%); 3) regulatory compliance and trust (7.1%); and 4) trust and reputation (6.5%). South African bank managers can use the results to focus their brand loyalty strategies on their quest to be more competitive to face the strong competition in the banking industry.

Keywords

trust, customer, satisfaction, reputation, factors, service

JEL Classification

G21, M31, M39

INTRODUCTION

South Africa's banking industry is highly competitive. There are currently 55 registered banks and bank representatives in South Africa. These banks consist of fourteen locally controlled banks, three mutually controlled banks, thirteen branches from foreign banks, twenty-eight representatives from foreign banks, and four foreign-controlled banks. Three banks are in liquidation. However, the banking industry is dominated by five large banks: Standard Bank, First National Bank, Nedbank, Capitec Bank, and the Amalgamated Banks of South Africa (ABSA). These banks possess 90% of the market share. New market entries are the state-supported African Bank, Discovery Bank, and the digital banks TymeBank and Bank Zero, which aim to capitalize on low-contact banking habits.

Banks are constantly reformulating their competitive strategies to maintain their competitive advantage. Brand loyalty of banking clients is one way to improve competitiveness. Unlike some countries, such as New Zealand, where banking is free and considered an essential service, South Africans are paying relatively high service fees for banking products. In return, they expect South African banks to provide high-quality services. Therefore, banks are constantly looking for ways to manage and improve their competitiveness. Brand loyalty is one proven strategy to do so.

1. LITERATURE REVIEW

Banks of the future require innovative strategies to remain competitive. In this regard, product-, process-, and business model innovation strategies are ideally suited to establish a competitive advantage (Miller, 2022) and ensure customer loyalty and retention. In South Africa, for example, Capitec Bank applied product innovation and simplified their account structure to “GlobalOne” account where customers’ banking products are merged. The result is a cheaper and much more manageable banking. As a result, Capitec Bank (2022) has the leading market share in the large lower-income market. Likewise, other banks are targeting the high-end customers using technology and innovative investment options (such as wealth management expertise) on their banking products (Investec, 2022).

Innovation further drives the banking industry. The bank industry’s business environment has recently been influenced by digitization, COVID-19, trust in online systems, lockdown-buying behavioral changes, and comfort (amongst other factors) (Panassenko, 2022); all these influences have a direct bearing on banks’ customer retention and loyalty strategies. South African banks are now also competing digitally using all available technologies at their disposal. Tech trend are fast transforming banks into tech companies (Hamilton, 2022). Typical 4th and 5th industrial revolution trends are competitive innovations like blockchain technology, the Internet of Things (IoT), artificial intelligence (AI), distributed ledger, decentralized, digital currencies, Web3, and many more technological innovations are becoming common use technologies in inter-banking transactions and amongst banking customers (Skilton & Hovsepian, 2018, pp. 9-14). Banks need to update and accept innovative technology and invest in cloud computing and robotic process automation (RPA) to remain competitive (Hamilton, 2022).

Innovative technologies are ideally suited to improved banking competitiveness. Blockchain technology is one innovative technology that can benefit a bank’s competitiveness. Blockchain should not be confused and overshadowed by the term cryptocurrencies (as has been the case since their invention in 2009) (Royal & Beers,

2022). Blockchain is a shared distributed database or ledger between computer network nodes. Blockchain serves as an electronic database for storing data in digital form. The most well-known use of blockchain technology is to preserve and secure and decentralized record of transactions in cryptocurrency systems, like Bitcoin. Blockchain innovation fosters confidence without the necessity for a reliable third party by ensuring the fidelity and security of a data record. How the data are organized in a blockchain differs significantly from how traditional data are organized. In blockchain, data are gathered in groups, called blocks, where each block includes sets of organized data (Chen et al., 2018, pp. 1-4).

Blocks have specific storage capabilities. As soon as they are filled, they are sealed and connected to the preceding data block to create the data chain, known as the “blockchain”. Thereafter, every additional piece of information is stored in the next block, which is also added to the Blockchain once filled (Frankfield & Mansa, 2022). Therefore, Blockchain arranges its data into pieces (blocks) that are strung together, whereas a typical database organizes its data into tables (Hayes, et al., 2022). Blockchain can also be decentralized. In such a case, the data structure creates an irreversible chronology of data by design. When a block is completed, it is sealed irrevocably and added to the timeline, receiving a precise timestamp (Chen et al., 2018, pp. 1-4).

Blockchain technology has existed for more than ten years, and major institutions, including international banks, are already investing heavily in this technology. Major institutional investors are looking to capitalize on its innovative features and get a competitive advantage through early adoption. If senior management within banks is not already contemplating using this technology, they might soon be at a competitive disadvantage (Crosman, 2021).

Blockchain technology could assist the banking sector and its customers in addressing the prominent reasons for being unsatisfied and switching service providers. Customers mostly leave their primary bank for reasons such as (including, but not limited to) lack of trust, inclusivity, ethical reasons, fees, delays in service, and security concerns

around data, to mention a few. Blockchain technology, on the other hand, automatically addresses some of these concerns without any human interference or control.

Blockchain technology offers advantages to financial systems. Some advantages include (Ali et al., 2021, pp. 12731-12732) the trust, decentralization, proof of work, and different categories to apply Blockchain.

Trust is central in the decentralized technique of blockchain technology and conceals its most important feature. The network is protected specifically by a proof-of-work system, eliminating the need for outside parties to validate and record transactions. This protocol aids blockchain technology users in avoiding relying on external parties to secure all transactions and assets. There is no potential of creating a backdoor into the system because the entire technical code is open source for all parties. Contrary to the environment of banks, which control the capital and assets of their customers, this secure open access enables users to utilize Blockchain comfortably in a way comparable to utilizing their financial systems, coupled with control over decisions for ensuring the protection of their capital. Blockchain technology's dependability and trustworthiness are reflected in key terminologies, such as shared and public interfaces, transactional peer verification, little resistance to information dissemination, and cryptography-based security.

Decentralization is one of the key characteristics of blockchain technology, among others. Decentralization's immutability and resistance to censorship are its two most important features. One of its unique characteristics is that an individual's assets or capital are not dependent on a third party for its security and safety. Furthermore, blockchain technology's circularized and decentralized features would prevent the government or cyber terrorists from accessing the personalized ledger designed for personal use. The built-in proof-of-work mechanism assists computing in finding solutions to challenging mathematical problems.

Furthermore, proof-of-work is a popular consensus technique used to connect millions of autonomous nodes. The certainty that assets are safe is enhanced due to the protection against discre-

tionary dilution of the money supply. Key terms such as member anonymity, the capacity for automation, data redundancy, and peer engagement in developing "versatility" demonstrate the crucial decentralization integrated into blockchain technology.

Blockchain categories: In general, there are three basic divisions for Blockchain such as public, consortium, and private. Each member carries a comparable set of rights and prerogatives related to a public blockchain. These include distributing authority equally to all participants rather than giving centralized approval to a third party. Every party is free to join or quit the network in the interim. Every user of this feature is free to use, and any source, including Bitcoin, can validate transactions. The validation of transactions is impossible in the case of consortium blockchain. Additionally, only a select few key participants can validate transactions. Before the validation introduction, other members still have the option of certifying their transactions; these important members should have access to the agreement. The centralized configuration methods are ensured in the case of private Blockchain. The authority to decide, as well as the control over activities and the transaction validation process, rests only with one entity. The centralized authoritative member will also guarantee that the suggested consensus is the only one that should be followed. This resembles the structure of any centralized system, such as the government agencies that represent several states.

Prasad (2019) identified other advantages of blockchain technology, namely:

- 1) better security, as it is almost impossible to hack into a specific block of Blockchain;
- 2) high level of data reliability;
- 3) faster way to conduct transactions;
- 4) increased transparency;
- 5) no intermediary fees result in lower transaction costs; and
- 6) increased frequency and improved efficiency of trades.

Unfortunately, the South African financial system has been utilized by criminal syndicates, corrupt individuals and politicians, and state capture. The country's slow economic growth and poor S&P investment rating (BB- with a positive outlook) (Standard & Poor, 2022, as cited in Tradingeconomics, 2022) are linked directly to the level of corruption, fraud, lack of transparency, and accountability (Transparency International, 2022). Blockchain's improved security technology could, in this regard, improve the business community locally and globally (Golosova & Romanovs, 2018). Blockchain technology is still relatively new compared to traditional systems and technology (Niranjanamurthy et al., 2019). Many industry experts believe the actual technology has developed too quickly for regulations to keep up and be implemented accordingly (Oonagh, 2021). The absence of regulations further contributes to undesirable parties utilizing the system to exploit the lack of oversight from authorities.

The adoption of new technology, such as Blockchain technology in South African banks, is slow. According to Smith (cited in Stovall, 2020), the real issue with adopting any innovation is getting clients to take the initial step and explore the new technology. On the other hand, Carmichael stated that the adoption of digital technology had increased at the *Fifth Third Bancorp* institution. After the strict lockdown during the height of the COVID-19 pandemic, 74% of financial transactions are now occurring through digital channels opposed to 69% before the pandemic (Stovall, 2020).

Due to the nature of fintech companies, they are developed to provide services and products to their customers solely through digital/online channels. Many would agree that this ultimately puts fintech in a better position, given the current environment compared to traditional banks. However, the importance of well-established brands and trust among customers are attributes that are difficult to obtain. Only time will tell if banks will consider merging or buying particular fintechns, or if fintechns will obtain their banking licenses to offer more secured funding (Robert Walters Team, 2022).

The banks and financial services sectors are gradually adopting blockchain technology. Blockchain technology is predicted to completely change how

we conduct business, not just in the banking sector but also in fields like healthcare, government, and retail has the power to change the financial industry's overall security. Blockchain technology is positioned to impact how international transactions are carried out significantly, and digital assets are protected, including remittances, securities trading, and cross-border payments (Cyber Management Alliance, 2022).

According to the Cyber Management Team (Cyber Management Alliance, 2022), Blockchain technology could impact the banking sector, in particular in terms of conducting international transfers quicker and cheaper, reducing and eliminating fraud, increasing security, lowering costs as a result of automation, offering improved-quality products, lowering human participation and thereby minimizing human error, limiting costs of middle-parties involved in transaction execution, and improving transparency.

The financial sector seriously considers blockchain technology because it can significantly disrupt the traditional banking sector. The Blockchain's tamper-proof, decentralized, and unchangeable characteristics make it the perfect solution for cutting costs and optimizing various processes, including payments, asset trading, securities issuance, retail banking, clearing, and settlements. It is becoming clear that blockchain technology encompasses far more than just cryptocurrencies (Hayes, 2022).

Blockchain technology enables various banking opportunities. The BCG report (2021) states that banks can now issue their own cryptocurrency offerings or assist their customers in making cryptocurrency purchases. They can also advise business clients and act as reliable brokers for novel crypto-financial products. They can also play a part in improved verification by managing and maintaining the systems that uphold credibility in this new area (Kronfellner et al., 2021).

The digital ledger is so practical and useful in and of itself that it might eventually be taken for granted as a pillar of the financial sector. Some analysts contend that the digital ledger ushers in a third massive wave of web-based technology. The World Economic Forum (Warren et al., 2021) refers to the "token economy" because it allows the

free exchange of information, developed to platforms offering more tools, control and functionality, and eventually tokens at this stage, which are data structures that can reliably execute transactions without humans in control of it (Warren et al., 2021). Technology trends of specific interest to the banking industry are smart contracts, asset-backed digital tokens, nationally supported cryptocurrencies (central bank digital currency or CBDCs), artificial intelligence using Robo-advisory services, funding start-ups through initial coin offerings (ICO), nonfungible tokens (NFTs), and decentralized finance to offer financial applications based on Blockchain (Kronfellner et al., 2021).

These transactions are cryptographically protected to prevent tampering. Blockchain technology can completely change how the banking sector

operates and make it more transparent, effective, secure, and affordable (Vega, 2021).

The study identified five validated brand loyalty antecedents from the literature. These antecedents are *Service quality*, *Customer satisfaction*, *Loyalty*, *Reputation*, and *Trust* (Els, 2022; Grant, 2021; Khokhar et al., 2019). Table 1 describes these antecedents and provides literature sources for further readings.

This study's purpose is to analyze banking clients' brand loyalty in the current competitive environment for South African banks. The analysis uses the guidelines from Khokhar et al.'s (2019) model and measures the brand loyalty antecedents of customer satisfaction, customer service, customer loyalty, reputation and trust. The study further aims to specifically investigate

Table 1. Description and supporting sources of Khokhar's brand loyalty antecedents

Antecedent	Description	Literature sources
Customer service (Service quality)	Service quality measures how a bank (for example) delivers its services compared to its customers' expectations. When customers buy needed services, they have an expectation (consciously or unconsciously) of the bank's performance. Does the service meet the expected standards and satisfy the customer's need? High service quality meets or exceeds customer expectations. Service quality is measured across five antecedents: tangibility, reliability, responsiveness, assurance, and empathy. Service quality leads to customer satisfaction, which, in turn, leads to brand loyalty.	Cambridge Dictionary (2022); Choudhury (2014); Howard and Sheth (1969); Indeed (2022); Parasuraman et al. (1985, 1988); Samoszuk (2022)
Customer satisfaction	Customer satisfaction is a banking client's perception of how well a service performs. This perception is in comparison to their expectations. If perceived service exceeds expected service levels, customer satisfaction is achieved. Hence, managing expectations is just as vital as delivering services. Customer satisfaction encourages repeated business with the bank, thus developing brand loyalty among the bank's clients.	Grant (2021); Grönroos (1993); Otto et al. (2020); Samudro and Susanti (2021); Zouari and Abdelhedi (2021)
Customer loyalty	Loyalty is defined as " <i>the quality of being faithful in your support of someone or something.</i> " Oxford Dictionary (2022). Jacoby and Chestnut (1978) seminaly formalized the attitudinal and behavioral drivers of loyalty. Attitudes towards loyalty guide loyal behavior. Loyalty manifests itself in repeat purchases and brand commitment. Loyal clients make a bank's more profitable because they use more banking products and commit to longer-term products (like a home loan).	Aaker (1991, 1996); Dandis and Eid (2022); Jacoby and Chestnut (1978); Mjaku (2020)
Reputation	A bank's reputation consists of what clients and other roleplayers think (perceive) about the bank. This perception is based on personal experience, media messages, and facts. Reputation, however, remains a subjective qualitative belief someone has about a brand, person, company, product, or service. Social media (and the role played by "social influencers"), nowadays play a significant role in a business's reputation. Reputational damage is swift on social media, and judgement by the public is severe. Typical examples are BP's oil spill and Volkswagen's faulty emission tests. Social media was swamped with damming publicity. (For example, protestors circulated redesigned BP logos stating not "British Petroleum", but "British Polluters"). Reputational damage can result from facts or fake news – both could be equally damming.	Buxton (2022); Pahwa, (2022, 2023); Somekh (2022); Threlfall (2022)
Trust	Trust is a belief that there is good and honest intent that will not cause harm to you. Trust in a bank is that the bank is safe and reliable. Bank clients must trust their financial provider with their life savings and provide them with appropriate banking products and services (such as investment and retirement advice). Trust is also a function of transparency because of transparency. A transparent bank achieves higher customer satisfaction levels, increases customer retention, and increases loyalty among its clients.	Bisschoff (2020); Cambridge Dictionary (2022); Ebstein et al. (2016); Moneythor (2021); Parker (2019)

- 1) how modern technology, like blockchain, can improve banks' competitiveness;
- 2) how customers perceive the performance of brand loyalty antecedents after the pandemic; and
- 3) what factors (or latent variables) are embedded in customers' banking brand loyalty behavior.

South African banks can manage their brand loyalty and improve their competitive position in the industry. Ultimately, the paper aims to confirm if the established brand loyalty antecedents are still valid after the pandemic banking environment.

2. RESEARCH METHODOLOGY AND DATA

This study used a deductive, quantitative research design. Quantitative data were collected using surveys that measured the responses of banking clients on a 5-point Likert scale.

The population includes all banking clients aged 18 or older. They could be private or business account holders. The clients need to have an active bank account (where salary or other deposits are made) at a South African bank account to be included in the population definition. This bank account must also be their primary bank account. This means that it is the account where their main income is deposited regularly. The population excludes any respondent outside the South African borders and all accounts, which are not primary active bank accounts.

The study collected data during the COVID-19 pandemic. As such, the data were collected remotely. There was no face-to-face contact or physical distribution of questionnaires. The data were collected electronically. A random sample of 1,000 banking clients was drawn from a commercial bank's database. The bank acted as gatekeeper and emailed the letter of invitation to partake in the research to the sampled clients. The letter contained a hyperlink on which clients could click to open the questionnaire. The first page of the ques-

tionnaire included a consent form where respondents gave permission that the data could be used anonymously for research purposes and published in academic journals. The invitation contained the questionnaire's link and a consent form. This invitation was also distributed via a snowball sample on LinkedIn and Facebook social media platforms. The questionnaire was on Google Forms, and the responses were saved automatically in the database. The cut-off date for responses was August 30, 2022. After cleaning the data and discarding unusable responses, 150 responses were analyzed. The data were analyzed with IBM's Statistical Program for Social Sciences (Version 27) (IBM SPSS, 2022).

The study is classified as a minimal-risk study, and the North-West University's Ethical Committee issued an ethics number (NWU-00634-22-A4).

3. RESULTS AND DISCUSSION

The data were tested for suitability to perform multivariate statistical analysis (such as exploratory factor analysis). Three measures were used. They are the adequacy of the sample as per Kaiser, Meyer and Olkin (decision rule: $KMO \geq 0.70$), Bartlett's sphericity test (decision rule: significant at $p \leq 0.05$) (Field, 2017); and the data must be reliable as per Cronbach's alpha coefficient (decision rule: $\alpha \geq 0.70$) (Cortina, 1993). The analysis shows that the sample is adequate ($KMO = 0.888$), sphericity is not a problem (Bartlett is significant with $p < 0.00$), and the data are highly reliable ($\alpha = 0.842$). The data are, therefore, suitable to use in multivariate statistical analysis.

The South African banks' performance on the selected five antecedents is shown in Table 2. The mean value of each measuring criterion and the overall mean value for the specific antecedent are indicated. The scores below 3 signify unacceptable brand loyalty performance by banks. Scores ranging from 3 to 3.5 represent acceptable brand loyalty performance, and scores of 3.5 and higher indicate excellent performance (Bisschoff & Lotriet, 2009).

The results show that the banks perform excellently on the brand loyalty antecedents, Customer service, Customer satisfaction and Trust. Their

Table 2. Brand loyalty antecedents in banking

Criteria	Mean	Std. dev
Customer Service	3.886	
The likelihood of you spreading positive news about your bank	3.920	1.1023
Would you suggest friends/relatives do business with your bank?	3.740	1.1017
Intention to remain with your current bank	3.820	1.0560
Customer needs and requirements are met (customer centricity)	4.067	1.0210
Customer satisfaction	3.708	
Intention to remain with your current bank	3.820	1.1648
Did your bank satisfy your requirements regarding services/products?	3.887	.9867
Level of satisfaction towards your current bank	3.807	.9603
Banking requirements were met, resulting in customer-centricity	3.320	1.1371
Customer loyalty	3.332	
Level of loyalty towards the bank	3.833	1.0390
Likelihood of recommending your current bank to others	3.900	1.0915
Likelihood to sign up with another bank in 24 months	2.513	1.2888
Does the bank level of assistance contribute to your loyalty?	3.307	1.0865
The impact customer service has on loyalty	3.107	1.2857
Reputation	3.386	
Your bank's reputation in the public's eye	4.027	.9192
Bank reputation influences your decision to sign up	3.573	1.1606
The impact of negative publicity prompting you to switch banks	3.227	1.2214
Would a corporate scandal deter you from signing up?	3.800	1.1872
Would you be comfortable admitting whom you bank with after recent negative news?	3.240	1.2461
Impact of senior management changes on your decision to sign up	2.453	1.2617
Brand trust	3.817	
Do you trust your current bank with your savings?	3.727	1.0548
I am not comfortable transacting with a bank branded as corrupt	3.620	.8247
Impact of employee competency on your trust towards the bank	3.847	1.1913
The impact of non-compliance with regulators on your trust towards a bank	4.087	1.0987
I will not sign up with a bank that had a data breach	4.087	1.1109
High levels of trust form a buffer against negative experiences	3.533	1.0848

performance on the brand loyalty antecedents, Customer loyalty and Reputation, are acceptable.

Banks should focus their strategies to maintain excellent performance levels on the three antecedents such as Customer service, Customer satisfaction, and Trust to ensure these brand loyalty antecedents remain excellent. They should also maintain the current managerial interventions for the other two antecedents (Customer loyalty and Reputation). However, banks should develop further strategies and formulate additional managerial interventions to improve their performance of Customer loyalty and Reputation. Their most significant improvement in brand loyalty results will emanate from improving performance on these two antecedents.

The analysis also identified the factors using exploratory factor analysis. In this regard, Field (2017) indicates that Varimax method of orthog-

onal rotation seeks to maximize the dispersion of factor loadings and produce easier clusters of factors to understand. As such, it is ideally suited for exploratory research. Significant factor loadings of 0.40 and higher are retained in the study (Suhr, 2006).

Table 2 shows that four elements were placed into 20 of the 23 assertions. The three statements with factor loadings below 0.40 were discarded. The factor loadings are displayed in Table 3. The cumulative variance explained by the four factors (53.3%) is noteworthy because it exceeds the required 50% (Field, 2017).

Factor 1 is labelled "Customer service and satisfaction" and a total of 13 statements were loaded on Factor 1. The statements under factor 1 combine reputation, trust, loyalty, customer service and customer satisfaction statements. All these statements had factor loadings above 0.40, suggesting

Table 3. Exploratory factor analysis

No.	Statements	Factors			
		1	2	3	4
E2	I encourage friends and relatives to do business with my bank	.892			
E7	Do you believe your needs and requirements are the bank's main priority, resulting in customer centricity?	.887			
E3	I intend to continue doing business with the bank	.887			
E5	As far as your business needs were concerned, were you satisfied, and could your bank deliver what you need?	.864			
D2	How likely are you to recommend your current bank to family and friends?	.860			
E4	Have a strong preference for this bank	.811			
D1	Are you loyal towards your current bank?	.691			
D6	Does your bank's level of customer service play a role in your loyalty towards it?	.651			
C1	Do you trust your current bank with your life's savings?	.636			
B1	Does your current bank have a good reputation in the public's eye?	.568			
D5	Do you feel a sense of loyalty to your current bank due to the bank's continued efforts to provide you with financial guidance?	.542			
D3	How likely are you to sign up with another bank in the future (1-24 months)?	.511			
E1	I say positive things about the bank to other people	.418			
B3	Would any form of negative publicity around your current bank prompt you to search for an alternative bank in the future?		.780		
B6	Would any sudden changes in senior management (Shareholders/Directors) influence your decision to sign-up with a bank or not?		.684		
B4	Would any corporate scandal involving a bank deter you from signing up with them in the future?		.588		
C4	What impact would non-compliance with regulators have on your trust in a bank?			.754	
C3	Would the level of employee competency impact your trust towards a bank?			.733	
B5	If you had to become aware of recent negative news involving your bank, would you feel comfortable publicly announcing whom you bank with?				.701
C6	Does a high level of trust form a buffer against negative experiences that may arise among customers?				.628
C5	Would you feel comfortable sign-up (FICA) with a bank knowing there have been data leaks in the past?				.548
Variance explained		34.18%	7.51%	7.18%	6.54%
Cumulative variance explained		34.18%	41.68%	48.80%	55.34%

higher importance among the respondents. Only one statement (D3) provided a negative factor loading. The statement was inverted in its interpretation to accommodate the negative loading. A total of 8 statements (D2, E1, E2, E3, E4, E5, E7) had a factor loading of more than 0.7, suggesting a high level of importance and significance to the respondents. As these statements predominantly consist of customer service and satisfaction with an element of loyalty connected, factor 4 was labelled as the importance of customer service and customer satisfaction concerning customer loyalty. Factor 1 also had the highest variance factor of 34.17%.

Factor 1 reiterates the importance of customer service and satisfaction concerning customer loyalty. These factors are instrumental in the banking sector and could contribute to obtaining a competitive advantage. According to Arslan (2020), one of the essential objectives that organizations strive to ac-

complish is customer loyalty. Customers loyal to a business can be a financial source of income for them and influence those around them with their recommendations and incentives, allowing the company to attract new clients more affordably. As a result, building customer loyalty offers a significant competitive advantage, prevents customer attrition, secures revenue sources, and makes it simpler to acquire new clients. Factor 1 also corresponds with finding from studies before the pandemic (Al-Msallam, 2015; Khadka & Maharjan, 2017) and recent studies conducted during the pandemic (Lei et al., 2022; Arslan, 2020). This means that the pandemic had a little effect on this customer service and satisfaction as a brand loyalty antecedent.

Factor 2 is labelled "Negative publicity on the reputation" and consists of three statements, namely: B3, B4 and B6. Statement B3 had a factor loading above .7, suggesting a high level of importance. Statements

B4 and B6 have a factor loading below .7, but well more than the cut-off factor loading of .40. Thus, all three statements are considered important and highly relevant to the factor. All three statements related to the reputational elements of the banking sector respondents. All three elements refer to negative and unexpected events that the public may become aware of. This relates to negative publicity, corporate scandals, and sudden senior management changes. This factor is thus labelled the impact of negative publicity on the reputation. Factor 2 explains a variance of 7.50% (see Table 3).

Negative word-of-mouth damages a bank's brand reputation. Additionally, it damages a company's financial bottom line (Doctor Genius Team, 2020).

Factor 3 is labelled "Regulatory compliance in trust". Two statements, C3 and C4, are loaded on factor 3. These two statements deal with the trust per se that the respondents have towards their respective banks. More specifically, these statements refer to the importance of compliance with regulators and the required employee competency with levels. This factor is labelled the importance of regulatory compliance in trust as the feedback from respondents considers non-compliance as a non-negotiable and significantly important.

Both statements reflected a factor loading of more than 0.70, suggesting a high significance by the respondents. Factor 3 explains a variance of 7.11% (see Table 3).

Factor 4 is labelled "Trust and reputation". Three statements, B5, C5 and C6, are loaded on factor 4. These three statements deal with a reputational element and how certain factors affect the respondents' trust towards their respective banks. The reputational element covers the impact of negative news on your primary bank. The trust element speaks to how comfortable customers share data after data breach concerns and negative experiences (Lei et al., 2022). This factor has thus labelled the importance of trust and reputation because they both tie into one another, and if one is influenced, it will flow over to the other one indirectly.

Statement B5 reflects a factor loading of 0.71, suggesting that respondents regard this factor as very significant. Statements C5 and C6 had a factor

loading above 0.40, suggesting both statements were relevant and important. Factor 4 explains a variance of 6.54% (see Table 3).

Factors 3 and 4 combine regulatory compliance, trust and reputation within the sector and express each element's importance. The theory reiterated trust as the cornerstone for the success of a bank. Trust is one of the driving factors in increasing loyalty and it directly influences a bank's bottom line. Customers must trust their financial provider to provide their needed products and services (Moneythor, 2021). However, many companies fail because they inadequately address the risks posed to their reputation. Some risks may include (but are not limited to) regulatory penalties, a drop in the quality of products and services and poor workplace conduct (Glossop, 2021).

Table 3 shows that the cumulative variance is 55.34%. This is marginally below the desired variance explained of 60% but well above the cut-off 50% margin; this signifies a good fit to the data (Field, 2017). It is also noteworthy that Factor 1 is the most significant factor, with a cumulative factor of 34.17%.

This study identified the factors of brand loyalty for banking clients. The next step in research could be to specifically explore the factors as antecedents in banking competitiveness. Each factor can be studied, and its impact and a bank's competitiveness could be assessed. Likewise, an in-depth research of the individual factors, another lucrative option is to study the drivers of each factor. This means that the drivers behind each factor could be studied to determine the "why" behind the factor. Why do respondents regard this factor as a significant antecedent of brand loyalty? Such an understanding could also improve brand loyalty because managerial interventions could focus on these reasons, thereby improving loyalty levels. Future research can do a confirmatory study whereby these results are tested among a much larger (and diverse) population of banking clients.

The study is limited by the South African population diversity. This can influence the international operation effectiveness. Likewise, the study did not differentiate between cultural, religious, biographic, or other variables. It could be that different sub-groups and nationalities perceive brand loyalty differently.

CONCLUSION

The banking sector in South Africa is highly competitive and subject to brand loyalty influences. Brand loyalty is regarded highly within this industry. It directly influences customers' trust, loyalty, customer service and customer satisfaction. The findings reiterate banks' importance in managing brand loyalty interventions among current customers. A high brand loyalty level also attracts new customers. There are currently several banks to choose from in the South African market. Strong competition necessitates that all banks offer high service levels and a variety of products to their loyal clients.

This study contributes to the body of knowledge by increasing the understanding of the specific factors influencing brand loyalty in South African banks. Banks need to decide which areas or gaps need to be filled to meet customer expectations and reach greater customer satisfaction. This study supports the banking industry in comprehending the important problems that have an impact on both their performance and clientele. In addition, banks have a great opportunity to improve customer satisfaction levels and expand their client bases. Understanding brand loyalty will give banks an immediate competitive edge. The study's results can also assist banking industry management in making wise and informed business decisions. The study confirmed that, in a COVID-19 pandemic environment, brand loyalty is still an important strategic option in the managers' arsenal to maintain a competitive edge. More so, the study confirmed that in a COVID-19 pandemic environment, each brand loyalty antecedent (Service quality, Customer service, Trust, Customer loyalty and Reputation (as detailed in Table 2) are all still critical to manage brand loyalty in the South African banking industry.

In conclusion, this study measures brand loyalty antecedents and identifies brand loyalty factors of South African banking clients. All the antecedents remain important and reliable in the COVID-19 pandemic environment. Regarding the four identified factors, the first factor is the most important as it explains most of the variance (34%). Managerial interventions to address brand loyalty should thus focus on this factor before addressing the other three factors. South African bank managers can now use the factors identified for managerial intervention strategies to improve brand loyalty amongst their banking clients; as such better client retention should improve the banks' competitiveness. This should also improve the banks' profitability and returns on investment in the long run.

AUTHOR CONTRIBUTIONS

Conceptualization: Christo Alfonzo Bisschoff, Dries Els.

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