RELATIONSHIP BANKING IN A CLIENT-CENTRIC CONTEXT

by

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DECLARATION

I declare that the thesis hereby handed-in for the qualification Philosophiae Doctor (Economics) at the University of the Free State, is my own independent work and that I have not previously submitted the same work for a qualification at(in) another university(faculty).

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Isaiah, 43: 18-19

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LIST OF ABBREVIATIONS

AGFI	Adjusted Goodness of Fit Index
ADF	Asymptotically Distribution Free
AMOS	Analysis of Moment Structures
ATM	Automated Teller Machine
AVE	Average Variance Extracted
CCC	Cubic Clustering Criterion
CDS	Centre for Development Support
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CI	Confidence Interval
CLV	Customer Lifetime Value
CRM	Customer Relationship Management
C-SQ-P	Capabilities-Service Quality-Performance
DF	Degrees of Freedom
EFA	Exploratory Factor Analysis
EU	European Union
FAIS	Financial Advisory and Intermediary Services Act
FSP	Financial Services Provider
GFI	Goodness of Fit Index
GLE	Generalised Least Squares
GOF	Goodness of Fit
IFSP	Integrated Financial Services Provision

MANOVA	Means Multivariate Analysis of Variance
MLE	Maximum Likelihood Estimation
NAFTA	North American Free Trade Agreement
NFI	Normed Fit Index
NII	Non-Interest Income
NQF	National Qualifications Framework
OLS	Ordinary Least Squares
POS	Point-of-Sales
R&D	Research and Development
RM	Relationship Marketing
RMR	Root Mean Square Residual
RMSEA	Root Mean Square of Approximation
RNI	Relative Non-centrality Index
ROSQ	Return on Service Quality
SADC	Southern African Development Community
SAS	Statistical Analysis Software
SEM	Structural Equation Modelling
SRMR	Standardised Root Mean Residual
StatsSA	Statistics South Africa
TLI	Tucker-Lewis Index
WLS	Weighted Least Squares

CHAPTER ONE

THE SCOPE AND METHODS OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

More than ever before South African banks are strategically focusing on the needs of their clients.[1] Central to this strategy is the notion of being client-centric through building quality and mutually beneficial relationships in a services context. This is reflected in the annual reports of the so-called Big Four South African banks.[2] For example, ABSA states that they want "to be a customer-focused financial services group in targeted market segments" by "creating lasting and mutually beneficial relationships". Standard Bank indicates that "we do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs". Nedbank asks, "what makes us different and guides our long-term strategy? Great at listening, understanding clients' needs and delivering"; and First National Bank states "the focus is on differentiation through innovation, investment in people and improvements in efficiencies. Over and above this, each [business] segment has its own identified strategy to achieve optimal customer relationships".[3]

The notion of being client-centric implies that the bank focuses on meeting the needs of its clients. It is multi-dimensional in its nature and encapsulates several important aspects of the basic value proposition provided by a bank. For instance, service quality is an important driver of client-centricity. Indeed,

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[1] The terms "customer" and "client" are used interchangeably throughout the text. However, a client is commonly referred to as a person who uses the services of a professional such a bank. Alternatively, a customer refers to a person who uses the services of another. A client is therefore a more specific form of customer. This distinction should be kept in mind throughout the text especially where marketing literature is dealt with. The marketing literature refers explicitly to customers rather than clients.

[2] For purposes of this study, the Big Four South African banks are ABSA, First National Bank (FNB), Standard Bank and Nedbank. The study is conducted within the retail divisions of these banks. As a result, when reference is made to these banks, the retail divisions are the subject of the discussion unless indicated otherwise.

[3] These quotes are taken from the websites of the respective banks.

without an integrated service-driven strategy, banks cannot compete in an ever-increasingly competitive banking sector.

However, client-centricity implies that the bank responds to the needs of clients and to do this, the bank must be able to gather information from clients in order to identify the clients' needs. This implies that some form of relationship must be established between clients and the contact-personnel[4] they interact with directly. Adopting a relationship-based approach enables banks to acquire information on their clients due to being privy to proprietary client information. This enables banks, through the contact-personnel in branches, to identify trends in the behavioural intentions of clients and provides an opportunity to enhance the bank-client relationship due to banks being better able to assess the needs of clients.

These so-called bank-client relationships have distinct benefits for both the bank and the client. For instance, the relationship enables the bank to better assess a client's financial position and consequently make better-informed judgements when granting credit (Baye, 2006). This reduces credit risk for the bank. Furthermore, by identifying the behavioural intentions and spending trends of clients, banks can cross-sell additional products and services to clients. This is profitable to the bank because more products and services are used. On the other hand, a client benefits from the relationship because the bank is better equipped to identify needs and in so doing, offer products and services that address those needs. The bank also acts as a delegated monitor (see chapter two) whereby it in effect monitors the accounts of the client due to it constantly assessing the credit risk in its asset portfolio. A bank is able to assess the financial condition of clients. Therefore, in order for the bank-client relationship to be sustainable for both parties, it must be mutually beneficial.

[4] Contact-personnel are also referred to as client-facing staff and sales persons in the literature. Within this study, contact-personnel will be used and refers to all bank personnel that interact directly with clients. This may include bank tellers and information clerks, but for the most part, they refer to account or relationship managers who are actively managing the account portfolio of clients. Chapter five defines who were included as contact-personnel for the empirical part of this study.

However, building mutually beneficial bank-client relationships provide certain challenges. For example, committing to build a relationship with each client is costly, especially if all clients do not necessarily want a relationship with their banks. All clients are also not profitable in the sense that they are potentially revenue generating. This implies that the contact-personnel can perform an important 'screening' function – that is, the contact-personnel assess through all the available information and in-house tools at their disposal which clients an active relationship must be pursued.

Furthermore, the competition amongst banks is fierce. For example, within the South African context the Big Four are constantly fighting for retail market share. Clients are also becoming more autonomous, demanding, and financially literate in their behaviour and electronic channels, such as the Internet and automated teller machines (ATMs), resulting in clients interacting less with the physical branch. These so-called negative behavioural intentions result in less loyalty by clients towards a particular bank and as a result engaging in multiple banking relationships. Being the "main bank" of a client is therefore a difficult task and does not necessarily imply that the client has all the accounts with its "main" bank. This multiple banking relationship implies that a particular bank might take on more risk from a client due to (possibly) not being aware of additional exposures at other banks. The information flow is therefore not only about information transfer from the client to the bank, but also from the bank to the client. This is referred to as information reciprocity (Ahmad, 2005). In the event that clients do engage in multiple banking relationships, the eroding impact on bank revenues is exacerbated due to cross-selling initiatives diminishing (Beckett, Hewer, and Howcroft, 2000).

The intention for banks is to increase the number of banking products and services that clients use and at the same time, offer superior service quality to improve client satisfaction. If this is achieved, loyalty to that bank is improved and the bank ensures that clients are a constant stream of revenue (Wilson, Zeithaml, Bitner, and Gremler, 2008). Central to a relationship and client-centric-based approach is that clients must be retained over time and cross-selling must ensure that revenue is constantly acquired from the client. Client retention is central to such a strategy. The benefit of such an approach is not only linked to generating revenue, but also reducing costs that are associated with acquiring new clients. For example, Zeithaml and Bitner (2003) report that retaining a client is five times cheaper than acquiring a new client. This is due to reduced administrative and marketing costs and the service provider being able to "maintain margins without reducing prices". The bank-client relationship is therefore multi-dimensional in nature.

Adopting a client-centric approach that focuses on mutually beneficial bank-client relationships has been shown to improve the profitability and share prices of banks (Capgemini, 2005). The client-centric approach should however be provided in an environment focusing on superior service quality and banks must be proactive and flexible enough on a company-wide level (Landry, 2007). This will result in the bank not only retaining clients, but also being their main bank *and* increasing the number of banking products and services used by clients. Client retention is a major driving force for a client-centric strategy.

1.2 IDENTIFYING THE PROBLEM

The relationship between the bank and a client is multidimensional and dynamic in nature. Clients are placing excessive pressure on banks to satisfy all aspects of their banking needs. Coupled with this, banks have expanded their product and services offerings by adopting the bancassurance model – that is, they have diversified their product mix to include not only traditional banking products, but also insurance products. This has resulted in banks becoming a more comprehensive financial services provider (FSPs) rather than only a bank as such. Competition from both national and international diversified FSPs has also intensified the fight for market share in all business segments that banks typically function within.

In order for the bank-client relationship to be mutually beneficial to both the bank and client, the client must be loyal to the bank and in so doing, engage in repeat purchases. Central to achieving this is that the quality of services offered by the bank should satisfy the client. The pressure placed on banks to consistently provide such superior levels of service is immense. This has resulted in a concerted effort and acknowledgement by the South African banking sector of the challenges facing them to manage the bank-client relationship. The service and client focus dimensions of the relationship are in particular vital aspects of strategy for South African banks. For example, South African banks regard the speed of management decisions, client service, and sales and marketing strategy as their six most important aspects of competitive advantage in past and coming years. They also regard service quality, client focus, profit performance and growth, client retention, and the availability of key skills as several of the most pressing issues they face (PWC, 2009: 21, 23-24; 2007: 25, 27-28; 2005: 20; 2003: 16; 2002: 13; 2001: 17). In recent years, South African banks also acknowledge poor levels of service as being a major criticism of the banking sector. These factors all relate in some way to managing the bank-client relationship and in particular, being client-centric in nature with the objective of maximising profit performance.

Clients are also more vocal about their dissatisfaction with banks largely due to emerging platforms that provide reputation risk for banks. For example, Internet complaint websites such as "Hellopeter" and "Get Closure!" provide a platform for disgruntled clients to voice their dissatisfaction (or satisfaction for that matter) of services provided by companies from all sectors in South Africa. As a result, banks place tremendous emphasis on the awards and achievements they acquire relating to their service levels by splashing the news on their websites and advertisements in newspapers. Accolades such as Standard Bank and Nedbank winning respectively the "Outlook" Award and the "Ask Africa Orange Index" Award indicate the organisational urgency attached to service quality.[5] Banks have also introduced 'service promises' and 'service standards' that force greater accountability of contact-personnel to ensure high levels of service quality.

Customer satisfaction within this context is continually a central driving force of bank strategy. However, the challenge for banks is to ensure that they pursue mutually beneficial bank-client relationships while at the same time ensuring that they offer a consistent level of service quality that promotes client satisfaction and ultimately client loyalty. Banks need to constantly 'reinvent' the way they view the relationship with their clients, and this must be based on the changing nature of the needs of clients. This implies that if the perceptions of respectively the bank and clients are not aligned, banks lose clients to other banks and thus reduce client retention and revenue sources.

Therefore, a constant re-evaluation of the bank-client relationship and the various components that comprise that relationship must occur in order to ensure that the perceptions of the bank and clients are aligned. This will promote client satisfaction and ultimately the retention of clients due to increased loyalty. Adopting a client-centric approach is central to achieving this. However, given the pressures the market and client behaviour is placing on banks, the question to be asked is whether the client-centric approach is addressing the needs of clients and in so doing improving client satisfaction and loyalty. If this is not the case, banks need to re-asses their strategies to ascertain whether they are client-centric and in so doing addressing the needs of clients.

The formal problem statement is therefore that banks are not addressing the service quality needs of clients adequately and given their strategic aim of being client-centric and relationship-driven, this is a major problem that impacts negatively on the reputation and profitability of the bank.

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[5] Taken from the websites of respectively Standard Bank (www.standardbank.co.za) and Nedbank (www.nedbankgroup.co.za).

1.3 OBJECTIVES OF THE STUDY

1.3.1 Primary objective

The primary objective of the study is to investigate the nature and dynamics of the retail bank-client relationship within the client-centric context that South African banks are adopting. The study is conducted with three of the four largest[6] South African banks in central South Africa within the framework provided by the stages of relationship marketing, namely to acquire, satisfy, retain, and enhance relationships with clients. This provides the basis to investigate specific aspects (or constructs) of the relationship, specifically the perceptions that bank clients and bank contact-personnel have of bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and client-centricity.

1.3.2 Secondary objectives

The secondary objectives of the study are as follows:

- To provide an overview of the changing nature of banks to become more client-centric in nature.
- To provide an overview of the importance of service quality in the bank-client relationship.
- To compare the perceptions of clients with contact-personnel of bank selection criteria, service quality, client satisfaction, client loyalty, and the nature of the bank-client relationship.
- To identify the most important aspects of client-centricity identified by contact-personnel in retail bank branches to determine whether or not they are empowered to be client-centric.

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[6] Originally, the Big Four were the focus of the study, but one bank withdrew their participation.

- To identify tools or problem areas to improve and empower the ability of contact-personnel to be more client-centric in retail bank branches.
- To identify whether or not a relationship (through SEM) exists between a bank's relationship with clients, the satisfaction of these clients, and their intention to be loyal to the bank.
- To critically analyse the overall perceptions of clients and the perceptions of bank contact-personnel of clients *vis-à-vis* the bank-client relationship.
- To critically analyse whether or not South African banks are effective in their claim to be client-centric.

1.4 THE CONTRIBUTION AND MOTIVATION OF THE STUDY

The contribution of the study will be to provide a better understanding of the bank-client relationship between contact-personnel and clients in central South Africa that can be used by middle and senior retail banking management to better utilise their contact-personnel to address the needs of their clients. This will improve service quality within banks, promote client satisfaction and loyalty within a distinctly client-centric context. With the competition between banks increasing through primarily service-related retention strategies, any competitive advantage derived from service delivery will contribute to improving the satisfaction and loyalty of clients. This will further contribute to the generation of revenue from clients and repeat purchases through loyalty to the bank. Based on the data collected from both the contact-personnel and clients of the banks, problem and strength areas will be identified and recommendations will be made for improvements.

Furthermore, by collecting data on the perceptions of both bank clients and contact-personnel in central South Africa on the six constructs identified in the bank-client relationship, the study provides a platform for further studies of this nature in different locations and market segments throughout South

Africa. To the knowledge of the researcher, this study is also the first of its kind in central South Africa.

1.5 RESEARCH METHODOLOGY

A literature review is conducted followed by empirical research. The literature review is the basis for the empirical part of the study and deals with the multi-dimensionality of banking relationships. This is done within the context of the changing nature of banks to become more client-centric that entails amongst other things, becoming a one-stop financial services institution. The literature also deals with aspects of the bank-client relationship pertaining specifically to factors clients consider when choosing a bank, the perceptions of service quality, drivers of client satisfaction and client loyalty, specific aspects defining the nature of the bank-client relationship, and drivers of client-centricity from the perspective of the contact-personnel in the retail bank branches.

Although the literature on service quality and client satisfaction and loyalty is immense, the most relevant articles extract the dynamic nature of the relationship (see section 3.3.4). In particular, although banks have evolved over the years, their primary purpose is still to collect, store and disseminate information. By their nature, banks can identify the needs of clients. The question, however, is whether the perceptions of clients and those of the contact-personnel who deal directly with the clients and thus facilitate the relationship are aligned with each other.

Furthermore, the literature on 'relationship banking' distinguishes between a distinct marketing (social) stream and economic (contractual) stream (see section 4.3.5). This illustrates the complexity of the bank-client relationship: social bonds between the contact-personnel and clients are what facilitate and result in economic (or contractual) benefits to the bank. Care should therefore be taken from the bank's perspective that it should not be seen to cross-sell or "push products" onto the client without the client actually needing it. As such, a relationship model is proposed.

The empirical part of the study entails a survey research design to collect data from clients and branch contact-personnel from three of the four major South African retail banks.[7] A questionnaire is used for each respective respondent group and data is collected on six constructs that define components of the bank-client relationship. These constructs are bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the bank-client relationship, and client-centricity. The questionnaires are designed in such a way to enable a comparison between the two sets of respondents. The study is conducted in central South Africa and specifically in Bloemfontein, Bethlehem, Kimberley, Kroonstad, and Welkom.

The analysis conducted in the study involved two parts. Firstly, a descriptive analysis deals with each construct separately and provides the findings for each separate construct. Secondly, a structural equation modelling analysis is conducted that allows a relationship to be tested based on an *a priori* theoretical hypothesis. In other words, the structural equation model tests for relationships between three of the six constructs, namely, the relationship dimension of service quality (in essence a 'sub-construct' for service quality), client satisfaction, and client loyalty.

The study concludes with recommendations to bank management based on the findings of the study.

[7] All four of the Big Four South African retail banks were originally included in the study. However, one bank withdrew from the study before data collection ensued.

1.6 CHAPTER OUTLINE

Chapter two deals with the changing nature of banks to become more client-centric in nature. It starts by providing a brief theoretical overview of the role of banks in the economy. Central to the role of banks is their ability to collect, store, and disseminate information. Due to this, banks act as information collectors and disseminators and are equipped to collect information from their clients. As a result, banks have evolved to focus more on creating 'customer value' by becoming more diversified financial services providers, whereby they offer a wide range of both banking and insurance products. This has resulted in banks becoming more client-centric. The chapter provides an overview of what client-centric banks are, and how banks have become such organisations through the adoption of the bancassurance model. The characteristics of client-centricity are also identified and this is investigated in the South African context.

Chapter three considers the nature of service quality and how it affects client satisfaction and client loyalty. The literature indicates that several studies indicate a positive relationship between service quality, customer satisfaction, and customer loyalty. All three these constructs are used to define the bank-client relationship in the analysis chapters and the constructs are further used for the structural equation model. The literature confirms that if banks align their business practices to the needs of clients, they can provide better service, improve customer satisfaction, and improve the chances that the client will be loyal. This has a positive relationship on the profits of a bank.

Chapter four addresses the dynamics and characteristics of bank-client relationships. The literature on relationship marketing is essentially the basis for the literature on relationship banking. The importance of contact-personnel is highlighted as the link between the client and the bank. As such, the most important aspects of the bank-client relationship are highlighted from the beginning of the relationship. Bank selection criteria are therefore the criteria used by clients that initiate the bank-client relationship. Service quality, client satisfaction, and client loyalty in the banking context is also dealt with. The chapter concludes by providing a model for 'relationship banking' that is based on two identified streams of literature focusing on relationships in a banking context.

Chapter five deals with the research methodology used in the study. Two questionnaires are used to collect data from both the client and bank respondent groups. The chapter highlights the research process followed to develop, pre-test and collect the data.

The analysis of the data is divided into two chapters. Chapter six conducts a descriptive analysis of the six constructs identified within the bank-client relationship. These constructs, namely bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and client-centricity are analysed separately. The statistical techniques used include percentage tables, exploratory factor analysis, a means multivariate analysis of variance (MANOVA) analysis, cluster analysis, and cross-tabulations with pre-selected biographical variables with an impact on the cluster solutions. The analysis techniques used enable the comparison between the perceptions of clients and the perceptions that contact-personnel in bank branches have of clients. The client-centricity construct is not compared because it applies solely to the bank respondent group.

Chapter seven analyses the client data by using a structural equation model to determine whether a positive or negative relationship exists between the relationship dimension identified in chapter five, client satisfaction, and client loyalty. Confirmatory factor analysis is conducted prior to the testing of the structural model. Three hypotheses are tested in order to determine whether the constructs have a direct or indirect relationship between each other.

Chapter eight concludes the study and provides recommendations based on the findings and analysis conducted.

CHAPTER TWO

CLIENT-CENTRICITY IN BANKING

2.1 INTRODUCTION

This chapter provides an overview of the literature defining the approach of client-centricity in banks. Banks are in addition to traditional banking products, selling non-traditional insurance products. Within this context of a proliferation of financial products and services, it is argued that this approach reflects the move towards the so-called client-centric approach to financial services provision. That is, the needs of clients are increasingly reflected in the provision of financial services by banks to such an extent, that a visit to a bank ensures convenience *vis-à-vis* the scope of financial services provision. Banks are expanding product and service offerings and the distribution channels through which they are being offered is increasingly geared towards client convenience. Scholtens and Van Wensveen (2000: 1250) argue that creating "customer value" is a central focus of bank strategy and Allen and Santomero (1998: 1467) identified the importance attached to "people's time". This chapter furthers this debate by arguing that banks are becoming financial services providers (FSPs) geared toward the needs of clients with the strategic intent of becoming more client-centric.

Within this context, the first section of the chapter focuses on the notion of client-centricity. Convergence is discussed in detail, considering in particular how banks have evolved, the benefits that a diversified FSP has for clients, and how this explicitly addresses a client-centric focus. The Big Four South African retail banks are used to elucidate the nature of diversified FSPs in a South African context.

2.2 CLIENT-CENTRICITY IN THE FINANCIAL SERVICES INDUSTRY

Banks perform the important function of intermediation where information gathering is possible. To maximise this competitive advantage of being privy to information, banks can address the needs of clients by becoming more client-centric. This ability of banks is central to their existence.[1] Furthermore, MacDonald and Koch (2006: 42) suggest, "...banks add value in the economy by providing and processing "soft" information about those they provide services for". Banks use the information they collect from their clients to make decisions. By implication, asymmetric information has resulted in banks using specialised expertise to evaluate information they gather from clients (Rose and Hudgins, 2008: 18). This information is usually proprietary to the bank and results in them generating "information economies of scope" (Heffernan, 2005: 3). In being privy to proprietary information, the information acquired is essentially not 'non rival' as referred to by Nicholson (2002: 225). This enables banks to, at least partially, eliminate information asymmetries (Freixas and Rochet, 1997: 16). Credit histories are therefore used to eliminate or at least greatly reduce asymmetric information and adverse selection problems in the provision for credit (Heffernan, 2005: 6; Pindyck and Rubinfeld, 2005: 617; Salvatore, 2003: 642). The bank is thus able to minimise credit risk due to it being more informed about the client's ability to service the debt (Baye, 2006: 449-450). This is particularly important as the presence of asymmetric information has profitability implications.

Scholtens and Van Wensveen (2000: 1250) see financial intermediaries (including banks) as providing "consumers and business households with a

[1]For a thorough review of the of the evolution of financial intermediation theory and the changing role of banks, see the following: Fiordelisi and Molyneux (2006); Saunders and Cornett (2006); Baye (2006); Sobel, Stroup, Macpherson, and Gwartney (2006); MacDonald and Koch (2006); Van der Westhuizen and Gidlow (2006); Faure (2006); Rose and Marquis (2006); Heffernan (2005); Pindyck and Rubinfeld (2005); Bond (2004); Salvatore (2003); Frank (2003); Basu (2003); Nicholson (2002); Sinkey (2002); Allen (2001); Schotter (2001); Allen and Santomero (2001, 1998); Scholtens and Van Wensveen (2000); Stiglitz (2000); Allen and Gale (1997); Oldfield and Santomero (1997); Freixas and Rochet (1997); Berger, Udell, Humphrey, and Pulley (1996); Diamond (1996, 1984); Llewellyn (1996); Mas-Colell, Whinston, and Green (1995); Merton (1993, 1990); Stiglitz and Weiss (1988); James (1987); Fama (1985); Ramakrishnan and Thakor (1984); Chan (1983); Diamond and Dybvig (1983); Campbell and Kracaw (1980); Baltensperger (1980); Leland and Pyle (1977); Jensen and Meckling (1976); Benston and Smith (1976); Black (1975); Akerlof (1970); Gurley and Shaw (1960).

variety of services that fulfil their different needs" and that "value-addition should be the focus of financial intermediation". Client orientation is essential and the intermediary should be seen as focusing on profitably selling financial services. They regard the reduction of participation costs and the expansion of services as central to ensuring this. Sinkey (2002: 91) compares banks to communication firms in that they "both establish networking relationships through which they collect, store, process, and transmit information for themselves and customers' accounts".

Further to this, Rose and Hudgins (2008: 13) state that the success of banks "hinges on their ability to identify the financial services the public demands, produce those services efficiently, and sell them to the public at a competitive price". Similarly, Sinkey (2002: 4) likens banks to "factories engaged in information processing and deal making" that function in fields such as insurance, investment banking, corporate finance, and trust and retirement services. Besides improving economic efficiency, banks have evolved their business operations to provide a more diversified product and service mix, due to both the management of risk and the changing demands of its clients in a global financial market setting.

Fee-generating services have become progressively more important for banks and resulted in an approach where they generate *both* interest- and fee-generated revenues.[2] To enable this, banks must be as informed as possible of the client in order to identify opportunities to sell both interest- and fee-generating products and services. Due to technology playing an increasingly important role in the operations of banks, the opaqueness of banks is under threat due to the availability of information. In the information age, information is not necessarily always proprietary and is readily available. This suggests that perhaps it is not the information as such, but rather the *usage* of the information that is more important than before. With clients becoming more demanding, less loyal and engaging in multiple banking relationships (as will be seen in the following chapter), banks are constantly seeking to use the

[2] See section 2.3.6.

information they can acquire as efficiently as possible to generate fee-generating opportunities. This follows that the *quality* of the information is paramount to banks generating both interest- and non-interest income (NII) from its clients.

Therefore, if banks require maximising the profitability possibilities per client and avoid losing them to competitors, they need to create an environment that is conducive to not only acquiring clients, but also retaining them. By doing this, the bank can sell more products and services to the client. This implies that the bank must be geared towards the needs of the client, or be client-centric. As chapter four will indicate, the evolution of banks to improve client value and thus to be client-centric forms the central focus of building relationships with clients that are mutually beneficial to both the bank and client. Banks need to remain 'relevant' institutions in the context of both dynamic financial markets and its client base. Within this context, client value is imbedded in the notion of client-centricity as discussed below.

2.2.1Background to client-centricity

Changing consumer behaviour has been a major driver of adopting a client-centric approach and organisational growth through increased and diversified revenue streams continues to drive corporate strategy (Kilgore, Kolatch, and Colbeck, 2005: 12; Lymberopoulos, Chaniotakis, and Soureli, 2004: 34; Gentle, 2003: 2). This has lead to banks re-assessing the bank-client relationship[3] to align their product and service offerings towards satisfying the needs of clients. This strategy contrasts the previous approaches of merely providing products and services and segmenting markets accordingly, to rather identify the types of markets and customising product and service offerings to the specific needs of clients (Lymberopoulos *et al.*, 2004: 37; Trethowan and Scullion, 1997: 63).

[3] This is dealt with in more detail in chapter four.

Increasing the focus on market segments and the ability to constantly develop are key to successful banks in a client-centric context. Market segmentation provides a means to "divide" the market into smaller market-focused groups in order to profile the lifestyle of the client base (Trethowan and Scullion, 1997: 60, 63). The result of such an approach is that banks become more proactive to meet the needs of clients than previously due to being more informed of their particular needs. Indeed, the advent of technological advances in recent decades has raised concerns whether banks have explicitly focused on becoming proactive and geared towards the needs of clients on a sustainable basis (Hedley, White, Petit, and Banerjea, 2005: 1). In this context, Ahmad (2005: 318, 322) argues that the retention of clients is particularly challenging for banks, especially, in view of the increasing autonomy clients have to perform banking transactions. In particular, the degree of bank responsiveness enhances the quality of the bank-client relationship. It is clear that the degree of responsiveness, and by implication, the ability of a bank to be proactive in nature is an important aspect of client-centricity.

Further to this, several authors have identified a host of organisational characteristics that can be used to illustrate a client-centric culture. Band and Guaspari (2003: 36, 38-39) state that a customer-engaged organisation should deliver maximum value to clients through all its employees and that "customer-engagement" and the integration of "customer value insights" are integral to ensuring that an organisation has a client-centric focus. Essentially, a customer-engaged organisation is one that understands its customers and is willing to take action based on its knowledge of them (Band and Guaspari, 2003: 39). Singh (2004: 187) points out that banks should "listen" to clients in order to deliver products that "that they are willing to pay for". Hislop, Peterson, and Ziegler (2002: 4) refer to having a "holistic understanding of the customer's needs", and adding value to client offerings is seen as a key differentiator in a client-centric organisation by Devlin (2000: 222). Kilgore *et al.* (2005: 4-8) indicate that the core themes surrounding a client-centric approach are to create value for the client by offering a "tailor-made" experience through convenience, to provide a sustainable relationship based on "value creation", and to improve bank-client relationships through "superior service". Devlin (2000: 222) refers to value being created by offering a "competitive bundle of benefits".

A challenging aspect for banks is that increased competition and the Internet in particular, have resulted in ubiquitous information. This has, in turn, resulted in traditional norms of client expectations, behaviours and value perceptions to become distorted and more complex. Clients are becoming more hands-on, more distrustful, better-informed, more discerning, and more demanding in their relationships and interactions with banks (Hedley *et al.*, 2005: 1-3, 10-11). They refer to retail clients as demanding greater transparency and the simplification of opaque terms and conditions in their banking relationships. They further regard a key strategic driver for banks to gain competitive advantage is to optimise the potential of each bank-client relationship to ensure maximum responsiveness of client needs and behavioural patterns, thus becoming more client-centric. Therefore, being client-centric goes hand-in-hand with mutually beneficial bank-client relationships.

It is clear that the changing dynamics surrounding consumer behaviour and the competitive forces in financial markets are key factors affecting banks. Central to being a client-centric bank is the realisation that these market forces offer opportunities for management because their dynamic nature reflects the changing needs of clients and the financial industry at large. If these changing needs can be harnessed in a manner where they are ultimately addressed, a bank will be able to identify additional revenue streams. Client-centricity is therefore multi-dimensional in nature and incorporates not only the needs of clients, but also other factors including service, value, and convenience (Kilgore *et al.*, 2005). Having said this, banks need to have organisational structures *aligned* to achieving client-centricity. The following section identifies the organisational characteristics of client-centric organisations.

2.2.2The characteristics of client-centric organisations

The research of Selden provides an insightful perspective on the dynamics surrounding client-centricity. Selden (2007: 17-23) suggests four "building blocks" that an organisation can implement to become client-centric. Constantly using banks as a departure point, these building blocks are particularly important within the context of this study. The four building blocks are:

- **Implement a report system that regularly provides information on customer profitability**

Central to the suggestions provided by Selden (2007: 17) is that the profitability of clients must be monitored constantly and that achieving client-centricity is not only the function of the marketing department but rather a function of all management. Rather than having isolated business units assessing client profitability, a holistic view of the drivers and causes of client profitability must be used so that proactive management is encouraged. He refers to this as the "customer profitability model" and suggests that it be applied to statistically significant representative samples of customers to rank their profitability. This ensures that the organisation is more informed about the profitability of their clients and facilitates managerial decision-making.

- **Business units must be driven by needs-based customer segmentation**

Client-centric organisations must ensure that the specific needs of heterogeneous market segments are identified and that these needs are suitably addressed. Selden (2007: 18) suggests that the main reason for doing this is to "find very highly weighted needs that are ideally unmet". Referring to "weighted needs" he explains that certain segments might have the same needs, but merely "weight" them differently according to importance. This segmentation must be an "ongoing regular process" due to the dynamic nature of these needs, the weighting of specific needs and how they change, and for the reason that "competitors change the degree to which the needs of customers are being met".

- **Each customer segment must have a clearly defined value proposition**

These value propositions "meet the most important unmet/under-met needs of each customer segment". Selden makes it clear that the value proposition of each business unit should be explicitly linked to the weighted needs of the market segment or sub-segment that the unit services. He (2007: 20) also suggests that because the value propositions are specifically focused on particular segments, the manner in which the value proposition is communicated must be focused upon.

- **Customer engaged employees must be educated and empowered**

In order to be client-centric, the employees dealing directly with customers must be knowledgeable and empowered to address the needs of clients. Even if blocks one, two, and three are in place, becoming truly client-centric requires that the value proposition be communicated to clients by client-facing employees who are educated and empowered. This requires that they have in-depth knowledge and understanding of all four the building blocks of client-centricity, and should constantly be monitored and rewards and incentives aligned accordingly.

The idea of client-centricity is therefore focused on the needs of clients, rather than products as such. Specifically, it refers to 'what' products and services must be offered, 'how' they are delivered, and 'to what extent' the holistic needs of clients are consistently being met by doing this. As suggested by Selden (2007: 22), it is a multi-faceted approach that is not limited to merely meeting the needs of its clients, but meeting them on a consistent basis as they change. This, according to Selden (2007: 23), is why market segmentation is so important. By implication, being client-centric means that banks must not promote policies that are static. Rather, it is a phenomenon that is proactive rather than re-active; continuous rather than static; and strategically driven by senior management and the entire organisation, rather than only front-office sales employees.

Organisational alignment with the needs of clients is therefore important. Wilson *et al.* (2008: 269) refers to a service culture as "a culture where an appreciation for good service exists, and where giving good service to internal customers as ultimate, external customers is considered a natural way of life and one of the most important norms by everyone". Similarly, Kilgore *et al.* (2005: 9) highlight several characteristics essential to achieving organisational client-centricity for banks in particular. These include: senior management purposefully leading a well-defined client-centric vision; the alignment of the organisation around this vision; providing an information technology infrastructure that supports the client-centric vision; and the commitment of employees. Furthermore, Hislop *et al.* (2002: 5-6) identify three client segments for bancassurance, each requiring different sales, distribution and process channels: the 'traditional' mass market individuals, private (wealthy) individuals, as well as corporate and SME employees. Client-centricity is dependent on clear strategic objectives from top management driven throughout the organisation. The need to segment markets to properly align an organisation to client needs is clearly an important aspect of client-centricity. This however, can not be achieved if client-facing employees are not suitably empowered through not only the products and services they offer, but processes and technological infrastructure. Once again, therefore, the provision of a one-stop financial service is a holistic phenomenon that is not only limited to products and services, but also *how* these are provided.

Within this context, innovation is seen as a central management objective within a client-centric organisation, requiring an asserted focus on organisational strengths (Hedley *et al.*, 2005: 10). Selden (2007: 23) suggests that innovation be seen as "innovation in customer insight", implying that the answer to innovative products or services lies in knowing the needs of clients better. Selden and MacMillan (2006: 108) refer to the so-called "growth gap" – that is, the gap between the business plans (or projections) of an organisation and market expectations that are reflected in, for example, share prices and

Price/Earnings ratios. They refer to this growth gap as a lack of client focus (Selden and MacMillan, 2006: 108): "...companies are pouring money into their insular R&D [Research and Development] labs instead of working to understand what the customer wants and then using that understanding to drive innovation. More often than not, the traditional approach thrills R&D teams, but not customers or investors". This raises the particularly important issue that organisations must avoid becoming isolated from the needs of their clients. They suggest a process called "client-centric innovation" which entails a rigorous customer R&D process that improves the understanding and needs of clients better by communicating the value propositions better to enable a more satisfied client experience. They suggest three organisational benefits of adopting such a process (Selden and MacMillan, 2006: 110): first, a better understanding of the clients' needs are acquired that are often "opaque" to competitors; second, frontline employees are central to the process, resulting in improved service delivery and lower employee turnover; third, a process of "deep learning" occurs that ultimately closes the growth gap between organisational plans and market expectations.

The challenge for banks is to provide a suitable client-facing strategy that incorporates the needs of the client at its core to generate a competitive advantage. This involves not only matching client needs with suitable products and/or services offerings, but that the various, sometimes fragmented business units and bank systems that serve the client are suitably managed, controlled and market-orientated (Kaplan and Norton, 2006: 104; Seldon and MacMillan, 2006: 113; Hedley *et al.*, 2005: 8; Trethowan and Scullion, 1997: 67).

Given the "deep learning" suggested by Selden and MacMillan, banks through their nature are able to achieve this. By being privy to confidential information about clients, the challenge is not to gather the information as such, but rather to ensure that the information at hand is used effectively in order to address the needs of clients. An organisational culture must be evident that incorporates all the aspects of client-centricity as suggested by Selden (2007) and Selden and MacMillan (2006). Given the bancassurance model adopted by banks, this is not an easy task because, as Staikouras (2006: 134) suggests, the cultures of insurance and bank employees are distinctly different: "Insurance is associated with marketing innovation, consultative selling and incentive compensation. On the other hand, commercial banking culture is one of relationship building, little risk, stability and compensation schemes less related to performance".

To be client-centric therefore requires a concerted effort from all managers throughout the organisation. Due to banks engaging in both banking and insurance-related products and services, the pressure to align organisational objectives to that of the client is increasingly more difficult. Nevertheless, the 'diversified' nature of financial institutions reflects how banks, and the financial industry alike, have realised the need to increasingly address a changing market and client base. As such, convergence, as the practice of selling both traditional banking products and services and non-traditional insurance-related products is referred to, is the focus of the following section and reflects how banks have evolved from an organisational point of view.

2.3 CONVERGENCE: THE RESPONSE TO CLIENT-CENTRICITY IN FINANCIAL SERVICES PROVISION

With the pressure on financial institutions escalating due to the factors discussed above, banks have expanded their business operations into non-traditional banking activities to not only survive, but survive by being more aligned to market demands. This section argues that adopting this approach of expansion into complementary financial services industries is a response by banks, and financial institutions in general, to become more integrated client-centric organisations. Referred to as convergence, it is also commonly known as "bancassurance" in France, "allfinanz" in Germany, and "universal banking" in the United States of America (USA) and Great Britain (Rose and Hudgins, 2008: 19; Staikouras, 2006: 125; Bergendahl, 1995: 17).[4]

2.3.1 Defining convergence

The previous chapter indicated that the central function of a financial intermediary is to collect, store and disseminate information. Nayyar (1990: 513) indicates that diversified service firms can exploit information asymmetries due to being able to provide a more complete product and service offering to clients that allow cross-selling opportunities.

However, in an era where factors such as increased competition, globalisation, technological change, and geographical expansion have all resulted in banks becoming more sensitive to the needs of clients merely to survive, being privy to information has become a difficult task. These factors are so influential, that some refer to the effect on the financial services industry as revolutionary (Rose and Hudgins, 2008: 20). Artikis, Mutenga, and Staikouras (2008: 119) refer to bancassurance as a "form of corporate restructuring...[resulting from] calls for further integration". One direct result from these factors has been the focus of banks to expand their menu of products and services to not only include traditional banking, but also insurance products and services. This practice is commonly referred to as "convergence", and defined by Rose and Hudgins (2008: 22) as "the movement of businesses across industry lines so that a firm formerly offering only one product line ventures into other product lines to broaden its sales base". This has resulted in the revenues from banks expanding to include non-interest activities as a major source of operating income. As will be seen in section 2.3.6 NII generally accounts for approximately 50 per cent of total bank operating income.

[4] For simplicity sake, reference will be made throughout the text to either convergence or bancassurance.

Convergence therefore offers an approach where financial institutions are able to address the growing needs of clients. Several authors provide similar explanations of this business strategy that in essence offers a "one-stop" or "financial supermarket" financial services offering (Artikis *et al.*, 2008: 114). Rose and Hudgins (2008: 18) refer to banks becoming "the financial department stores of the modern era, working to unify banking, fiduciary, insurance, and security brokerage services under one roof". It also reduces transaction costs for the client (Rose and Hudgins, 2008: 13). Okeahalam (2008: 147) defines bancassurance according to the level of formality, where formal refers to mergers and acquisitions between banking and insurance firms, and less formal as those with "cross-selling and product bundling agreements. This is most evident at bank branches that sell insurance products". Claessens (2003: 86) refers to this integrated financial services provision (IFSP) as "a situation where a financial institution is able to provide all types of financial services (commercial and investment banking, securities markets, asset management, and insurance services) under one roof".

In essence, the practice of bancassurance shifts the focus from being merely a banking product or service offering to a more comprehensive *financial service* offering including high margin basic insurance products (Becket *et al.*, 2000: 24). Hislop *et al.* (2002: 2) define a diversified financial organisation as "a conglomerate offering both banking and insurance products, usually in the form of a holding structure of separate but interacting entities, an integrated alliance exchanging services or an integrated operational mode". The term 'bank' is therefore misleading. It would be fitting, rather, that these 'banks' be referred to as FSPs or financial conglomerates due to the proliferation of products and services.

Although 'one-stop' banking is indicative of a bancassurance model, Norman (2007) highlights the mixed success of adopting such an approach. Due to partnerships between banks and insurance companies taking various different forms from simple distribution agreements and strategic alliances to joint ventures, he highlights a successful bancassurance model to be one that focuses on the bank and insurers' core capabilities and strengths (Norman, 2007: 117-118). This implies a close working relationship between the senior management of both companies to ensure co-operation between two types with distinct different capital needs and risk profiles. Staikouras (2006: 142) refers to a "corporate closeness" existing between the two companies. The crux of Norman's study (2007: 117-119) is that a "one-size fits-all" approach to bancassurance is not possible in a world where local and international financial environments, although mutually inclusive of one another, demand different financial solutions *vis-à-vis* client needs. The needs of clients are central to adopting a bancassurance model. As Artikis *et al.* (2008: 114) put it, "The consumer is an integral part of the bank/insurance equation and probably the most important one, as it will either welcome or discard the new financial conglomerate".

Convergence is an 'all-inclusive' concept in the sense that it enables FSPs to offer a wide range of 'financial' products and services rather than 'only banking' or 'only insurance' products and services. Such an approach immediately provides an FSP employee the opportunity to offer a wider range of financial solutions to address the needs of clients. As suggested by Norman (2007) and Staikouras (2006), this must be driven by both bank and insurance management silos to facilitate a more client-centric approach to doing business. Convergence not only relies on selling both banking and insurance products and services as such, but also utilising the distribution networks of banks. Artikis *et al.* (2008: 114) highlight the importance of contact-personnel to fulfil to provide "valuable feedback...from a closer relationship with their customers...and distribute tailor-made products". Again, the nature of client-centricity reflects an inherent focus on the needs of clients, and as Artikis *et al.* (2008: 114) above suggest, providing tailor-made financial solutions.

It is important to consider the nature of diversified FSPs and exactly what they offer to management as a comprehensive organisational type.

2.3.2The characteristics of diversified FSPs

Most of the work done on bank diversification and bancassurance adoption focuses on USA and European financial markets due, in particular, to the passing of legislation enabling financial institutions to engage in such activities. In the USA, the Glass-Steagall Act (of 1933) and the Bank Holding Company Act (of 1956) separated commercial and investment banking and insurance activities and prohibited banks from engaging in brokerage and security underwriting activities (Rose and Hudgins, 2008: 17, 39, 49). These were consequently replaced in 1999 by the Financial Services Modernization Act (of 1999), or as is commonly referred to, the Gramm-Leach-Bliley Act.

The new Act allows "well-managed and well-capitalized banking companies" to have cross-holdings in insurance and securities firms. Its main purpose is to allow banking firms the opportunity to diversify their holdings and reduce their overall risk exposure (Staikouras, 2006: 128; Rose and Hudgins, 2008: 43). Several other relevant legislations have also been passed in the USA, including most notably the Riegle-Neal Interstate Banking and Branching Efficiency Act (of 1994) which replaced previous legislation that prevented full-service interstate banking throughout the USA (Rose and Hudgins, 2008: 42). On the other hand, in Europe all banks functioning as member states in the European Union (EU) were allowed to engage in universal banking activities under the auspices of the Second Banking Directive[5] to create a single banking market throughout the EU (Vander Vennet, 2002: 255).[6] These legislative changes along with the advent of globalisation have paved the way over the past two decades for diversified FSPs to expand their operations not only in terms of product, but also geographically.

Within this context, FSPs are able to increase revenue sources through cross-selling initiatives. However, organisational cross-holdings may result in risk considerations not evident in undiversified organisations, which may in turn

[5] The Second Banking Directive was adopted in 1989 and implemented in 1992 (Murphy, 2000: 4).
[6] For a thorough overview of developments that took place allowing a single market in banking throughout the EU in the late 1989s and 1990s, see Murphy (2000).

result in agency costs. Staikouras (2006: 134) suggests that proponents of bancassurance argue that it enhances managerial discipline, ensures economies of scale and scope, and promotes financial stability and economic development. Opponents on the other hand argue that it promotes conflicts of interest and monopolistic power, and does not generate cost reductions as suggested by proponents. This study however does not explicitly focus on macroeconomic concerns and focuses only on selected issues below.

2.3.3 Encourage cross-selling initiatives

The most obvious benefit of convergence is that banks are able to sell both banking and insurance products and services. Through convergence, the choice of financial products and services is larger to choose from. Furthermore, because banks are privy to confidential client information, they are able to identify opportunities to cross-sell additional products or services and increase revenue. Singhal and Vij (2006: 49) identify two types of cross-selling within a convergence context: banks selling insurance products, called 'bancassurance', or, insurers selling financial products, called 'assurfinance'. For purposes of this study, the former is the focus of attention. Non-traditional banking activities such as insurance income are reflected in NII in the income statement of a bank.

Staikouras (2006: 133) refers to banking and insurance products at the same time complementing and competing with each other as does Bergendahl (1995: 17), who also suggests that bank branches are useful because they "specialize in serving customers with financial transactions". Using the branch network of a bank is critically important as a platform for cross-selling. A study by Lymberopoulos *et al.* (2004) tested whether there were opportunities for Greek banks to cross-sell insurance products in the branch network. They found that the majority of respondents in their study were unaware that insurance products were on offer, albeit that a large proportion would in fact purchase insurance products at the branch (Lymberopoulos *et al.*, 2004: 45). Their study indicates a preference by the clients to rather purchase insurance products from insurance companies than from banks. This raises concerns for management if insurance products are not properly marketed in a traditional banking environment such as a bank branch.

Trust is also vitally important because clients might not be used to 'bankers' selling insurance products. As such, the marketing of both banking and insurance products should be a distinct part of the job description defined for all client-facing employees in a branch and a culture reflecting this must be evident. This marketing should encompass not only the product features and its availability in the branch, but also that the bankers are competent and accredited to sell insurance. In the South African context, the Financial Advisory and Intermediary Services (FAIS) Act of 2002 ensures that FSP employees engaging with clients are deemed "fit and proper" to offer financial advice to clients. It is vital that these 'standards' of accreditation are clearly visible for clients to see in order to harness trust as an accredited financial service provider, as FAIS requires.

Therefore, as Selden (2007), Selden and MacMillan (2006), and Staikouras (2006) all indicate the culture within a diversified FSP must reflect the needs of clients, and in this case, market an all-inclusive financial services offering rather than a fragmented 'banking only' offering. This is especially so because banks are able to recycle the knowledge of clients to identify cross-selling opportunities that reduce the possibility of switching to other banks (Bergendahl, 1995: 18, 24). Providing an all-inclusive financial offering should therefore be a critical success factor for branch employees. This not only ensures that cross-selling is a profitable proposition, but also enables clients to demand several products from a single banking outlet that can avoid a possible loss in market share.

A further benefit of cross-selling multiple products and services is that the fixed capacity of a bank is used more efficiently to result in economies of scale and scope (Singhal and Vij, 2006: 50; Bergendahl, 1995: 20). Economies of scale occur as the size of the organisation increases the "cost of production per unit of output tends to fall", where economies of scope refer to "the combined cost of producing each of these services in one firm are less than the combined cost of producing each of these services through separate firm" (Rose and Hudgins, 2008: 464). Artikis *et al.* (2008: 113) indicate that insurance companies rely on the distribution networks of banks to widen their client base and reduce distribution and agency costs. Conversely, banks are able to generate additional revenue streams. However, evidence provided by Berger and Humphrey (1997: 180) indicates that economies of scale and scope are not that evident in banks. Rose and Hudgins (2008: 465) state that large diversified FSPs might in fact not contribute to lowering the cost of production, but does contribute to increasing revenues as the number of products and services increase, as is evidenced through cross-selling practices (see section 2.3.6).

Hislop *et al.* (2002: 7) indicate that a problem associated with bancassurers when targeting different market segments is their attempt to cross-sell instead of cross-buy. Cross-buying allows the bank to suitably identify the changing demands of the particular client segment so that bank products and services are so attractive that clients 'want' to buy additional products instead of them merely being sold to them (Landry, 2007: 11). Hislop *et al.* (2002: 7) further suggest that banks and insurance companies collectively develop new services and "product combination opportunities", acquiring all relevant information on a client to customise product offerings. This is a particularly important aspect of the bank-client relationship as the bank must be able to address the needs to be client-centric. A client-centric organisation therefore enables such a situation, especially in view of the building blocks suggested by Selden (2007). Staikouras (2006: 134) suggests that bancassurance enables a bank to exploit loyal clients (and indeed create loyal clients) to "grab a larger share of household wealth", a practice marketers refer to as "increasing the share of wallet".

These studies suggest that increasing revenue sources to increase bank operating income is a central focal point when pursuing a bancassurance strategy. The following section provides evidence suggesting that NII is a volatile component of banks' operating income. Yet, albeit as a proportion of total operating income declines have occurred in recent times, NII, on average, contributes to approximately half of total operating income (see section 2.3.6). The components that make up non-interest activities are also diverse and cover a wide spectrum of financial services.

2.3.4 Risk reduction through diversification

Due to bancassurance encouraging cross-selling initiatives, it is argued that a diversified FSP contributes to risk reduction through the very nature of it being diversified. However, no evidence exists that categorically states bancassurance to be successful or not for FSPs (Artikis *et al.*, 2008: 119), especially in terms of minimising risk, and in particular revenue risk. As suggested by Norman (2007: 119), there are several examples of success and failures attached to adopting the bancassurance model. Several studies do however provide valuable insight for bank management to consider when pursuing a bancassurance partnership of any kind.

When referring to financial conglomerates in the USA and Europe, Van Lelyveld and Schilder (2003: 198-199) identify the possibility that engaging in diverse financial activities could result in exposure to separate regulatory bodies due to cross-country activities. They regard the primary motive for financial conglomeration (and by implication, bancassurance) as "revenue enhancement and cost savings".[7] They list several other factors such as the improvement of information technology, financial deregulation (especially in the USA), globalisation, pressure from shareholders to improve firm performance, and the integration of financial segments as financial firms venture into industries not typically theirs to offer "innovative, mixed products". As these conglomerates expand into more diversified markets, the products they offer and the organisational structures that facilitate such offerings become more complex and innovative. Their study also raises valid concerns about the size of financial conglomerates – although diversification occurs, the

[7] Singhal and Vij (2006) provide a useful overview of the different structural forms characterising financial conglomerates.

"too-big-to-fail" debate surfaces with the ensuing moral hazard implications (Lelyveld and Schilder, 2003: 203).[8] Claessens (2003: 122) confirms that the diversified FSPs could pose problems to supervisors due to their complexity, and also that their complexity might lead to increased risk-taking and the burden ultimately falling on taxpayers through the government safety-net.[9]

Rose and Hudgins (2008: 462) identify an important benefit of convergence - the so-called product-line diversification effect. They define this as "offering different services whose returns or cash flows are not perfectly correlated with each other, therefore reducing variability in the overall cash flows generated from sales of multiple services". In effect, the diversification acts as a possible risk mitigant for a bank (Rose and Hudgins, 2008: 463; Van der Westhuizen and Gidlow, 2006: 88).[10] A study confirming the product-line effect conducted by Rose (1989: 251) found that diversifying into, amongst others, insurance product lines, reduces revenue risk due to the low correlations between the revenue streams of banking and insurance products.

More recently, however, Stiroh (2004: 879) found no linkage between NII and bank revenue. In fact, his study indicates that NII is more volatile than net-interest income and no evidence suggests that risk is reduced *vis-à-vis* stable revenues. In particular, he notes that NII sources such as service fees were found to be highly correlated to net interest income. Similarly, Stiroh and Rumble (2006: 2158) find that the volatile nature of non-interest activities offset any diversification benefits they may provide and are found to be less profitable than lending activities. In contrast, Demsetz and Strahan (1997: 312) find that larger diversified FSPs do exhibit diversification benefits and that this benefit allows these large institutions to operate with larger debt ratios and take on riskier lending activities. The size of a diversified FSP does therefore, according to this study, result in revenue diversification benefits.

[8] For a detailed discussion on the arguments for regulation and supervision of banks and insurance companies, see Van Lelyveld and Schilder (2003).
[9] For a review of the literature on integrated financial services provision in developing economies, see Claessens (2003).
[10] See Rose and Hudgins (2008: 463) for a mathematical exposition of how, in theory, product-line diversification reduces revenue volatility.

Laeven and Levine (2005: 40) find that diversified FSPs in the USA have lower market values than if the activities were offered by specialised financial institutions. They therefore dismiss the possible net benefits that economics of scope may have due to diversification. In contrast, a further study finds that European financial conglomerates and universal banks were found to be more cost and profit efficient when non-traditional activities were considered than banks who did not engage in this form of activity (Vander Vennet, 2002: 279).

Okeahalam (2008) investigates whether bancassurance reduces the price of retail financial service products in South Africa. He finds that if firms do not have bancassurance cross-holdings in place, service fees are *lower* than if cross-holdings are in place. As he puts it (2008: 157), "larger price benefits (i.e., ability to charge lower prices) are more likely if two firms that have no cross-holdings use bancassurance". By implication, his study concludes that the price benefits of bancassurance are not necessarily linked to interfirm cross-holdings, but are rather "product- and transaction-specific" (Okeahalam, 2008: 161). According to his study, no evidence of the wealth effect exists – a favourable reaction to the share price of a well-managed bidder (acquirer).[11] However, Fields, Fraser, and Kolari (2007: 791) provide empirical evidence that bancassurance mergers do create a wealth effect, albeit it finding evidence that bancassurance mergers do support the idea of geographical diversification.

Albeit most studies focus on either a USA or European context, indicating the diversification benefits associated with being a diversified FSP are quite varied. Several studies have been found to contradict each other. Although the evidence provided is inconclusive, banks are still pursuing a bancassurance strategy with the motive of increasing revenue sources.

[11] For a review of studies focusing on the wealth effect, see Okeahalam (2008).

2.3.5 Information asymmetry and FSP behaviour

Following the role of a bank to reduce information asymmetry, Ingo (2005) refers to several conflicts of interest that might arise due to information asymmetry. Client-centric organisations must have the best interests of the clients at hand, so care must be taken to minimise conflicts where possible. Within a retail and private banking context these include (Ingo, 2005: 32-33):

- **Biased client advice**

This refers to clients receiving advice that may not be in their best interests, but is driven by incentives for the FSP to promote "high-margin 'house' products".

- **Involuntary cross-selling**

In an attempt to be more profitable, additional products may be sold that are not required by the client. Alternatively, a more profitable substitute product may be sold without the explicit knowledge of the client.

- **Churning**

Employees earning commission may exploit trading volume to increase their commissions. The cost of this is ultimately carried by the client.

- **Inappropriate margin lending**

Excessively high leveraged positions might be encouraged thereby exposing clients to greater market risks. Again, broker incentives could be the driving force behind this.

- **Failure to execute**

Failure to execute or the delayed execution at the expense of the client may be beneficial to the FSP.

- **Misleading disclosure and reporting**

In an attempt to avoid asset outflow, information reflecting unfavourable performance may be withheld from clients.

- **Violation of privacy**

Due to FSPs having access to privy information, this information may be misused or "leaked" to third parties without the explicit permission of the client.

Within the context of diversified FSPs, the practice of 'tying' is also regarded as a conflict of interest. At a wholesale level, tying refers to the practice of FSPs exerting their market power to influence, or coerce, their clients into buying the securities they underwrite or use their advisory services as conditional to receiving a loan (Rose and Hudgins, 2008: 37; Ingo, 2005: 28). Failure to do so could result in higher pricing and lower-quality service to the client. As Ingo (2005: 28) puts it, "Costs are imposed on clients that refuse to use other (more profitable) services". Tying is therefore a manifestation of a firm enforcing its market power over clients and is a typical example of the imperfect nature of financial markets (Ingo, 2005: 27).

In the retail context, with employees required to cross-sell both banking and insurance products, the practice of tying could also occur. In theory cross-selling generates additional revenue for the FSP, but, in an attempt to 'create the need', financial products may be sold that the client does in fact not need. So, while diversified FSPs do engage in bancassurance activities, management should be aware of these practices. These practices can be avoided by offering product bundles. Bundling is a pricing strategy that attaches value to what is being paid for and for offering products and services that are interrelated and offers a client the benefit of avoiding several "small payments," while being easier to administer from a bank's perspective (Wilson *et al.*, 2008: 444; Lovelock, 2001: 280). Due to 'packaging' interrelated financial products and services together, banks address the particular needs of a client. This is a preferred cross-selling tactic due to it reducing costs and simplifying the purchases of clients (Wilson *et al.*, 2008: 445).

However, although bundling results in a pre-determined package of complementary products and services, flexibility is lost when clients prefer not to use certain products or services within the package (Lovelock, 2001: 280). A solution to this would be to offer several different packages of products and services. In order for this to occur, a bank must have a clear understanding of the needs of clients and what products or services address these needs. Artikis *et al.* (2008: 117) suggest that bundling banking and insurance products together could reduce both the costs of loan origination and adverse selection. By implication, the ability of a FSP to gather proprietary information to generate possible (especially mortgage) loans and offer suitable insurance coverage concomitantly, suggests that to a certain degree adverse selection is reduced.

The conflicts of interests within an organisational context will always exist. It remains the purpose of management to reduce these inefficiencies where possible and conduct policies that are in line with organisational objectives. Within a client-centric context, these conflicts would further exacerbate any favourable rapport that may have been built up between the bank and its clients. Therefore, as with any managerial context, being client-centric requires a well managed organisation where client-facing business units are suitably empowered, but within a governance framework that promotes sound business and ethical standards.

2.3.6The impact of convergence on FSPs at the Big Four South African banks

The previous sections discussed the main aspects that characterise a diversified FSP from a theoretical perspective. This section takes a practical stance and considers the case of the Big Four South African retail banks and how convergence has characterised them from an organisational and branch distribution perspective.

TABLE 2.1

SELECTED FINANCIAL SERVICES BRANDS WITHIN THE ORGANISATIONAL STRUCTURES OF THE BIG FOUR SOUTH AFRICAN BANKS

	ABSA	FirstRand	Nedbank	Standard Bank
Major shareholder	Barclays Plc (58,8per cent)[1]	FirstRand Holding Company	Old Mutual Group (53,2per cent)[2]	Standard Bank Holding Company
Banking brands within group	ABSA Bank Meeg Bank	First National Bank First Rand Bank Rand Merchant Bank	Nedbank BOE Imperial bank	Standard Bank Stanbic
Insurance brands within group	ABSA Life ABSA Insurance	Momentum Life	Old Mutual	Liberty Life[3]
Other selected South African-based financial services brands within group	Sanlam Home Loans Virgin Money SA MAN Financial Services	Wesbank Lekana Employee Benefit Solutions	Fairbairn Pick 'n Pay Go Banking Motor Finance Corporation	-- --
Comments	Barclays Plc, a UK banking group, has a majority shareholding in ABSA Group Ltd.	FirstRand wholly owns FirstRand Bank Holding Ltd, FirstRand Investment Holdings (Pty) Ltd, Momentum Group Ltd.	The Old Mutual Group, which is a South African insurance company also listed on the London Stock Exchange, has a majority shareholding in Nedbank Group Ltd.	The Industrial and Commercial Bank of China Ltd became a 20 per cent shareholder in Standard Bank in 2007.

[1] The percentage ownership as of September 2008. [Source: www.absa.co.za]
[2] The percentage ownership as of December 2007. [Source: www.nedbankgroup.co.za]
[3] Liberty Life is a subsidiary of Standard Bank.

Table 2.1 indicates the different financial services brands within the organisational structures of the Big Four South African banks. Through cross-selling and product bundling practices, these South African diversified FSPs offer the products of the other cross-shareholding companies (Okeahalam, 2008: 155). Although ABSA and Nedbank are effectively owned by respectively UK-based Barclays Bank plc and the Old Mutual Group, all four banks have an explicit emphasis on banking and insurance brands within the organisational context. Besides ABSA, Old Mutual has a majority shareholding in Nedbank, and Liberty Life is a subsidiary of Standard Bank.

The diversified nature of the South African Big Four is reflected through not only insurance-related representation, but also innovative FSPs in consumer retail industries, vehicle financing, and expansion into other geographical regions. For example, although ABSA does not have a recognised insurance brand within the group holdings, it has 50 per cent ownership in Sanlam Home Loans (Pty) Ltd, Virgin Money South Africa (Pty) Ltd, MAN Financial Services (Pty) Ltd (see www.absa.co.za). These brands are well recognised and offer diversified revenue sources for ABSA through exposure in several different industries besides banking or insurance.

Standard Bank prides itself of its presence in 37 countries worldwide and has extensive exposure throughout Africa (see www.standardbank.co.za). In fact, the majority of acquisitions by the group in recent years have been in countries such as Nigeria, Tanzania, and Zambia to name just a few (Standard Bank Annual Report, 2007: 11). FirstRand has its FNB brand represented in countries including Namibia, Swaziland, Mozambique, Lesotho and India and its Rand Merchant Bank (RMB) brand in Ireland, Australia, and Mauritius (FirstRand, 2008: 29). All four banks have some form of representation in neighbouring African countries. This suggests the diversified nature of the organisational structure of these banks.

As already mentioned, convergence has resulted in banks expanding their service menu's to include non-traditional banking services. Table 2.2 provides the breakdown of NII as a percentage of total operating income for the Big Four South African banks and four largest banks in the world according to total assets (in USA dollars), as ranked by The Banker (2008: 184). What is noticeable from the South African banks' perspective is that FirstRand is the only bank with a ratio above 50 per cent since 2008. When one considers the group structures of the four South African banks, the FirstRand Group is the most diversified in setup with more brands than any of the remaining four (see for example the Annual Reports of the Big Four). Considering this diversified characteristic of FirstRand, it was the only bank to reflect an increase in the ratio until 2008. Prior to 2008, foreign banks all had ratios considerably larger than those of their South African counterparts. In this regard, the FirstRand Group is the only bank (besides Standard Bank) that is consistently comparable over the four year period.

Albeit that all the South African banks experienced a downward trend in the ratio over the period where this was not the case for all the foreign banks, when the sizes of the foreign banks are considered, only FirstRand provides any comparison. Most of the banks, and in particular the South African banks, have shown a decline in the ratio of NII to operating income since 2005.

TABLE 2.2

NON-INTEREST INCOME AS A PERCENTAGE OF OPERATING INCOME SINCE 2005 FOR THE BIG FOUR AND SELECTED LARGE BANKS IN THE WORLD[12]

	BIG FOUR SOUTH AFRICAN BANKS				FOUR LARGEST BANKS IN THE WORLD			
	ABSA[1,13]	FirstRand[2]	Nedbank[3]	Standard Bank[4]	Royal Bank of Scotland[5]	Deutsche Bank[6]	BNP Paribas[7]	Barclays[8]
COUNTRY OF ORIGIN	South Africa	South Africa	South Africa	South Africa	Scotland	Germany	France	United Kingdom
SIZE (in USA$m)[9]	93,249	76,901	71,454	174,920	3,807,892	2,974,163	2,494,412	2,459,148
2005	53,8	55,1	50,2	54,4	61,7	76,6	64,6	55,1
2006	50,2	59,0	45,0	53,7	62,2	75,4	67,3	58,9
2007	47,0	59,8	42,5	51,9	61,7	71,2	68,7	59,2
2008	49,5	55,3	38,4	49,9	35,5	40,9	62,2	56,7

[1] All figures indicate December data, except for interim results till June 2008. [Source: ABSA, 2008 Interim results]
[2] All figures are for the FirstRand Banking Group and indicate December data. [Sources: FirstRand, 2008 Annual Report]
[3] All figures indicate December data, except for interim results till June 2008. [Sources: Nedbank, 2008 Interim Results; Nedbank, 2007 and 2005 Annual Reports]
[4] All figures indicate December data, except for interim results till June 2008. [Sources: Standard Bank, 2008 Interim Results; Standard Bank, 2006 Annual Report]
[5] All figures indicate December data, except for interim results till June 2008. All data are based on calculations made by the author. [Sources: RBS Group, 2008 Interim Results; RBS Group, 2006 Annual Report]
[6] All figures indicate December data, except for interim results till September 2008. All data are based on calculations made by the author. [Sources: Deutsche Group, 2008 Interim Results; Deutsche Group, 2007 Annual Report]
[7] All figures indicate December data, except for interim results till June 2008. All data are based on calculations made by the author. [Sources: BNP Paribas Group, 2008 Interim Results; BNP Paribas Group, 2007 and 2006 Annual Reports]
[8] All figures indicate December data, except for interim results till June 2008. All data are based on calculations made by the author. [Sources: Barclays Group, 2008 Interim Results; Barclays Group, 2007 and 2006 Annual Reports]
[9] Source: The Banker, July 2008, pg. 184.

[12] Where calculations were made by the author, the financial statements of the particular bank did not provide the relevant ratio. This was the case for all the non-South African banks listed in Table 2.2. As such, care was taken to calculate the ratio of NII as a percentage of total operating income according to the information provided in the consolidated income statement of a particular bank. NII was considered to include all income generated by a bank excluding net-interest income.
[13] Figure not available in The Banker due to ABSA being part of the Barclays Group. Figure calculated as follows: June 2008 asset value taken from the 2008 ABSA Interim Report at an average exchange rate for the month of June 2008 at R7.91/$ taken from www.reservebank.co.za.

TABLE 2.3

SELECTED COMPONENTS OF NON-INTEREST INCOME FOR SOUTH AFRICAN BANKS

BANKING GROUP	SELECTED COMPONENTS OF NON-INTEREST INCOME	
ABSA[1]	Fees and commissions related to: Credit cards Cheque accounts Electronic banking Savings accounts Corporate finance fees	Portfolio and other management fees Trust and estate fees Pension fund payment services Unit and property trust income Short- and long-term Insurance premium income Insurance commission
NEDBANK[2]	Administration fees Cash-handling fees Insurance and exchange commission Service fees Guarantees	Bond originator income Service charges Securities dealing Investment income Rental income
FIRSTRAND[3]	Card commissions Commissions for bills, drafts and cheques Knowledge based fees and commissions Non-banking fees and commission from the sale of insurance products	Asset management and related fees Fees for health administration Service fees Cash deposit fees
STANDARD BANK[4]	Account transaction fees Card-based commission Knowledge-based fees and commission Documentation and administration fees Property-related revenue Insurance revenue from underwriting and bancassurance	Electronic banking Insurance fees and commission Foreign currency service fees Trust and other management fees Trading revenues Dividend income

[1] Source: ABSA Group Annual Shareholder Report (2007: 266-267)
[2] Source: Nedbank Group Annual Report (2007: 52)
[3] Source: FirstRand Group Annual Report (2008: 207)
[4] Source: Standard Bank Group Annual Report (2007: 244)

Table 2.3 provides selected components that contribute to NII for the Big Four South African retail banks and reflects the expansion of the products and services offered by these banks. Fees and commissions are dominant contributors and it is evident that these are generated through products and services such as credit cards, electronic banking, transaction accounts, trust management, bond origination, knowledge-based consulting, and the selling and management of insurance related products. Although the relative contributions of each component to total NII are not provided, the composition of NII reflects the diverse nature of financial products and services to offer one-stop financial offerings. From a client-centric perspective, clients are offered financial solutions that reflect the diverse nature of both banking and insurance industries.

Furthermore, the distribution channels used by a bank are also an important consideration as they provide the means to distribute their products and services and in so doing, contribute to being client-centric and ultimately building mutually beneficial relationships with their clients. Urwitz (1993) highlighted several years ago the importance of a branch network to build quality bank-client relationships. While banks in general have extended their service offerings, they have been forced to expand the types of distribution channels offering the services. Cravens and Piercy (2006: 295-296) state that the distribution channels of service providers such as banks render "the service to the end users rather than its [*sic*] being produced like a good and moved through marketing intermediaries to the end user". This is an important issue indicating that the distribution networks for services are different and more complex than those for exclusively goods.

Convenience is a major driver of service proliferation and having a diverse network of distribution channels ranging from face-to-face options such as branches to remote interfaces such as online banking (Rose and Hudgins, 2008: 18). Convenience is therefore central to both the product and service strategy *and* the distribution channel strategy of banks as electronic distribution channels offer "instantaneous delivery of financial services to a wide array of alternative locations" (Lovelock, 1983: 13). As Urwitz puts it (1993: 80), "The competitive strength of the local bank branch is its ability to provide availability and attention and to have an overall understanding of each customer's financial situation". Due to convenience and diverse service options contributing to client needs more favourably, a client-centric strategy is achieved in this context.

2.4 SUMMARY AND CONCLUSIONS

This chapter has indicated that financial intermediaries play an important role in the financial system and that the transfer of information is central to the intermediation function. Of particular relevance is the evolution of the role of a bank to innovate and focus on the client through, for example, expanding its fee-generating revenue sources.

Within this context, banks must be as informed as possible of their clients in order to identify opportunities to sell both interest- and fee-generating products and services. With clients becoming more demanding, less loyal and engaging in multiple banking relationships (as will be seen in chapter four), banks are constantly seeking to use the information they can acquire as efficiently as possible to generate fee-generating opportunities. This follows that the *quality* of the information is paramount to banks generating both interest and NII from its clients. Through the nature of intermediation, a bank is able to reduce the information asymmetry that exists due to the imperfect nature of financial markets. *By its nature as an intermediary*, it reduces information asymmetry by acquiring information from its clients. This further enables a bank to identify the needs and future revenue opportunities due to being privy to client information.

If banks need to maximise the profitability possibilities per client and avoid losing them to competitors, they need to create an environment that is conducive to not only acquiring clients, but also retaining them and encouraging them to have as many financial products and services as possible with the bank. This implies that the bank must be geared towards the needs of the client, or be client-centric. Through this model, banks sell both banking and insurance products and services through typical bank distribution channels. The composition of NII also reflects the increase in revenue sources that non-traditional banking products and services provide. In essence, banks align themselves with the 'financial' rather than 'banking' needs that clients may have to effectively become 'financial services providers'. As discussed in this chapter, a central role of a bank is to act as an intermediary and in doing this, it is able to collect information that it is privy to. In effect, a bank is able to collect, store, and disseminate this information. Assuming a given level of gathered information, this process allows banks the opportunity to identify the financial situations of its clients and also, any cross-selling opportunities that not only addresses their financial needs, but also identifies further revenue opportunities (Nayyar, 1990). Being able to provide both traditional banking and insurance products and services enhances this and serves as motivation for banks to pursue insurance partners that reflects the client-centric focus that has become part-and-parcel of current banking strategies.

Furthermore, from a purely theoretical perspective, the diversification of bank revenues into both interest and non-interest activities to diversify revenue risk makes good business sense. However, several studies indicate that the theoretical case is not always as clear-cut in reality, albeit that most of these studies have been conducted in the USA or Europe. Stiroh and Rumble (2006: 2158) suggest that although their evidence finds that non-interest activities are more volatile than interest-income activities, banks still endeavour to promote non-interest activities through cross-selling practices. They suggest a possible reason being that diversified FSPs have misinterpreted the notion of diversification, because the volatility associated with non-interest activities will, according to their study, not result in diversification benefits for the bank at all. However, banks still offer non-interest activities, and although diversification might not always reduce revenue risk, the needs of clients, and the subsequent provision of products and services to meet those needs, are reflected in these non-interest activities as in the lending activities. This suggests that the primary reason FSPs diversify into non-interest activities may be to address the changing needs of clients, especially in a competitive financial services industry.

Although stability in revenue sources is obviously important, the notion of "stability" should perhaps not only be attached to the revenue *per se*, but also to the source – having a "stable client base" whose needs are addressed and do not revert to either switching (or defecting) to another bank or engaging in multiple banking relationships. Therefore, the focus on non-interest activities implies that "stability" be an all-inclusive concept that is a function of a client's loyalty to a particular bank rather than only the 'lack of stability' (or volatility) in revenue that non-interest activities have been shown to exhibit. This is especially so in view of NII activities contributing to approximately 50 per cent of total operating income of banks in general. In the South African context this is also the case, and suggests that being a diversified FSP ensures that banks are able to meet the demands of clients by offering a comprehensive financial services package.

Diversified FSPs therefore perform an important role in the provision of financial services. This complements the notion of being client-centric as it creates a platform for banks to address the entire continuum of financial needs a client may have. Being able to gather "customer insight" as suggested by both Selden (2007) and Band and Guaspari (2003) through not only having business units aligned to a client-centric focus, but providing innovative and empowered employees the opportunity to gather these insights is just as important. Effectively, this promotes a culture of client-centricity due to client-facing employees having the necessary process and infrastructure at their disposal to consistently identify *and* address the needs of a changing client. This client-centric approach addresses the constraints on "people's time" and creates "customer value" – important drivers of financial intermediary existence in recent decades (Scholtens and Van Wensveen, 2000; Allen and Santomero, 1998).

Therefore, client-centricity is an all-inclusive concept that focuses on an organisational drive to be responsive and proactive to a changing market and more importantly, the changing client needs. And due to a bank by definition being able to collect, store and disseminate proprietary information, in its capacity as a diversified FSP it is well equipped to be client-centric. Although diversified FSPs are able to offer a wide range of financial products and services, it is crucially important for management to realise that they are functioning in a competitive market that competes not only on product and service offerings, but also basic service quality. In essence, this implies that client satisfaction should be the ultimate objective in the running of a diversified, client-centric business operation. Without the need of the clients clearly reflected not only in product offerings, but also in quality service provision, FSPs may defeat the purpose of being a 'one-stop' financial services operation that is client-centric in nature. In other words, given that banks are financial services providers, the quality of service the bank offers when delivering these services is paramount to ensuring clients are satisfied and remain loyal. Service quality, client satisfaction, and client loyalty form the basis of the following chapter.

CHAPTER THREE

SERVICE QUALITY AND CUSTOMER[1] SATISFACTION: A THEORETICAL PERSPECTIVE

3.1 INTRODUCTION

The previous chapter established the characteristics of a client-centric organisation. Banks have evolved to become diversified financial services providers rather than traditional banking-only services providers.[2] As such, banks are considered to be a more comprehensive institutional form reflecting a universal-type financial services provider as opposed to providing only banking products and services. With the dynamics surrounding the provision of financial services changing dramatically in recent years, increased competition from both traditional and non-traditional sources have resulted in banks competing with a more diverse and aggressive realm of financial institutions. The success of banks therefore lies in their ability to constantly address the needs of its customers and maintain any competitive advantage they have that differentiates them from competitors. The nature of banking is embedded in service provision and improving service levels is seen to provide important benefits to a bank.

As noted in chapter two, the changing dynamics surrounding customers are driving banks to focus more on individual, tailor-made customer solutions. Although banks are privy to proprietary customer information, customers are able to access information-rich sources such as the Internet and competing firms are adopting more aggressive marketing tactics to acquire customers. Ensuring the quality deliverance of its services is one way to promote this (Parasuraman, Zeithaml, and Berry, 1988: 12; Gaur and Agrawal, 2006: 317; Safakli, 2007: 185). As Rose and Hudgins (2008: 12) put it, "Their [banks]

[1] As indicated earlier, the terms "customer" and "client" are used interchangeably throughout the text. In the case of a service organisation, the concept 'client' is normally used and not 'customer'.
[2] Although this was established in chapter two, when reference is made to either "banking" or "financial" services from henceforth, it is considered to relate to the services offered by a bank, whether banking or insurance related.

success hinges on their ability to identify the financial services the public demands, produce those services efficiently, and sell them at a competitive price". This has resulted in the proliferation of services, or according to Rose and Hudgins (2008: 20), banks are "rapidly expanding the menu of services they offer to their customers". The importance of this is that improved service quality leads to increased levels of customer satisfaction and loyalty, which in turn results in increased profitability. Indeed, services providers are realising the importance of addressing customer needs and expectations in order to improve service quality and profitability (Mylonakis, 2009: 26; Koutovalas and Siomkos, 2006: 191).

This chapter provides an important linkage with chapter four, which focuses on the bank-customer relationship. As the often cited study by Ennew and Binks (1996: 219) states, "Service quality is widely seen as a key antecedent to successful customer relationships". This chapter provides an extensive literature overview of the nature of services, service quality and customer satisfaction. In addition, selected models and measuring instruments of service quality are discussed. The chapter concludes with studies focusing on service quality and customer satisfaction in the banking context.

3.2 THE NATURE AND DYNAMICS OF SERVICES

From an organisational perspective, the relationship between service quality and profitability is an important consideration for services firms (Zeithaml and Bitner, 2003: 519).[3] The seminal work of Heskett, Jones, Loveman, Sasser, and Schlesinger (1994) provides valuable insight in this regard. They provide a framework in a services provision context that operationalises the relationship between organisational profitability, customer loyalty, on the one hand, and the linkage with employee satisfaction, loyalty, and productivity on the other (1994: 164). Referred to as the "service-profit chain", the framework suggests that profitability is a multi-faceted result dependant on the synthesis

[3] See Zeithaml (2000) for a thorough review of the studies showing this relationship.

between organisational and customer interactions. It follows that the relationship established between contact-personnel or staff and customers is an important precursor for customer loyalty and consequently, organisational profitability (Heskett, *et al.*, 1994: 165). In the context of this study, the service-profit chain implies that building long-lasting bank-customer relationships will result in increased profitability for a bank due to the repeat interactions resulting in repeat transactions by customers.

Furthermore, Wilson, Zeithaml, Bitner, and Gremler (2008: 455) provide a good indication of the focus management should have on services: "[S]ervice quality's results – like advertising's results – are cumulative, and therefore, evidence with the link may not come immediately or even quickly after investments. And, like advertising, service quality is one of many variables...that simultaneously influence profits". A study by Rust, Moorman, and Dickson (2002: 7) considers whether firms in both the goods and services industries should focus on improving revenues, reduce costs, or adopt a dual focus emphasising both simultaneously to achieve what the authors refer to as "quality profitability". They broadly define a revenue focus as one that has an "external" thrust aimed at improving customer perceptions, attitudes, and ultimately customer satisfaction, whereas a cost focus improves the efficiency of a firm's processes (Rust *et al.*, 2002: 8-9). Adopting a revenue focus was found to provide significantly positively results on financial and customer relationship performances; whereas the cost and dual emphasis had no such effect. The revenue focus was also found to positively influence return-on-assets and share prices of the firms. Although the authors do not state that the results reflect either explicitly service or goods firms, they conclude that their results apply across the spectrum of the goods and services firms (Rust *et al.*, 2002: 19-20).

Rust and Oliver (1994) provide an approach called the "Return on Service Quality" or ROSQ methodology which quantifies the return organisations can attain by focusing on service quality. The approach provides the following causal relationship following an explicit investment in service quality by management: improving service quality increases customer satisfaction at process or attribute level, which in turn leads to an increase in overall customer satisfaction, followed by increased behavioural intentions such as repeat purchases, resulting in greater loyalty and ultimately improved profitability for the services provider (Rust and Oliver, 1994: 8). These studies provide a useful background to establish an important relationship between the improvement of service quality, customer satisfaction, and ultimately profitability for a services provider.

3.2.1 Defining services: The nature and characteristics of services

In order to define a service, a distinction is usually made between physical goods and intangible services in order to establish the characteristics of services. The seminal work of Grönroos (1978) suggests that the early focus by marketers generally ignored the distinction between goods and services.[4] Commenting on the literature at the time, he identified the need to separate the tools used to solve problems associated with the marketing of respectively goods and services (1978: 590): "The present marketing literature normally maintains that there is nothing like marketing of goods and marketing of services, but there is just marketing of goods (and services). So it also, although not on the same grounds, supports the view that everybody is in the same sort of business. Yet companies in the services sector still seem to be in trouble with their marketing".

Grönroos later refers (2000: 3) to services from a customer's perspective: "Customers do not buy goods or services, they buy the benefits goods and services provide them with. They buy offerings consisting of goods, services, information, personal attention and other components. Such offerings render services to them, and it is this customer-perceived service of an offering that creates value for them. In the final analysis firms always offer a service to

[4] Grönroos' paper entitled "A service-orientated approach to marketing of services" published in 1978 paved the way for the distinction between services and goods and an overall paradigm shift to focus on developing the literature on services marketing.

customers, regardless of what they produce". A service is therefore an "action" or "performance" that consists of "activities or a series of activities rather than things" (Grönroos, 2000: 47).

Given the studies above, the literature refers to services as having four distinct characteristics, namely intangibility, heterogeneity, inseparability, and perishability. Although services may include tangible elements, the service performance is intangible (Lovelock, 2001: 9). Due to services being "performances", they cannot be seen, felt, tasted, or touched when compared to physical goods (Wilson *et al.*, 2008: 16; Zeithaml, Parasuraman, and Berry, 1985: 42). Parasuraman *et al.* (1985: 42) state that this intangibility results in a lack of uniformity in the quality of services provided due to being "performances rather than objects". Grönroos (1978: 591) suggests that the intangibility of services results in not always being able to evaluate services, but rather, results in customers evaluating what they are able to. This, according to him, creates a problem for a services provider to manage the service process or else "the customer will, in an unguided manner, pick out tangible attributes which is the service in the customers' mind". Banks for example are services providers and, through the so-called 'products' they offer (such as cheque accounts or credit facilities), they in effect offer services to their customers. This follows that the intangibility characteristic of services is the most basic distinguishing feature of a service when compared to a physical good (Wilson *et al.*, 2008: 16).

Furthermore, services are heterogeneous due to the differences in delivery and experience by respectively the employee and customer (Wilson *et al.*, 2008: 16). Human interaction is thus central to this service delivery and results in no two service performances being identical. Zeithaml and Bitner (2003: 21) highlight the problem of not being able to provide "consistent service quality" due to heterogeneity. This is a major challenge for services providers as consistency in service provision ensure at least to some degree, that control is built into the service delivery process. This is however very difficult in view of service encounters not always being delivered by the same employees, customer needs differing, and the actual experience of the service itself differing for each customer (Wilson *et al.*, 2008: 16). Lovelock (2001: 12) refers to the difficulty to "standardize and control variability in both service inputs and outputs". Due to services being delivered in "real-time", conformity standards, improved productivity, and quality control are not always possible when delivering a service (Lovelock, 2001: 13).

A notable difference between goods and services is that services are simultaneously produced and consumed. This is commonly referred to as the inseparability characteristic of services (Wilson *et al.*, 2008: 15). Inseparability places the services provider in the unique situation that it is directly involved and cannot be separated from the service experience of the customer (Zeithaml and Bitner, 2003: 22; Grönroos, 1978: 591). As suggested by Wyckham, Fitzroy, and Mandy (1975: 61), the services provider is both the producer and seller of a service. Lovelock (1983: 12) refers to services as being "ephemeral", which highlights the importance of having processes in place that ensure that services are delivered correctly the first time.

Services are also not perishable. As Zeithaml and Bitner (2003: 22) put it, "services cannot be saved, stored, resold, or returned". Although services are perishable, services providers must manage the demand for their services by matching its capacity to the demand at a particular point in time.

Lovelock (2001: 9-15) suggests that the four generally accepted characteristics "oversimplify the real-world environment". As a result, he offers several additional characteristics:

- **There is no customer ownership of services**

Customers derive value from services although there is no explicit ownership of tangible elements.

- **Customer involvement occurs in the production process**

Customers play an essential role in the services delivery process and require the services provider to "train" these customers to effectively use certain services.

- **'People' are part of the product**

Whether a particular service is high- or low-contact in nature, customers interact with employees of the organisation. This requires that services providers employ staff who are well-trained and competent to perform the service.

- **Customer evaluation is difficult**

Due to services being generally high in credence properties, they are difficult to evaluate even after consumption.

- **The time factor is important when delivering a service**

Because a service is delivered in real-time, the speed attached to delivery may be associated with levels of customer satisfaction and efficiency. This characteristic is particularly important in a world where time is a scarce commodity and people may be inclined to pay more for speedier service.

- **Services use different distribution channels**

Services use distribution channels that are sometimes different to those of goods. For example, electronic channels are commonly used in the banking sector to facilitate electronic funds transfers.

The characteristics of services highlight the complexities facing the management of service-orientated organisations. Within the context of this study, the most important are the intangibility and heterogeneity characteristics of services, which reflect the difficulty to accurately quantify a service performance. Also, the customer is central to service delivery and the timely delivery of that service. This is especially so for the banking industry where their core business relates to service-related functions (Grönroos, 2000: 2).[5]

3.3 THE DRIVING FORCES BEHIND SERVICE QUALITY AND CUSTOMER SATISFACTION

Wilson *et al.* (2008: 83) state that service quality is the dominant element of customer evaluations when dealing with pure services such as, for example, banking services. The quality provision of services is therefore an important aspect in the services delivery process. Work done in this field has identified how difficult it is to define service quality (for example, see Wilson *et al.*, 2008; Curry and Penman, 2004; Parasuraman *et al.*, 1985; Lewis and Booms, 1983). This section considers the driving forces behind service quality and focuses also on the relationship between service quality and customer satisfaction. As established in chapter two, this is an important relationship if an organisation wants to be client-centric. Studies suggest that service quality appears to be a multidimensional construct (Wilson *et al.* 2008: 83; Arasli, Katircioglu, and Mehtap-Smadi, 2005: 521) and the causal relationship between service quality and customer satisfaction has also been questioned (see, for example Brady, Cronin, and Brand, 2002). At its core, however, services providers need to understand customer expectations to not only provide relevant services, but also align their services delivery practices to match these expectations. The actual customer perceptions formed from experiencing these services are just as important for the services provider in order for it to gauge whether it is suitably addressing the service needs of customers and providing superior service quality. With this in mind, the following section considers customer expectations and perceptions *vis-à-vis* services. In order to discuss the notion of service quality, it is firstly important

[5] For purposes of this study, banking 'products' refer to products that banks offer such as cheque accounts, credit cards, home loans *etc.*, and banking services refer to the derived benefit that those products offer *and* specifically, the customer service that occurs through bank employees and customers (Wilson *et al.*, 2008: 6). A bank is therefore seen not to sell physical goods as such, but rather products that, amongst others, enable the purchase of physical goods. This is in line with the spill-over effect characteristic of services suggested by Lovelock (1983). The following section investigates further the dynamics of services by focusing specifically on the drivers of service quality.

to discuss the dynamics of customer expectations and perceptions, especially in view of the debates surrounding the measurement of service quality.

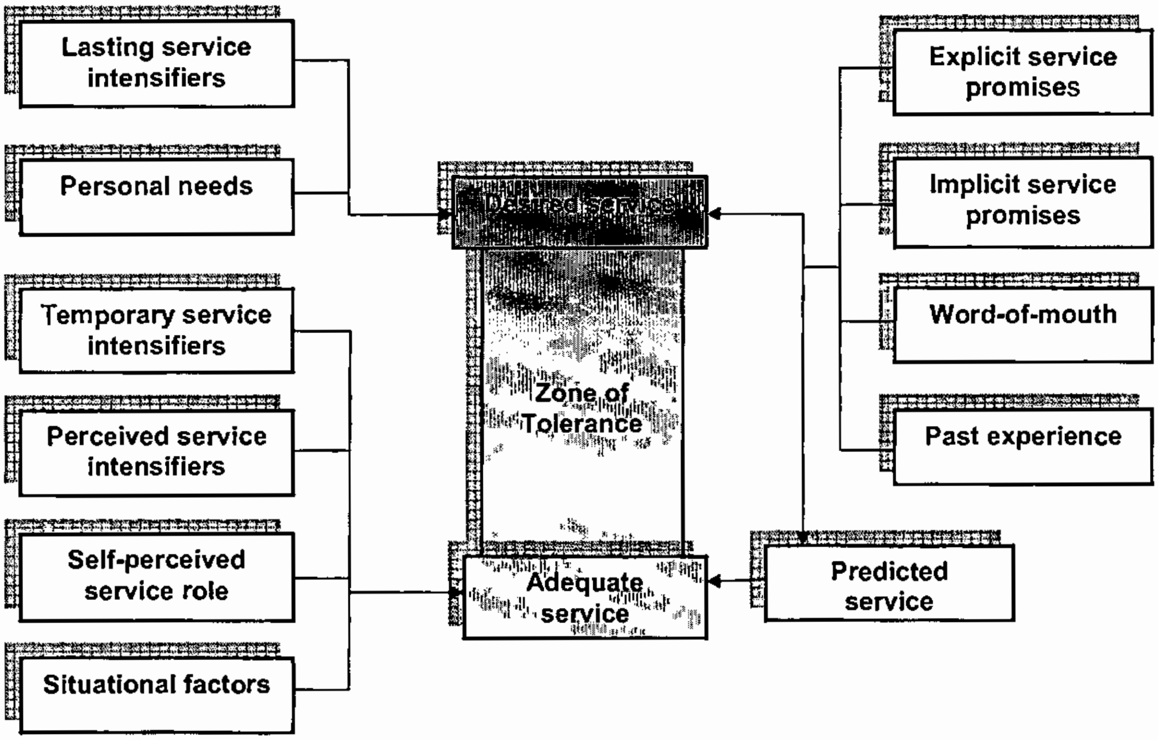
3.3.1 Customer expectations in a services context

Zeithaml and Bitner (2003: 33) define customer expectations as "the standards or reference points for performance against which service experiences are compared and are often formulated in terms of what a customer believes should or will happen". Wilson *et al.* (2008: 105) refer to expectations as "what a customer believes should or will happen". The factors influencing service expectations of customers are conceptualised in a model provided by Zeithaml, Berry and Parasuraman (1993). This is reflected in diagram 3.1 below. The Zone of Tolerance refers to a customer's tolerance of a service encounter. This zone is made up of what a customer regards as a 'desired level of service' and an 'adequate level of service.' The desired level of service reflects what a customer "hopes to receive" and is a combination of what "can" and "should" be present in a service, based on customers' personal needs (Wilson *et al.*, 2008: 57; Lovelock, 2001: 115).

On the other hand, adequate service refers to the minimum level of service that a customer is willing to accept (Wilson *et al.*, 2008: 57). This is usually based on the realistic understanding from customers that services providers are not always able to deliver the level of service they would prefer (Lovelock, 2001: 115). The variance of service that customers are willing to accept due to factors such as the heterogeneity of service is thus referred to as the Zone of Tolerance. Wilson et *al.* (2008: 58) refer to it as "[t]he extent to which customers recognize and are willing to accept this variation... [and reflects] the range or window in which customers do not particularly notice service performance. When it [the service performance] falls outside the range (either very low or very high), the service gets the customer's attention in either a positive or negative way". Service encounters please and surprise customers when the service performance is above the zone, and frustrates and disappoints customers when it is below the zone (Wilson *et al.*, 2008: 59; Lovelock, 2001: 116). Having said this, however, the Zone of Tolerance varies for different customers as well as for different service dimensions (Wilson *et al.*, 2008: 59). Once again, the heterogeneity characteristic defining services is strongly reflected in service encounters.

DIAGRAM 3.1

THE FACTORS THAT INFLUENCE DESIRED AND PREDICTED SERVICE EXPECTATIONS



Source: Wilson *et al.*, 2008: 64, which is adapted from Zeithaml *et al.*, 1993.

Special mention must be made of a services providers' ability to deliver a service at levels above the desired level. More specifically, if the actual service performance is above the Zone of Tolerance, customers are what is commonly referred to as "delighted" (Lovelock, 2001: 116). Rust and Oliver (2000: 86) refer to delight as "a profoundly positive emotional state generally resulting from one's expectations exceeded to a surprising degree". Delighting customers is therefore an ideal situation to have from a customer satisfaction perspective, but it comes at a considerable cost and effort to a services provider (Wilson *et al.*, 2008: 70). The study by Rust and Oliver (2000: 92) finds that delighting programs increase customer expectations that in turn result in it being costly to maintain, especially if competing firms are providing similar delight programs.

Service providers must also assess whether delighting customers in a particular case has "staying power" – that is, how long does a customer experience the delight before it is forgotten, so that further costs must be incurred to sustain the level of delight (Wilson *et al.*, 2008: 70)? If the customer forgets the experience quickly, the services provider needs to incur further costs to merely satisfy the customer, nevermind delight. This effectively "raises the bar" for future performances by the services provider (Wilson *et al.*, 2008: 70; Rust and Oliver, 2000: 86). Cognisance must therefore be taken of a services provider's ability to maintain high levels of service performance in a sustainable manner, be it through the actual service performed or the policies and processes that facilitate the service. If a market is characterised by competitors' delight programs causing customers to switch to them, it may be particularly costly to a services provider. However, sporadic and unsustainable levels of service reduce the predictability that customers require when receiving a service, and may be problematic especially because service reliability is regarded as the service dimension most highly regarded by customers (Wilson *et al.*, 2008: 62; Parasuraman *et al.*, 1988: 31). In a competitive environment, a services provider must therefore not strive to delight customers *per se*, but delight customers on a sustainable basis, bearing in mind the costs associated with such a strategy.

Several factors widen and narrow the Zone of Tolerance by increasing or decreasing the levels of desired and adequate service. What follows is a brief overview of these factors:

Desired service expectations originate from primarily two sources (Wilson *et al.*, 2008: 60-61):

- **Lasting service intensifiers**

These refer to "stable" factors such as expectations driven by other people and personal philosophies around service.

- **Personal needs**

Personal needs are driven by the personal or psychological well-being of customers and refer to social, physical, psychological, and functional needs that drive the desired level of service.

In turn, adequate service expectations originate from primarily five sources (Wilson *et al.*, 2008: 61-62):

- **Temporary service intensifiers**

This group of factors refers to those that create a short-term awareness for the need of a particular service.

- **Perceived service alternatives**

Expectations of adequate levels of service can originate from the possibility of alternative services providers offering the same service, or the customer being able to conduct the service him/herself.

- **Self-perceived service role**

As Wilson *et al.* (2008: 63) state, this factor refers to "customer[s'] perceptions of the degree to which customers exert an influence on the level of service they receive". For example, in a situation where customers are expected to give a bank information to assess a loan request, failure to do so results in the bank not being able to extend the loan, and thus not provide the service.

- **Situational factors**

These refer to factors that customers consider not in the control of services providers that may be relevant to the particular situation surrounding a service experience.

- **Predicted service**

Predicted levels of service also affect the adequate level of service. Predicted service refers to the level of service customers predict or anticipate they are likely to get from a services provider (Wilson *et al.*, 2008: 63; Lovelock, 2001: 115). In essence, customers make objective and calculated predictions of an imminent service encounter.

Several further factors also have an impact on both desired and predicted service expectations. These factors are categorised as being either external or internal to the customer. External factors such as explicit (through media and advertising) and implicit (such as a higher price for a service implying better quality) service promises directly affect both the desired and predicted expectations of service. In addition, word-of-mouth communication through statements made by parties other than the services provider provides information that may influence desired and predicted service expectations. Past experiences refer to an internal factor that is based not only on a customer's past experience of a particular service, but also on comparisons of similar experiences if no prior experience exists to a particular service encounter (Wilson *et al.*, 2008: 66). Situational factors may also play a specific role in determining service predictions.

An important consideration for services providers is whether customers *know* what they want from a services provider and how this in turn influences their service expectations. Services providers therefore need to determine whether or not the expectations of customers are realistic. A study by Ojasalo (2001: 202-203) investigates whether this is the case in professional services. The study defines several types of customer expectations. These are:

- **Fuzzy expectations**

This expectation occurs when customers experience a deficiency in the service experience, but do not know exactly how to improve the situation.

- **Precise expectations**

Precise expectations are considered the opposite, or as the authors refer to "reversals" of fuzzy expectations.

- **Implicit expectations**

These expectations reflect those generated when elements of a service experience are so obvious that the customer only becomes aware of them if they do not materialise.

- **Explicit expectations**

Explicit expectations are clear in the mind of the customer regarding what is expected of a particular service encounter.

- **Unrealistic and realistic expectations**

As the name suggests, these expectations are not likely to be met by a services provider or by the customer themselves. Alternatively, realistic expectations are "reversals" of unrealistic expectations – that is, these expectations *are* likely to be met by a services provider and customers themselves.

Ojasalo suggests (2001: 204) that services providers can reduce fuzzy expectations by engaging in "dialogue" with the customer. He implies a process that reflects a relationship between the customer and services provider where "customers realize and become more convinced about what they need the most and what will satisfy them in the long run" (2001: 204). This raises an important point. Although services providers provide certain "promises" to customers regarding their service, they are not expectations as such, but rather antecedents of expectations (2001: 207). Furthermore, promises do not always reflect in expectations and may even reflect the customers' distrust in a services provider should they be perceived as being false. Therefore, not only should services providers create service expectations that are realistic, but also make promises that do not create a sense of false belief for customers.

The study by Ojasalo (2001) holds important relevance to services providers because the expectations of customers are also deemed to be a function of them being realistic or not. If expectations are not realistic, then no matter what the services provider offers, the customer will always be unsatisfied. The role of the customer in service encounters must therefore be well understood and where possible, it must be determined whether expectations are realistic or not. It should also be the responsibility of a services provider to properly inform or 'educate' its customers to have realistic expectations of its service. As chapter five indicates, building mutually beneficial relationships are an option for this.

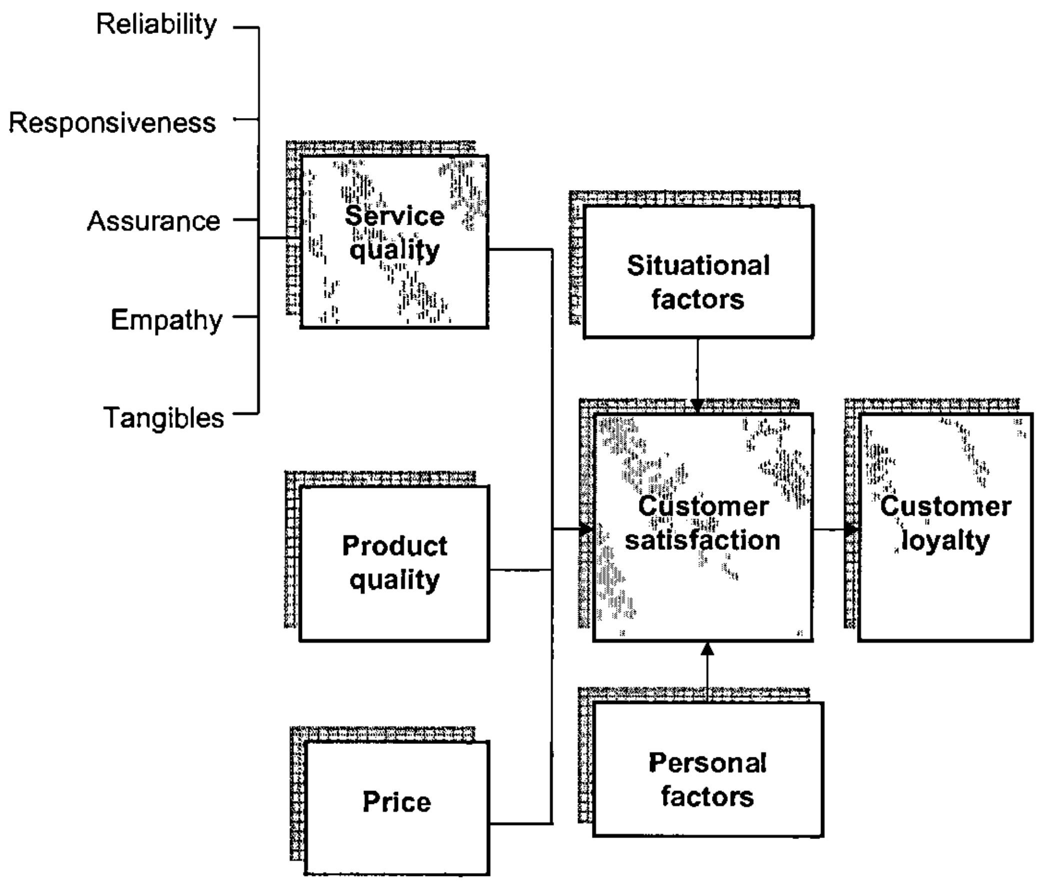
3.3.2Customer perceptions in a services context

Customer perceptions are regarded as "subjective assessments of actual service experiences" and are formed by perceptions of service quality and how satisfied customers are with their overall service experience (Wilson *et al.*, 2008: 78; Zeithaml and Bitner, 2003: 33). Diagram 3.2 depicts this relationship.

Diagram 3.2 reflects the notion that customer satisfaction is seen as a "broader concept" than service quality due to service quality referring explicitly to the dimensions of services (Wilson *et al.*, 2008: 78). Customer satisfaction, on the other hand, is derived from several sources including service quality, product quality, pricing, specific situational factors that are either controllable or uncontrollable, and personal factors. According to Hoffman and Bateson (2001: 298) service quality is considered an aspect of customer satisfaction. Perceptions can also be either transactional or cumulative in nature. Transactional perceptions are those that are formed due to a particular transaction, whereas cumulative perceptions result from several encounters with the services provider over a period of time.

DIAGRAM 3.2

CUSTOMER PERCEPTIONS OF SERVICE QUALITY AND CUSTOMER SATISFACTION



Source: Wilson *et al.* (2008: 79).

It is important for management to take cognisance of the difference in these perceptions. For example, an unsatisfied customer might be unsatisfied only because of a particular transaction not matching his or her expectations. This transaction-specific perception might however not influence the overall perception of service that the customer has of the services provider. For this reason, the more informed a services provider is of the different perceptions of its customers, the better it can equip itself to immediately improve service levels that result in customer satisfaction (Wilson *et al.*, 2008: 79). Doing this can be achieved by having mutually beneficial relationships with customers where services providers are constantly in tune with the expectations, and consequent perceptions of service encounters. Customer perceptions are therefore based on several components that influence the customer's subjective interpretations of service quality and ultimately, customer satisfaction.

Initial service perceptions are created when a customer interacts with a services provider. These interactions are referred to as "service encounters", "moments of truth" or "episodes" and are known as the "building blocks" for customer perceptions (Grönroos, 2000: 82). Service encounters "shape customer experiences" and should be managed by a services provider to ensure customer satisfaction and loyalty (Lovelock, 2001: 54). Grönroos (2000: 72) refers to these encounters as being "moments of opportunity" that can positively (and/or negatively) influence customer perceptions. Because services are "inherently relational", a service encounter is a process due to the interaction between customers and a services provider and even single encounters include relational elements (Grönroos, 2000: 6). For each encounter a customer creates a "composite image of the firm" in the memory of the customer, which in turn creates either positive or negative assessments of service quality and consistency in service delivery (Wilson *et al.*, 2008: 90).

Lovelock (2001: 57-58) distinguishes between high-, medium-, and low-contact services. High-contact services require direct contact between the customer and the services provider and its employees throughout service delivery. Medium-contact services require less contact between the services provider and its employees throughout service delivery. Low-contact services require little or no contact between customers and services providers and contact takes place at "arms length" usually through electronic distribution channels. Similarly, Wilson *et al.* (2008: 91-92) classify service encounters as follows:

- **Remote encounters**

These service encounters occur without any direct human contact or interaction. Although no explicit human contact occurs, customer perceptions of quality are influenced through the performance of the services providers' remote service, such as the performance of an automated teller machine or the ease of use of online banking facilities.

- **Telephone encounters**

Telephone encounters are increasing due to the ease of communication provided. However, this type of encounter has a greater degree of variability due to factors such as tone of voice, telephone connection quality, or the knowledge of the services providers' employees influencing customer perceptions.

- **Face-to-face encounters**

Face-to-face encounters refer to those where direct contact occurs between customers and the services providers' employees. These are the most complex type of encounter due to verbal and non-verbal cues playing an explicit role in determining quality perceptions of customers. Customer perceptions driven by these encounters rely heavily on the tangible evidence of the service environment and also the behaviour of the customer throughout the service delivery.

Service encounters are therefore a vital aspect of service delivery as it plays a key role in determining the service perceptions of customers. The management of services providers must realise that not only does the actual service itself play a role in determining customer perceptions, but also the channels through which these interactions occur. This may be particularly problematic for services providers that outsource their services or offer their services via alternative non-bank channels. The reason for this being that the control of the service process is transferred to the outsourced or non-bank channel or institution. In the banking industry for example, a retailer may have a point-of-sales (POS) device installed to facilitate easy payments by bank credit or debit cards. In the event that a particular transaction payment is declined, a customer's perception of the bank may be influenced negatively albeit it not being the fault of the bank as such. The decline could be the result of the retailer's telephone line being blocked, or the POS device being an old and outdated model that is not compatible with new electronic funds payments technology.

It is clear that service encounters are just as important as the actual service delivered due to it influencing customer perceptions of service quality. With this in mind, the following section considers in more detail the notion of service quality as an important driver of customer perceptions and selected models defining the construct are discussed.

3.3.3Selected models of service quality

Although several models of service quality exist, initial conceptualisations of the service quality construct emanate from the so-called "disconfirmation paradigm" (Brady and Cronin, 2001: 34).[6] This paradigm is central to the works of Parasuraman, Zeithaml, and Berry (1994, 1991, 1988, 1985) and Grönroos (2000, 1984, 1982), whose models generally considered the basis for service quality theory (Brady and Cronin, 2001: 36). As such, their models referred to respectively as the Gaps and Nordic models of service quality, are discussed in the following section.

(a) The Gaps Model of Service Quality

The pioneering works of Parasuraman *et al.* (1991, 1988, 1985) provide the foundation upon which most studies of service quality are based. They agree with the thinking of the time that service quality is measured by the difference between what customers expect and actually perceive about a particular service (Parasuraman *et al.*, 1985: 42). However, they highlight the lack (at the time) of both a suitable conceptual framework, and a measuring instrument of service quality.

[6] Simply put, this paradigm suggests that service quality is derived from the difference between the expectations and perceptions of customers regarding a service performance, which will be dealt with in detail in the following sections.

In an attempt to provide both of these, they conducted an exploratory investigation through focus groups and in-depth interviews with both customers and organisational executives in the credit card, retail banking, securities brokerage, and product repair and maintenance sectors (Parasuraman *et al.*, 1985: 43). The result of the study was the identification of ten service quality dimensions, which they subsequently reduced to five in their 1988 study. The dimensions of access, communication, and understand/know your customers were collated into the dimension empathy, and credibility, courtesy, and competence into the dimension assurance. These five dimensions of service quality are used as the framework to measure service quality in the SERVQUAL instrument and derivations thereof such as the SERVPERF instrument.[7]

Wilson *et al.* (2008: 84) provides a brief description of the five reduced service quality dimensions according to Parasuraman *et al.* (1988):

- **Reliability**

The ability of a services provider to deliver all services as promised in a dependable and accurate manner.

- **Responsiveness**

The willingness of a services provider to help customers and deliver prompt service.

- **Tangibles**

The physical appearance of the facilities, equipment, written materials and employees of a services provider.

- **Empathy**

The ability of a services provider to care and provide personalised attention to customers.

[7] The various instruments to measure service quality (including SERVQUAL and SERPERF) are dealt with in detail in chapter five.

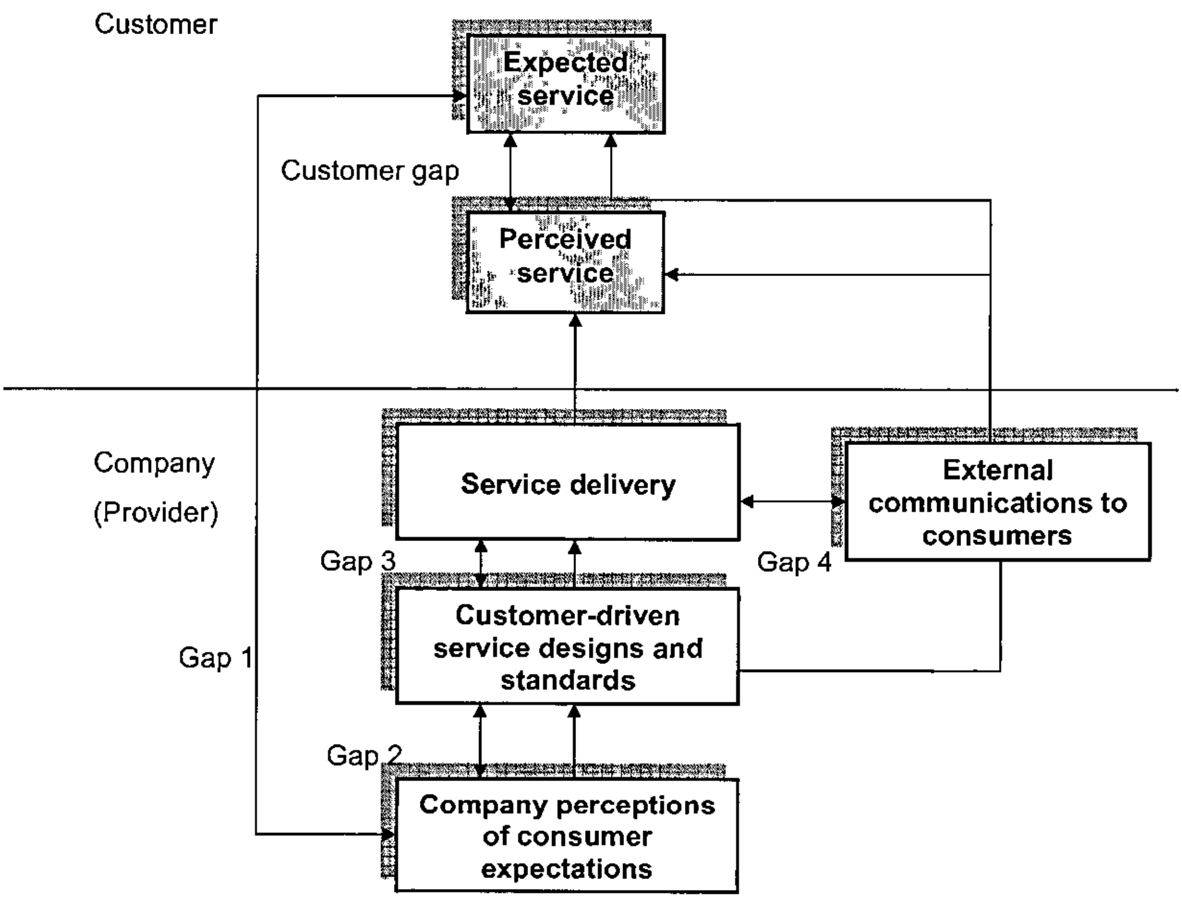
- **Assurance**

The ability of the employees of a services provider to enthuse trust and confidence through their knowledge and courtesy.

Further to identifying the dimensions of service quality, Parasuraman *et al.* (1985) provide the first conceptual model of services quality, called the Gaps Model of Service Quality. This model enables a services provider (such as a bank) to focus on being client-centric while driving service quality (Zeithaml and Bitner, 2003: 27). Customer perceptions and expectations are central to delivering service quality. Diagram 3.3 provides a diagrammatical representation of the model.

DIAGRAM 3.3

THE GAPS MODEL OF SERVICE QUALITY



Source: Wilson *et al.*, 2008: 114.

The model identifies five gaps. The primary objective of the model is to close the "customer gap" (or service gap) which is the difference between what customers expect and perceive in the service experience (Hoffman and Bateson, 2001: 327). Closing this gap enables a services provider to provide quality service to satisfy a customer and form a long-lasting relationship (Wilson *et al.*, 2008: 105; Zeithaml and Bitner, 2003: 32). In the context of the model, the customer gap occurs when there are gaps in one or more of the four so-called "provider gaps". The provider gaps refer specifically to the organisation providing the service.

Provider gap 1 [the knowledge gap according to Hoffman and Bateson (2001: 327)] occurs when a services provider does not have the necessary information available to assess the exact service expectations of its customers (Wilson *et al.*, 2008: 106). Zeithaml and Bitner (2003: 35) identify the primary objective of services providers "to develop and provide offerings satisfying consumer needs and expectations, thereby ensuring their own economic survival. In other words, service marketers need to be able to close the customer gap between expectations and perceptions". Closing the customer gap enables a services provider to satisfy the customer and form a long-lasting relationship (Zeithaml and Bitner, 2003: 32).

Provider gap 2 (standards gap) determines whether the perceptions of an organisation regarding the expectations of customers are aligned to provide service designs and standards that accurately address what customers expect (Hoffman and Bateson, 2001: 327). Provider gap 3 (delivery gap) refers to the systems, processes, and people that deliver the service as set out in the service design and standards of the services provider (Wilson *et al.*, 2008: 109; Hoffman and Bateson, 2001: 327). When service delivery does not match the services providers' external communications through media such as advertising and the sales force, provider gap 4 (communication gap) occurs.

The Gaps Model of Service Quality therefore provides a comprehensive conceptual framework whereby services providers can measure the quality of their service. As long as the four provider gaps are 'closed', services providers can focus on closing the customer gap.

(b) The Nordic Model of Service Quality

The Nordic Model of Service Quality is based on the research of Grönroos (2000, 1984, 1982, 1978). The major differentiating factor between this school and the Gaps Model is that the service quality dimensions are classified according to the functional and technical quality of a service (Grönroos, 2000: 63). Based on the 1984 work of Grönroos, customers perceive service quality according to two dimensions. These are (Grönroos, 2000: 63-64):

- **Technical dimension – the "what" of service quality**

The technical dimension of service quality refers to "what the customer is left with, when the service production process and its buyer-seller interactions are over" – that is, it refers to the "outcome or end result of the [service] process". This dimension does not determine the total quality perceived by customers due to several service encounters occurring between the services provider and customer.

- **Functional dimension – the "how" of service quality**

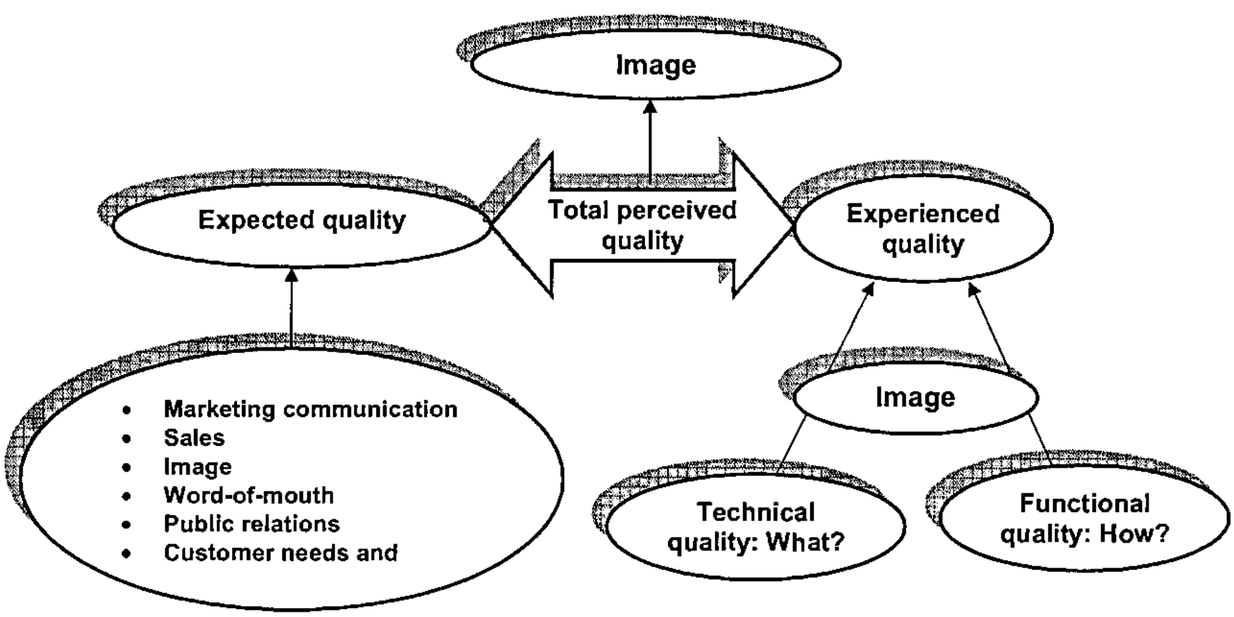
The functional dimension of service quality refers to "how" a customer receives a service and also how the customer experiences the simultaneity characteristic of a service. As with the technical dimension, the functional quality perceived is closely related to the service encounters between the services provider and customer, and importantly how the services provider manages these moments of truth.

The technical dimension is easier to evaluate than the functional dimension due to the subjective assessment associated with a service experience. A further aspect of contributing to the perception of service quality is the image of the services provider (Grönroos, 2000: 64). According to Grönroos (2000: 64), the image of a services provider can be considered a "filter" to customers who will, for example, be more likely to accept poor service quality performance if the image perception of the services provider is favourable from the customer's perspective. Therefore, the total quality perceived by a customer is a function of the technical and functional service quality dimensions, given the perceived image of a particular services provider.[8]

The model proposed by Grönroos (1984) has subsequently been expanded to reflect traditional marketing activities and is commonly referred to as the Perceived Service Quality Model reflected in diagram 3.4 below (Grönroos, 2000: 67).

DIAGRAM 3.4

THE PERCEIVED SERVICE QUALITY MODEL



Source: Grönroos (2000: 67)

[8] Several scholars have extended or provided support for the service quality dimensions proposed by Grönroos [taken from Grönroos (2000: 65, 69-71)] and Wilson *et al.* (2008: 88): Rust and Oliver (1994) extend the two dimension model to include a third referring to the physical environment of the service encounter; Brady and Cronin (2001) provide a three-order hierarchical model with three distinctly similar dimensions, namely outcome, interaction, and environmental quality, each of which have three sub-dimensions. Gummeson (1993) provides his "4Q Model of offering quality" reflecting the sources and results of service quality, which have aspects of the Grönroos conceptualisation; and McDougall and Levesque (1994) find support for a similar model to that of Grönroos in the retail banking sector.

According to this model, the two service quality dimensions originally identified by Grönroos (1984) result in the experienced quality of a customer. This in turn is gauged against the expected quality, which is driven by factors such as marketing communications of the services provider, and aspects that are not totally controllable by the services provider such as its image, word-of-mouth feedback, public relations, and customer needs and values. The ensuing perception of total service quality is therefore not merely a function of level of technical and functional quality dimensions, but rather the gap between the expected and experienced quality of the service (Grönroos, 2000: 67-68). This is similar to the customer gap of the Parasuraman *et al.* (1988) model. The image of the services provider is also vital to perceived service quality and should be addressed by the management of the services provider (Grönroos, 2000: 68).

3.3.4The relationship between service quality, customer satisfaction and customer loyalty

As discussed above, closing the customer gap enables a services provider to satisfy the customer and form a long-lasting relationship (Zeithaml and Bitner, 2003: 32). Therefore, according to the Gaps Model, if an organisation wants to ensure customer satisfaction, its primary objective must be to close the customer gap – in other words, it must gain a better understanding of what the service expectations of customers are, and suitably align it to match those expectations. Ensuring this promotes high levels of service quality and not only satisfies customers, but can also promote a long-lasting mutually beneficial relationship between the organisation and its customers following the loyalty and repeat purchase intentions proposed by Heskett *et al.* (1994).

At the outset, it should be noted that service quality is regarded as a "long-term attitude" whereas customer satisfaction is a "transitory judgement" based on specific service encounters (Cronin and Taylor, 1994: 126). From an organisational perspective, therefore, although customer satisfaction is vitally important at each service encounter, ensuring that high levels of service quality are achieved is a prolonged and longer term process. This suggests that in order to assess the long-term service quality perceptions of customers, services providers need to ensure that customer satisfaction is consistently achieved over a period of time. Wilson *et al.* (2008: 80) define customer satisfaction as "the customer's evaluation of a product or service in terms of whether that product or service met the customer's needs or expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service". This definition is similar to that of Hoffman and Bateson (2001: 298) who refers to the relative expectations versus actual service encounter perceptions. Customer satisfaction is therefore a vital strategic and operational objective and is embedded in the actual service experience of the client.

However, much debate exists regarding the direction of causality between service quality and customer satisfaction. Brady *et al.* (2002: 19) provide three schools of thought regarding this causal relationship. First, service quality is seen to be an antecedent or precursor to customer satisfaction. Studies supporting this position suggest that customer satisfaction occurs as a result of high levels of service quality according to the dimensions of service quality. Second, customer satisfaction is seen as an antecedent or precursor to service quality. This view directly contrasts the position of the first school of thought that considers an opposite direction of causality. The third position posits that neither service quality nor customer satisfaction is caused by the other. More specifically, it dismisses the first two views and supports a "non-recursive" relationship between service quality and customer satisfaction.[9] Of the three positions taken on the causal relationship, the view that service quality is a precursor to customer satisfaction is generally regarded as the most acceptable. This is a fundamental thesis of the Gaps Model of Service Quality and the SERVQUAL measuring instrument developed by Parasuraman *et al.* (1988, 1985). Nevertheless, it is clear that customer

[9] For a thorough review of the studies identifying the three schools of thought, see Brady *et al.* (2002).

satisfaction is a central component of the service experience (Heskett *et al.*, 1994: 164).

Several studies have been conducted in the services marketing literature addressing the importance and relationship between the constructs service quality, customer satisfaction, and customer loyalty. In an effort to improve service quality, the likely result is an improvement in customer satisfaction (Arasli *et al.*, 2005: 509). Reference to 'value' should also not be incorrectly interpreted to refer to service quality.

The study by Bolton and Drew (1991: 383) finds that service quality and value are not the same thing and that the "perceived service value seems to be a "richer", more comprehensive measure of customers' overall evaluation of a service than service quality". They suggest that services providers must provide service offerings that are "flexible" in nature addressing the different "tastes and expectations" of different market segments. Improving service quality and service value were seen to run concurrently with improved customer satisfaction. A study conducted in the nineties by Fornell (1992: 7, 9) established the increasing role of customer satisfaction in formulating corporate strategy and suggests a positive relationship between customer satisfaction, word-of-mouth, and market share. He does however realise the challenges for large services providers to ensure a consistent level of customer satisfaction when the larger market share implies a larger source of heterogeneous customer tastes. As such, Lovelock (2001: 122) states that customer satisfaction acts as an antecedent to achieve key organisational objectives including:

- Improving customer loyalty and relationship commitment.
- Promoting positive word-of-mouth.
- Lowering the cost of acquiring new customers.
- Customers are more forgiving in the possible case of a service failure.
- Customers are insulated from competitors.

Further to this, Anderson, Fornell, and Rust (1997) regard customer satisfaction to "be a more fundamental indicator of the firm's performance due to its links to behavioural and economic consequences" (cited from Anderson *et al.*, 1997: 130). Anderson *et al.* (1997) determine whether customer satisfaction is related to organisational productivity by testing whether such a relationship exists for both service and goods organisations. In particular, their study attempts to identify when *trade-offs* exist between customer satisfaction and organisational productivity (Anderson *et al.*, 1997: 133, 141), especially due to the belief that organisations should focus on both simultaneously. The notion of 'quality' is central to the relationship between customer satisfaction and productivity, and the authors identify the "dual nature of quality" by distinguishing between customisation quality and standardisation quality (Anderson *et al.*, 1997: 132).

Using organisations with higher return on investments than the average for their particular industry, they find that 'purer' services providers such as banks indicate high levels of customer satisfaction, but relatively low levels of productivity. They make an important conclusion in their findings (Anderson *et al.*, 1997: 140, 141): "where customer satisfaction is more dependent on dimensions of quality that are more difficult to standardize, or must be customized, firms may be more successful by focussing on customer satisfaction". They conclude that the trade-off appears to be larger for services providers where "service by personnel plays an important role". The authors strongly suggest that information technology could help address the lack of standardisation inherent to services. Furthermore, Frei, Kalakota, Leone, and Marx (1999: 1211) identify four major factors that contribute to variations in service delivery and ultimately service quality. These include the heterogeneity of customer service expectations, poor organisational policies and processes, high employee turnover, and the nature of customisation, where customisation refers to when "services are produced to meet the needs and expectations of individual clients". These characteristics indicate the unique nature of services and also the reason services providers are constantly striving to improve service quality.

Customer loyalty is a difficult concept to define. As highlighted above, the highly cited "service-profit chain" of Heskett *et al.* (1994) provides a framework establishing the relationship between customer satisfaction, loyalty, and profitability. They indicate (Heskett *et al.*, 1994: 164) that the 1970s and 1980s were characterised by management focusing primarily on profit goals and market share. Since then, a service paradigm shift has resulted in management realising the importance of contact-personnel and customers, resulting in the so-called "new economics of service". As they put it (Heskett *et al.*, 1994: 164-165): "Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers". The research of Heskett *et al.* (1994) provides an important linkage between customer satisfaction and customer loyalty.

Furthermore, the American bank, BancOne, considers the "depth of relationship" as a measure identifying loyalty. They define this as "the number of available related financial services, such as checking, lending, and safe deposit, actually used by customers" (Heskett *et al.*, 1994: 170). In addition to the conceptual relevance of the service-profit chain, it provides particular relevance to promote organisational client-centricity due to it highlighting the all-important linkage between addressing customer needs to enhance customer satisfaction through employees that have enabling support structures in place. These are vital aspects of organisational client-centricity and the service-profit chain highlights the positive impact this focus has on organisational profitability.

From a banking perspective, service quality is seen as an important contributor to customer satisfaction. A study conducted in the nineties indicated that poor service levels in banks are a common reason for customer defection to competitors (Bowen and Hedges, 1993: 22). With a common perception that retail banking products are similar for all banks, they are forced to provide superior levels of service (Lopez, Kozloski, Hart, and Rampersad, 2007: 261) in many cases as a differentiating factor. The following section provides an overview of selected studies conducted relating to service quality, customer satisfaction and loyalty in banking.

(a) The relationship between service quality and customer satisfaction in banking

The causal relationship between service quality and customer satisfaction in banking is considered by Ennew and Binks (1996). Drawing on the service quality dimensions identified by Grönroos (2000, 1984, 1982), they provide empirical evidence to support the notion that service quality leads to satisfaction, loyalty, and the retention of, in this case, small business banking customers. They also suggest that banks must focus explicitly on managing the bank-customer relationship as an important precursor to customer retention (Ennew and Binks, 1996: 228). Yavas, Benkenstein, and Stuhldreier (2004) investigate the relationship between service quality, customer satisfaction, and selected behavioural outcomes in the highly service conscious German banking sector. They also assess what aspects of service quality impacts on customer satisfaction. Their findings indicate service quality to be the "root" of customer satisfaction in the sample (Yavas *et al.*, 2004: 151).

In turn, customer satisfaction was found to have a favourable impact on behavioural outcomes such as positive word-of-mouth and commitment, especially amongst female customers (Yavas *et al.*, 2004: 151). Arasli *et al.* (2005) provide a hypothesised model reflecting the causal relationship suggested by Parasuraman *et al.* (1985, 1988) between the five service quality dimensions, customer satisfaction, and word-of-mouth recommendations in the commercial banking sector in Cyprus. Furthermore, their study reveals that only responsiveness was not found to be a predictor of customer satisfaction in bank customers for the sample they used. Their findings suggest that consistently improving on the service dimensions will result in improved customer satisfaction, increased word-of-mouth promotion of the bank and ultimately result in more loyal bank customers (Arasli *et al.*, 2005: 522-523).

Similarly, Koutouvalas and Siomkos (2006) assess the relationship between perceived service quality and loyalty between customers, but in both private and public banks in Greece. They find a positive relationship between service quality and loyalty of customers in both banks, but particularly strong amongst the private bank customers (Koutouvalas and Siomkos, 2006: 198-200). They find no significant relationship between the demographic nature of the sample and service quality and conclude that this implies that banks in general tend to offer service levels that are more or less the same to all customers. Investigating a slightly different view of customer patronage, White and Yanamandram (2004) consider the issue of inertia in financial services – that is, customers who stay with a bank albeit they may be dissatisfied or merely lack the motivation to switch to another bank. They find that customers face the perceived risk of changing financial services providers that is driven by factors including their experience of purchases with the organisation, the difficulty in evaluating the services pre- and post-purchase, and word-of-mouth recommendations from friends and family. The authors state that service quality is important to understand the inert behaviour of customers in financial services (White and Yanamandram, 2004: 189, 192-193).

These studies support the highly cited work of Reicheld and Sasser (1990: 105) who suggest that retaining a mere five per cent of existing customers can boost organisational profits by almost 100 per cent. A further study done in Turkey by Yavas, Bilgin, and Shemwell (1997) investigates the effect of service quality on customer satisfaction and the ensuing behavioural outcomes complaint behaviour and commitment. They find the tangibles and responsiveness service dimensions of Parasuraman *et al.* (1988) to be particularly influential on customer satisfaction and commitment levels (Yavas *et al.*, 1997: 220).

Lee and Hwan (2005) similarly investigate the relationship between service quality, customer satisfaction, and profitability in the Taiwanese banking sector. Using SERVPERF methodology, they find a positive causal relationship between service quality, customer satisfaction, and purchase behavioural intentions (Lee and Hwan, 2005: 646). Furthermore, service quality was found to be more influential on repeat purchase intentions than customer satisfaction, and customer satisfaction in turn was found to significantly influence bank profitability. Their results empirically support the service-profit chain of Heskett *et al.* (1994) recommending that bank management must analyse service quality, customer satisfaction, and profitability simultaneously due to their causal relationship (Lee and Hwan, 2005: 646).

Baumann, Burton, Elliot, and Kehr (2007) also test for factors predicting the loyalty of retail banking customers, defined as the customers' willingness to recommend and remain with their main bank. They find that four service quality dimensions with the exception of tangibles can be used to predict customer satisfaction and attitude. Their explanation for this is that customers may perceive the physical aspects of banking as homogenous across different banks and thus not consider it as differentiating a bank (Baumann *et al.*, 2007: 106, 108).[10] However, only the attitude of customers, customer satisfaction and empathy were found to predict the willingness to recommend their bank and remain with the bank in the long run. Furthermore, only customer satisfaction and the responsiveness of the bank were found to predict the short run loyalty to their bank. The attitudes of customers regarding their bank and customer satisfaction were therefore found to be good predictors of behavioural intentions linked to loyalty.

Alternative drivers of customer satisfaction in financial services are documented by Krishnan, Ramaswamy, Meyer, and Damien (1999: 1207). They find that product offerings are vitally important for overall customer satisfaction, as are the quality of branch and automated facilities. Interestingly

[10] Similar findings were provided by Lopez *et al.* (2007) and Koutouvalas and Siomkos (2006).

they find that the ease of opening and closing of accounts improve satisfaction of product offerings (Krishnan *et al.*, 1999: 1206). The reason for this might be related with the customers' unwillingness to feel obligated to stay at a specific bank. Finally, the accuracy of account statements (termed financial reporting in the study) was also an important contributor to overall customer satisfaction. These findings suggest the reliability dimension of service quality to be an important consideration for customers engaging with banks.

(b) The consistency in delivering banking services

Although service quality promotes levels of customer satisfaction, the consistency with which a service is provided is just as crucial. This is particularly so in view of the perceptions of complexity and risk associated with purchasing financial services (Babakus, Eroglu, and Yavas, 2004: 462, 463). Frei *et al.* (1999: 1210) attempt to enhance the definition of service quality for financial services to "include uniformity of service output around an ideal target value determined by the customer" to investigate the consistency of service delivery. Their study determines the level of service variability in bank branches and its resultant relationship with a bank's financial performance. They (Frei *et al.*, 1999: 1218) ask the question: "Which is more important for a bank, to do a few things well and, hence, do other things not so well, or to provide a reasonably consistent set of service delivery processes?"

Furthermore, they find that consistency across a set of predetermined processes results in better financial performance. They also test whether process variation or process performance is a more important determinant of financial performance (Frei *et al.*, 1999: 1218). They conclude: "financial performance seems to be better in banks that have *consistent* processes and in banks that have *good* processes"[11]. They indicate that this finding supports the literature that consistently meeting customer expectations results in

[11] Italics in original.

satisfied customers and improved profitability[12] and that the use of "state-of-the-art" technology in multiple distribution channel strategy is central to being a competitive financial institution. Their findings indicate that consistency in the service delivery process is an important aspect of multiple service encounters. Indeed, the service encounter between bank employees and customers reflects a common perception of customers that the employees delivering the service are often regarded as the service itself (Zeithaml and Bitner, 2003: 21).

As such, due to services being a multi-dimensional concept that is difficult to define due to its unique characteristics, managing a service is a difficult task. This is partly due to a service being an *experienced* phenomenon that brings with it a lack of uniformity with each service encounter. For a bank, not only does the service process have to address ever-changing customer needs, but do this in a predictable and consistent manner. Achieving consistency in delivering a service might be achievable when driven purely by technology, but most services involve people, resulting in inconsistencies in delivery (Lopez *et al.*, 2007: 260). This reinforces the need to have employees that are well trained in both product and process, where the process abides to the client-centric guidelines proposed in chapter two.

Of course, providing consistent levels of service cannot be done if a bank does not focus on operational efficiency. Roth and Jackson (1995) provide an insightful analysis into the determinants of service quality for retail banks from a strategic and operational perspective by using the so-called "operations capabilities-service quality-performance" (C-SQ-P) framework. They find that a bank's perception of its competitive environment and its ensuing ability to address the needs of customers better explains service quality and its operational capabilities driven by processes, people, and technology, than the performance of a bank (Roth and Jackson, 1995: 1730-1731). They also find that increased levels of organisational productivity and efficiency reduce levels of service quality due to the higher costs associated with delivering

[12] As suggested by the service-profit chain of Heskett *et al.* (1994).

quality services. Achieving higher levels of service quality is therefore concomitant with higher costs.

(c) Customising service quality measures and the reliability of service provision in banking

The importance of customising service quality measures [as proposed by Carman (1990), Cronin and Taylor (1992) and Grönroos (2000)] to reflect the cultural characteristics of the sample under investigation is done by Jabnoun and Khalifa (2005). They investigate the customer service quality perceptions of both conventional and Islamic banks in the United Arab Emirates (UAE). An important departure point for their study is the emphasis they place on adapting service quality measures to reflect the country and culture of the study. The authors accordingly modify the SERVQUAL instrument to include seven service quality dimensions reflecting the cultural and in particular, religious context – the original five service quality dimensions and two additional dimensions called measuring values and image. The former addresses values associated with social norms and religious sensitivity, and the latter refers to aspects of reputation and professional conduct by the bank (Jabnoun and Khalifa, 2005: 381).

The reliability dimension was found to be significant for customers of conventional banks [this is consistent with the literature – see Al-Tamimi and Al-Amiri (2003) and Parasuraman *et al.* (1991)], but not for Islamic bank customers (Jabnoun and Khalifa, 2005: 384). Rather, the most important aspects of service quality for Islamic customers were sincerity, trust, caring, and the so-called "human touch" provided by the banks – characteristics usually associated with the empathy dimension. Indeed, the Islamic customers were willing to accept low levels of reliability if they were satisfied with the personal skills and values portrayed by the bank (Jabnoun and Khalifa, 2005: 384-385). Sensitivity to cultural and religious convictions was therefore important for perceived service quality by Islamic customers.

Safakli (2007: 190) similarly customises the five service quality dimensions to reflect the cultural environment in northern Cyprus. He discards the responsiveness and assurance dimensions and add a dimension called customer orientation. The findings indicate a negative disconfirmation gap amongst all the dimensions – that is, perceived service quality was less than satisfactory (Safakli, 2007: 194). The level of service quality in the commercial banking sector of northern Cyprus was therefore deemed to be poor. In a South African study, Bick, Brown, and Abratt (2004: 315) found retail banking customers to rate "operational excellence" higher than superior product characteristics and relational intimacy with bank employees. This supports the notion that the reliability of banking products and services is very important for bank customers.

Lopez *et al.* (2007) consider the ethnical diversity of bank customers in South Florida, USA. They investigate whether the heterogeneous ethnic makeup of the sample area has different perceptions *vis-à-vis* the original ten service quality dimensions identified by Parasuraman *et al.* (1985), and the level of customer satisfaction with retail banks (Lopez *et al.*, 2007: 263). As with several other studies in a banking context, reliability was again found to be the most important reason for customer satisfaction, along with responsiveness, tangibles, access, communication and credibility (Lopez *et al.*, 2007: 267). Although the level of customer satisfaction was not significantly different amongst the ethnic groups, they did find that the perceptions of the ethnic groups differed with regards to the importance of the service quality dimensions (Lopez *et al.*, 2007: 271). Although the study highlights the importance of providing reliable banking products and services – in other words, be *predictable* when it comes to service delivery – bank management must ensure that they address the needs of a diverse customer base.

3.4. SUMMARY AND CONCLUSIONS

This chapter provides a theoretical overview of the nature and dynamics of service quality and customer satisfaction and then considers these constructs in a banking context. Although scholars debate the causal relationship between service quality and customer satisfaction, it is nevertheless accepted that both constructs are vital focus areas in the provision of services. Both have been shown to provide several important benefits to services providers, including banks.

Although services providers play a vital role in forming customer expectations of service quality, a problem arises when customer expectations are unrealistic, especially if this expectation is driven by the services provider themselves (Ojasala, 2001). Indeed, if customer expectations are too high, it might result in increasingly unsatisfied customers. Alternatively, although low expectations may result in satisfied customers if perceived service quality is high, services providers must be careful that the low expectations do not encourage customers to switch to competitors who actively pursue forming higher customer expectations. As chapter four will argue, building mutually beneficial relationships with customers reduces switching behaviour, which in turn results in customer satisfaction, increased loyalty, and higher levels of profitability.

Furthermore, providing a service experience for customers that is consistent is a difficult task for management due in particular to the characteristics that define a service – it is an intangible and heterogeneous construct making it difficult to replicate and ensure consistency in delivery. This is the major paradox facing the provision of financial and indeed all services providers – to address the changing needs of customers by providing consistent levels of service that are by definition inconsistent in nature. This is especially difficult when customers regard service reliability as the most important dimension of service quality. The challenge is that services providers must customise service delivery processes to meet the needs of customers in a *predictable* way, but at the same time allow flexibility to match the *changing* needs of customers. This is clearly not as simple as suggested. Achieving this also contributes to being client-centric. Again, building a relationship may be the answer to reduce these problems due to the mutual responsibilities that encapsulate relationships. Krishnan *et al.* (1999: 1207) put it well: "Due to the dynamic changes in the financial services industry, achieving high levels of customer satisfaction may be more like a moving target. Hence, it is important for firms to continually assess customer segments and identify the drivers of satisfaction so as to retain their profitable customers". Engaging in mutually beneficial customer relationships can assist in achieving this.

Several studies in a banking context provide evidence that the service quality and customer satisfaction constructs have been investigated in different banking environments across a spectrum of countries. A common feature of the selected studies reveals that the reliability of banking products and services are vital for bank customers. In fact, in several studies the reliability service quality dimension was found to be the most significant of the dimensions under investigation (Lopez *et al.*, 2007; Jabnoun and Khalifa, 2005; Bick *et al.*, 2004; Krishnan *et al.*, 1999). Furthermore, the study by Frei *et al.* (1999) confirms the importance of consistent service delivery. Service provision must be *predictable* as it contributes to reducing customer frustration that occurs when banking products and services do not perform the functions they were promised to perform. In addition, service quality is an antecedent to customer satisfaction, with both these constructs empirically found to influence customer loyalty, behavioural intentions associated with loyalty.

Several studies also reveal the importance bank customers place on interpersonal relationships and the resultant perception of service quality and customer satisfaction. Banks have therefore been forced to constantly re-invent themselves. But if they want to be proactive rather than re-active, they have to ensure that they are constantly aware of the changing needs of their customers. Frei *et al.* (1999: 1221) support this: "As customers change, so do their needs and expectations relative to the service delivery experience. A facet of many financial services, customization is an information intensive activity, yet many institutions lack the integration necessary to access information easily". Due to customisation referring to the ability of an organisation to constantly adapt to the changing needs of its customers, it follows that one strategy to enable this is to build quality and mutually beneficial relationships with customers in order to be sensitive to these changing dynamics.

Therefore, if banks can gain a better understanding of the expectations and perceptions of their customers and adapt accordingly, they are able to improve service quality, satisfy their customers, and form long-lasting relationships (Zeithaml and Bitner, 2003: 32). This improves client loyalty. However, empowering contact-personnel to address the needs of clients requires banks to be driven by the client-centric principles described in chapter two. Pivotal to understanding the client better, is enabling contact-personnel to be in a situation to understand those needs. This is a function of the policies and procedures the contact-personnel are exposed to and also the technology and database information of the client. Simply put, without the necessary tools at the disposal of the contact-personnel, they cannot be empowered to build quality relationships with their clients. For this reason and recognising the premium that banks place on service quality to drive customer satisfaction and ultimately bank profitability, the following chapter considers bank-customer relationships.

CHAPTER FOUR

RELATIONSHIP BANKING IN A CLIENT-CENTRIC CONTEXT

4.1 INTRODUCTION

The previous chapter discussed the dynamics of service quality and client satisfaction. It highlighted important causal relationships between the two constructs and this was confirmed by studies conducted in the banking context. The purpose of this chapter is to discuss the role that relationships play in the provision of financial services, and in this case, specifically the provision of banking services. Zeithaml (2000: 76) suggests the link between chapters three and four as follows: "Providing consistently good service is not as easy to duplicate and therefore is likely to be the cementing force in client relationships". Grönroos (2000: 8) identifies the strong focus of services providers to focus on relationships: "Firms choosing a service perspective as their strategic approach almost inevitably have to focus on relationships with their clients". Building mutually beneficial bank-client relationships is therefore the central focus point of this chapter.

The chapter is divided into two sections. The first section deals specifically with relationship marketing providing the literature platform on which relationship banking is based. The second section deals with the literature on relationship banking. This section concludes by providing a conceptual model for relationship banking given the literature used throughout the chapter. This model makes a distinction between the social and economic stream of thinking with regards to relationship banking.

4.2 THE FOUNDATION OF RELATIONSHIP BANKING: RELATIONSHIP MARKETING

Relationship marketing forms the foundation for relationship banking. At its core, relationship marketing aims to enhance client relationships. It is therefore appropriate to provide an overview of the relationship marketing theory as a departure point for relationships in a banking context.

4.2.1 Client relationships and profitability

A central tenet of a relationship marketing[1] (RM) strategy is its focus on client retention and is commonly referred to as "defensive marketing" (Zeithaml and Bitner, 2003: 513). Such a client retention-orientated strategy is indicated by Bruhn (2003: 4) to have both direct and indirect financial benefits for a services provider. Direct benefits include first an increase in turnover due to repeat purchases by clients and second a reduction in (acquisition) costs due to it being cheaper to service existing clients than acquiring new clients, and also due to the services provider being able to use its "experience" to promote operational and cost efficiencies. Indirect benefits include word-of-mouth promotion of the services provider. Baran, Galka, and Strunk (2008: 13) state that Customer Relationship Management (CRM) improves the productivity of a services provider across a spectrum of marketing functions including acquiring clients, developing clients, cross-selling, up-selling, managing client migration, servicing, client retention, client loyalty, and winning back defected clients.

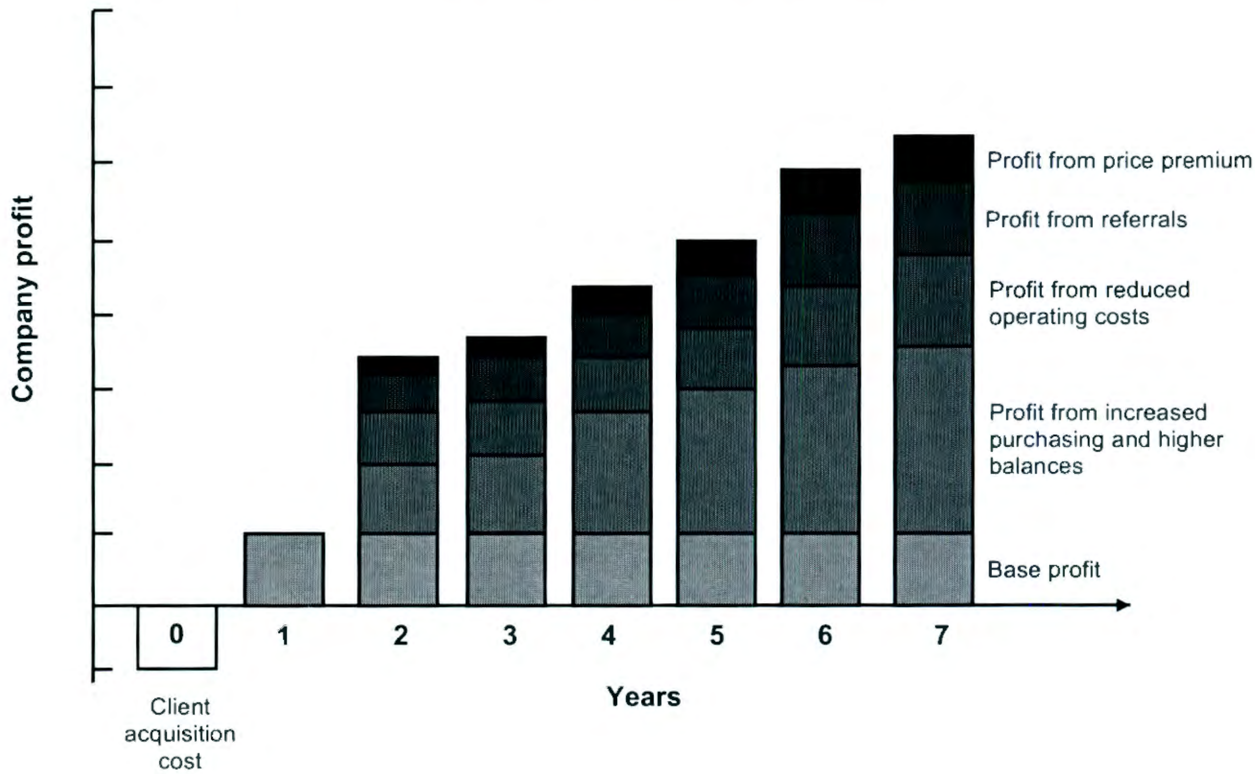
As indicated in chapter three, the relationship between client loyalty and profitability is well documented and the work of Heskett *et al.* (1994) is seminal in this regard. Reichheld and Sasser (1990) focusing on so-called "zero defections" depicts the client profit contribution over time. As shown in diagram 4.1 below, acquiring new clients is costly for services providers.

[1] Section 4.2.2 discusses the concept of relationship marketing in detail.

Keeping them is a function of superior service quality (as was discussed in chapter three) which in turn has cost benefits for a services provider. For example, a small financial consultancy firm focusing on client relationships found that costs drop by two-thirds from the first to second year of the relationship. The main reasons are that clients become more aware and informed of firm policies and processes, and also the efficiency of consultants improves due to them being more familiar with clients' financial situation and preferences (Reichheld and Sasser, 1990: 107).

DIAGRAM 4.1

THE SOURCES OF CLIENT PROFITABILITY OVER TIME



Source: Reichheld and Sasser (1990: 108)

As previously mentioned, it is commonly accepted that keeping existing clients is up to five times cheaper than acquiring new ones (Zeithaml and Bitner, 2003: 514; Zeithaml, 2000: 75). Diagram 4.1 further indicates that once a client is acquired and remains loyal to a services provider for a period of time, the services provider is able to generate additional profit through a series of repeat transactions. Due to being more informed about the clients' preferences, the services provider becomes more efficient in servicing the client and is able to reduce its costs to address client needs. If the service quality received by the client is high and results in satisfaction, indirect benefits such as word-of-mouth referrals materialise. Reichheld and Sasser (1990: 107) indicate that services providers are often able to charge long-term clients higher prices for their products and services.

However, the link between client loyalty and profitability is not as simple as suggested. Services providers must ensure that they engage in sustainable relationships with their clients that facilitates such a profitable scenario. As Grönroos (2000: 7) states, "...at least as a ground rule, managing relationships with clients is a profitable approach for service firms and manufacturers providing services as part of their package". Diagram 4.1 also indicates that a vital aspect of improving client profitability is increased purchases by the client. By implication, clients must therefore use more of the products and services offered by the services provider, or increase usage of existing products and services. This is consistent with the cross-selling capability that a bank has due to being privy to client information and also complements the client-centric features discussed in chapter two.

To further facilitate loyalty and repeat purchases, services providers promote so-called loyalty programmes or schemes. These loyalty programmes encourage clients to use their products or services on a continuous and consistent basis and in so doing, earn loyalty "rewards" that can be used to exchange for prizes or gifts (Baran *et al.*, 2008: 339). In the case of the South African banks, repeat usage of, for example, credit cards enable clients to earn points which are later exchangeable for gifts. The "ebucks" and "blue beans" schemes are examples of respectively First National Bank and Standard Bank. Loyalty programmes ultimately act as a marketing tool to improve Customer Lifetime Value (CLV); that is, the lifetime profitability of a client (Wilson *et al.*, 2008: 160; Donaldson and O' Toole, 2007: 140). They also ensure that a services provider is able to gather a holistic perspective on the clients' revenue possibilities. However, not all clients are profitable to the same extent and care should be taken to measure profitability effectively (Donaldson and O'Toole, 2007: 140). Nevertheless, services providers use loyalty programmes as an effective tool to improve repeat purchases and in so doing, improve per client profitability on a sustainable basis.

4.2.2Customer Relationship Marketing

(a)The shift from transactional to relational marketing

Recent thinking in marketing has resulted in a paradigm shift to a 'relationship marketing' approach originating from the services marketing literature (Peck, Payne, Christopher, and Clark, 1999: 2). As Wilson *et al.* (2008: 152) put it, "Relationship marketing (or relationship management) is a philosophy of doing business, a strategic orientation, that focuses on *keeping and improving* relationships with current clients rather than on acquiring new clients".[2] As such, relationship marketing focuses on increasing the "share of wallet" from clients rather than explicitly increasing its market share (Little and Marandi, 2003: 29). Little and Marandi (2003: 29) refer to this focus on clients as "client share" and involves cross-selling to clients with the purpose of retaining them as clients. This is an important aspect of relationship marketing as it implies building long-term relationships with clients rather than pursuing short-term increases in market share.

The resultant focus by services providers to focus on enhancing client retention is central to the paradigm shift in services marketing to building relationships with clients. This move to a relationship marketing focus stems from a paradigm shift away from a transactional to a relational focus in both business-to-business and business-to-consumer markets (Sheth and

[2] Italics in original.

Parvatiyar, 2000: 119-120). Peck *et al.* (1999: 44) provide an insightful comparison between the transactional and relational focus in table 4.1.

TABLE 4.1

THE DIFFERENCE BETWEEN A TRANSACTIONAL AND RELATIONAL MARKETING FOCUS

CHARACTERISTICS	TRANSACTIONAL	RELATIONAL
FOCUS	Obtaining new clients	Client retention
ORIENTATION	Service/product features	Service/product benefits - client value
TIMESCALE	Short	Long
CLIENT SERVICE	Little emphasis	High emphasis
CLIENT COMMITMENT	Limited	High
CLIENT CONTACT	Limited	High
QUALITY	An operations concern	The concern of all

Source: Adapted from Little and Marandi (2003: 26) and Peck *et al.* (1999: 44).

Table 4.1 indicates that a relationship focus has a long-term emphasis as compared to a transactional focus which is short-term in nature. This is driven by retention policies that create value for clients over a long period of time and is considered a pillar of relationship marketing (Little and Marandi, 2003: 26; Gummesson, 2002: 22; Peck *et al.*, 1999: 44).

(aa) Information reciprocity in relationships

A relational focus is considered to be a pervasive concept whose success is dependant on multiple interactions between services providers and clients, driven by a strong underlying focus on service quality (Peck *et al.*, 1999: 3). These characteristics correspond to the client-centric characteristics identified by Seldon (2007) and forms the important underlying basis of this study – a relationship is a multi-dimensional construct dependant on several factors that are developed (or not) through multiple interactions between the services provider and client in a service quality driven context. This relational aspect is highlighted by Peck *et al.* (1999: 44): "the [transactional] approach is impersonal, rule-orientated and directed to short-term client satisfaction, whilst the latter emphasizes long-term relationship building". Similarly, Donaldson and O'Toole (2007: 8) suggest using a relationship approach "where there is a high degree of interaction, exchange of information, investments in stock [products or services], and a resultant high cost to the buyer [client] in switching suppliers [services providers]". The long-term focus promotes commitment and mutual dependence between the parties in the relationship (Little and Marandi, 2003: 28; Gummesson, 2002: 22) and ensures greater information flow between the parties to gather in particular, "soft information" of the client over time (O' Donohoe, Hanley, Lyons, 2008: 60). This implies a "mutual exchange of information" between the parties that ultimately results in feelings of client satisfaction, trust, commitment, risk reduction, and certainty in transaction (Little and Marandi, 2003: 29; Gummesson, 2002: 22-23).

In dealing with the product and service needs of clients, mutual information exchange is important. The implied two-way dialogue implies that the services provider and client communicate in a manner where the former is able to identify client needs and suitably provide solutions (Baran *et al.*, 2008: 12; Little and Marandi, 2003: 30). Baran *et al.* (2008: 12) refer to dialogue as "real-time communication" between a services provider and its clients. Without *both* parties in the relationship understanding their roles regarding the information exchange, the relationship can not be expected to be built on mutual trust. This corresponds to the view of Gummesson (2002: 27) that the "collaboration" between the relationship parties is "the core of a relationship". Mutual benefit is therefore an integral component on any relationship.

The notion of reciprocity is central to a relationship because it indicates the mutual nature of the relationship. Wolfe (1998: 450) proposes that "enduring relationships" depend on dialogue between the parties and require three vital reciprocity conditions:

- **Conversational reciprocity**

Each party in the relationship allows the other to condition their responses.

- **Reciprocal empathy**

Each party willingly tries to identify and understand the other party's circumstances, feelings, and motives.

- **Reciprocal vulnerability**

Both parties to a degree let down their guard to feel safe and comfortable, but still allow information flow and trust to build.

A challenge for services providers is getting enough knowledge of its clients that satisfy these three conditions to form long-lasting and satisfying relationships. Although information exchange is important for this, *quality* information exchange is just as important a factor for successful long-term mutually beneficial relationships. Put differently, a services provider might have a lot of information about its clients, but the information might not be useful to the services provider. For this reason, the ability of a services provider to store valuable information is central to CRM. Baran *et al.* (2008: 6) refer to "communication" between the services provider and client, and highlight the importance of collecting information from multiple service encounters (Baran *et al.*, 2008: 6): "...information from these communications, when integrated, recorded, and managed, enables relationships to be developed and maintained". Therefore, in addition to services providers having two-way dialogue, it must have the necessary support systems in place such as data warehousing enabling a services provider to build a knowledge base of client behaviour, preferences and behavioural intentions. This enables a services provider to generate valuable information about its clients. By enabling a services provider to better understand its clients, this feature is central to the CRM paradigm and facilitates marketing that is client-centric rather than mass-market driven (Baran *et al.*, 2008: ix; 9). This client-centric approach reflects a more personal one-to-one marketing approach.

A further aspect for services providers to consider is the willingness of clients to form relationships. Although a services provider must take cognisance of the fact that not all clients would necessarily want a long-term relationship, it should identify clients who want such a relationship and especially those who have a high client lifetime value (Little and Marandi, 2003: 29). As indicated earlier, the client lifetime value reflects the additional profits a services provider earns by retaining a client (Wilson *et al.*, 2008: 161) and is diagrammatically reflected in diagram 4.1 as a rightward movement along the X-axis (years). Due to the a client's lifetime value reflecting predicted future purchases of clients, it is not easy to be precise, but does offer a services provider an indication of what relationships are more profitable propositions (Little and Marandi, 2003: 29). The better the mutual exchange of information between the parties, the better the services provider is able to predict future purchase intentions of clients, thereby creating more predictive power to the services provider, and possibly future profit contributions. Services providers should therefore take care to find a balance between acquiring new clients and retaining existing clients, especially due to the costs associated with acquisition (Zeithaml and Bitner, 2003: 514; Peck *et al.*, 1999: 44).

Customisation is a further factor that has contributed to the focus on relationship marketing. An important distinction is usually made between mass and individual customisation. The former refers to the provision of products and services that is not unique to specific individual client requirements – it adopts a "one-size-fits-all" approach. Conversely, the latter refers to tailored products and services addressing individual client specifications ascertained over numerous service encounters. Individual customisation is regarded as an important requirement of relationship marketing (Little and Marandi, 2003: 29-31). Providing tailor-made solutions requires a close understanding of the changing circumstances and needs of the other party. Gummesson (2002: 24) refers to the parties in the relationship "adapting" to one another, albeit the services provider has to always take cognisance of the costs involved of such an approach.

A relationship-based approach can also be formed by the parties being "attracted" to one another. This may be driven by various factors including an association with the brand of the services provider, the convenience of location, or the personal and social properties of the relationship (Gummesson, 2002: 24, 26-27).

(ab) Customer Relationship Management

Given the dynamics surrounding client relationships, CRM is an all-encompassing strategy that addresses the needs of clients. Baran *et al.* (2008: 4) indicate that the definitions of CRM can be divided into six groups, each focusing on different aspects. These are (Baran *et al.*, 2008: 4-5):

- A software package, system or technology.
- Data storage and analysis.
- A cultural change within the organisation itself.
- A management practice that focuses on relationships as opposed to transactions.
- A practice that manages client demand.
- A strategy that focuses on existing clients.

CRM can be seen as a system which is able to gather client data from multiple service encounters, store the data, provide easy access to it, and provide useful information based on the data (Baran *et al.*, 2008: 5). As a tool CRM is useful to gain an understanding of clients' behaviours to increase their long-term profitability (Winer, 2001: 89). Winer (2001: 91) provides a CRM model proposing several basic components. At their core, the model identifies the importance of establishing a client database that analyses client activities to form target client segments to build quality relationships. In particular, he regards the goal of building relationships to deliver a level of client satisfaction higher than what competing firms deliver (Winer, 2001: 98). In view of the relationship, client retention is considered important to enable the relationship building.

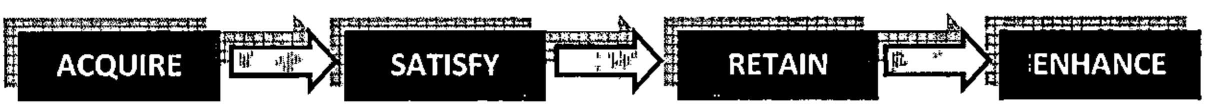
A CRM approach therefore relies on an organisation acquiring information about its clients and, perhaps more importantly, having the ability to disseminate it and make meaningful usage of it that concurrently addresses the needs of clients and increases organisational profitability. An effective CRM approach is therefore an invaluable strategic tool to achieve organisational client-centricity.

(b)The goals of relationship marketing

Wilson *et al.* (2008: 156-157) refer to the goal of relationship marketing (RM) as moving a client along the "relationship continuum". They refer to clients making "a transition from satisfied-based acquaintanceships to trust-based friendships to commitment-based partnerships". The intention of the relationship is to become more meaningful to reflect a deeper level of commitment from the parties. As such, from the perspective of a services provider, the four goals of relationship marketing are depicted diagrammatically in diagram 4.2. These four goals form the basis of the study and are discussed again in chapter five.

DIAGRAM 4.2

THE GOALS OF RELATIONSHIP MARKETING FROM THE PERSPECTIVE OF THE SERVICES PROVIDER



Source: Adapted from Wilson *et al.* (2008: 157)

Client relationships within the context of the four goals or stages of relationship marketing are described as follows (Wilson *et al.*, 2008: 154-155):

STAGE 1: Attract and acquire new clients

Clients are seen as strangers to the services provider due to them not having a relationship with the services provider, not having transacted with the services provider before, or merely being clients of competitors.

STAGE 2: Satisfy the clients

After clients have been attracted, the second step of relationship marketing is to satisfy them. Clients are seen as "acquaintances" and this step creates the platform for an "exchange relationship". The main focus of an "acquaintance relationship" is to provide value propositions to clients competing with competitors and enable the services provider to develop "sustainable competitive advantage" by "learning from all their [the clients'] transactions".

STAGE 3: Retain the clients

After clients become acquaintances and perceive to receive value from the relational exchange, the services provider is able to gain specific knowledge of the clients' specific needs and customise the clients' requirements. This facilitates a move from being an acquaintance to becoming "friends" characterised by growing trust and tailor-made solutions between the services provider and client, making it more difficult for competitors to imitate and attract these clients.

STAGE 4: Enhance the relationship with the clients

Increased patronage by the client causes higher levels of trust with the services provider and the resultant creation of commitment with the services provider. This stage implies that clients become "partners" with the services provider and is characterised by highly personalised and customised offerings. This phase reflects the core of a relationship between services provider and client – the services provider must use all available information about the client to be more effective about individual client needs than competitors; clients "desire to commit" to the relationship with the services provider; continuous adaption through the course of the relationship occurs in order to meet the needs of the client; and a deep appreciation for each is central to the relationship. This stage is therefore associated with "enhancing" the relationship, as indicated by Wilson *et al.* (2008: 155): "Clients are more likely to stay in the relationship if they feel that the company understands their changing needs and is willing to invest in the relationship by constantly improving and evolving its product and service mix". By establishing a deeper relationship and more meaningful relationship characterised by commitment, it is proposed that client loyalty is enhanced, which, as proposed by Reichheld and Sasser (1990), improves profits.

Achieving the four goals are more likely if a services provider adopts a client-centric approach as indicated by the "four building blocks" of Selden (2007) highlighted in chapter two. By having rigorous information gathering processes in place, a services provider is able to identify the needs of its clients and provide customised service offerings. Of course, as suggested by Reichheld and Sasser (1990), constantly adapting to the changing needs of clients is costly for a services provider and should be done only if over time the services provider is able to increase its profits from the clients through repeat patronage and higher price premiums due to the added value propositions. As is evident, an organisational culture reflecting a relationship-based philosophy is crucial to a relationship marketing approach (Little and Marandi, 2003: 28). Peppers and Rogers (1999: 152) indicate a "learning relationship" between a services provider and its clients. A relationship is therefore not seen to be a static phenomenon and relies on all parties in the relationship providing reciprocated information flow.

Given the goals of RM and the ultimate objective to increase client retention, several benefits apply to both services providers and clients. Benefits for clients include confidence, social, and special treatment benefits (Wilson *et al.*, 2008: 157-160; Little and Marandi, 2003: 33-34). Confidence benefits instil trust and confidence in the ability of the services provider and extensive research done on the topic indicates that confidence benefits are the most important to clients. Social benefits result in an air of familiarity between the services provider and client that may improve the client's "quality of life" beyond the technical and product-driven nature of service provision. Lastly, special treatment benefits occur when the client receives the "benefit of the doubt," preferential treatment regarding pricing, product or service customisation, and high quality service.

Alternatively, the benefits of RM for services providers include economic, client behaviour, and human resource management benefits (Wilson *et al.*, 2008: 158-160). Economic benefits are the most important benefit to services providers – that is, increasing purchases of clients and in so doing, increasing profits. Within a client-centric context, cross-selling strategies ensure that this is possible and in a banking context, the bancassurance business model enables banks to cross-sell. Due to existing clients requiring less marketing as such, Wilson *et al.* (2008: 159) indicate that economic benefits also include lower costs for the services provider. Word-of-mouth endorsement of the services provider by the client is the most important client behaviour benefit to a services provider.

Of particular benefit to services providers especially *vis-à-vis* this study is human resource benefits. These benefits have a direct impact on the personnel of the services provider and include improving the service delivery process for the services provider due to being more "empowered" in the process, improving trust between the services provider and client, and perhaps most importantly, contributing to the job satisfaction and retention of personnel. Given the requirements for a client-centric organisation provided in chapter two, the satisfaction of personnel is an important prerequisite not only to ensure that the needs of clients are better addressed, but also to improve revenue and profits for the services provider as suggested by the seminal works of both Heskett *et al.* (1994) and Reichheld and Sasser (1990). Nevertheless, any mutually beneficial relationship puts strain on the time, cost and effort available from the services provider (Little and Marandi, 2003: 35). Therefore, the benefits must always be weighed up against these constraints.

(c) Relationship marketing paradigm theories[3]

In trying to explain the multi-faceted nature of relationships, scholars have tried to provide theoretical explanations from diverse academic fields. With

[3] The purpose of this section is not to consider each theory in detail as this would require an in-depth enquiry into philosophical and socio-psychological theories. Rather, the intention is to highlight the diverse spectrum of literature from which explanations have originated to explain relationships in order to establish the difficulty associated with providing an exact explanation of the nature and dynamics of relationships.

this in mind, Bruhn (2003: 19) provides six theoretical requirements that must exist in any theory to explain the concept of relationship marketing. These are:

- The types of client relationships must be clarified.
- The different phases in client relationships must be explained.
- The processes explaining the emergence of client relationships must be explained.
- The dynamic nature of client relationships must be clarified.
- The conditions explaining client relationships occurring must be provided.
- The viewpoints of both the client (buyer) and services provider (seller) must be evident.

Relationship-based theories have emerged from diverse academic fields including strategy, marketing, supply chain management, sociology, and psychology (Donaldson and O'Toole, 2007: 7).[4] Table 4.2 provides an overview of these main theories explaining the uniqueness of relationships reflected in the relationship marketing concept.

Table 4.2 provides an indication of the contribution each respective theory makes to the six requirements identified by Bruhn (2003: 19). The neo-classical paradigm originates from microeconomic theories analysing decisions between households (buyers) and firms (sellers) and how these decisions in turn affect the relationship between them. Most notable is that only the Social Penetration Theory complies with all six requirements. Of note is that the neo-classical paradigm complies the least with the requirements. Considering that this paradigm reflects the earliest thinking of relationships between services provider and client, it suggests that the complex and dynamic nature of relationships have become increasingly more pertinent in recent thinking.

[4] For an in-depth discussion on the different relationship-based theories see Bruhn (2003: 17-40) and Donaldson and O'Toole (2007: 21-36).

TABLE 4.2

THEORIES EXPLAINING THE RELATIONSHIP MARKETING CONCEPT

<table>
<tr><th rowspan="2" colspan="2">THEORY</th><th rowspan="2">FOCUS OF THE THEORY</th><th colspan="6">THEORETICAL REQUIREMENTS</th></tr>
<tr><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th></tr>
<tr><td rowspan="2">NEO-CLASSICAL PARADIGM</td><td>Value Theory</td><td>Significance of quality, client satisfaction, perceived value, and relationship quality within relationship marketing</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">o</td><td rowspan="2">+</td></tr>
<tr><td>Profit Theory</td><td>Evaluation of client relationships from a corporate perspective</td></tr>
<tr><td rowspan="3">NEO-INSTITUTIONAL PARADIGM</td><td>Information economics</td><td>Explanation of interaction uncertainties and derivation of strategies to reduce uncertainties</td><td>+</td><td>-</td><td>+</td><td>o</td><td>-</td><td>+</td></tr>
<tr><td>Transaction Cost Theory</td><td>Pre-conditions for an advantageous initiation of client relationships</td><td>+</td><td>-</td><td>-</td><td>o</td><td>+</td><td>+</td></tr>
<tr><td>Principal-Agent Theory</td><td>Elucidation of client and employee behaviour within client relationships</td><td>+</td><td>-</td><td>-</td><td>-</td><td>+</td><td>+</td></tr>
<tr><td rowspan="9">NEO-BEHAVIOURAL PARADIGM</td><td colspan="8">PSYCHOLOGICAL THEORIES</td></tr>
<tr><td>Learning Theory</td><td>Clarification and influencing factors for the emergence of client relationships</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">+</td><td rowspan="3">o</td></tr>
<tr><td>Risk Theory</td><td>Trust and commitment as intermediary variables for service processes</td></tr>
<tr><td>Cognitive Dissonance Theory</td><td>Clarification and influencing factors for the emergence of client relationships</td></tr>
<tr><td colspan="8">SOCIO-PSYCHOLOGICAL THEORIES</td></tr>
<tr><td>Interaction/Network approaches</td><td>Structuring of interaction processes</td><td>+</td><td>-</td><td>-</td><td>-</td><td>+</td><td>+</td></tr>
<tr><td>Social Exchange Theory</td><td>Emergence and maintenance of client relationships; evaluation, long-duration, and stability of client relationships</td><td>o</td><td>-</td><td>-</td><td>o</td><td>+</td><td>+</td></tr>
<tr><td>Social Penetration Theory</td><td>Emergence and development of client relationships</td><td>+</td><td>+</td><td>+</td><td>+</td><td>+</td><td>+</td></tr>
</table>

Source: Taken and adapted from Bruhn (2003: 18, 40)

[Key: '+' = positive contribution; 'o' = some contribution; '-' = no contribution]

The neo-classical and neo-institutional paradigm theories have a distinct focus on the client and the traditional role of institutions (services providers) within the relationship between a services provider and client. These theories originate from purely economic foundations to explain the viability of client relationships and their benefit to the services provider. For example, client value and the profit motive are central to the neo-classical paradigm and principal-agent, transaction cost reduction and informational role functions of services providers reflect the neo-institutional paradigm. Indeed, the neo-institutional paradigm strongly resembles the theories synonymous with the origin and evolution of banks (see chapter two).

Of particular relevance to this study is the neo-institutional paradigm focusing in particular on information economics, Transaction-Cost Theory, and Principal-Agent Theory. The neo-institutional paradigm is based on a more realistic rationale that markets are inherently imperfect due to market failures such as information asymmetry and furthermore assumes limited rationality by economic agents (Bruhn, 2003: 18). As discussed in chapter two, the primary function of a bank is to act as an intermediary that is able to collect, store and disseminate client information. By performing this function, a bank is able to reduce market imperfections such as information asymmetry. By acting as an intermediary, it is also able to make different markets more accessible to clients, thereby reducing transaction costs. In the context of a bank-client relationship, clients will be willing to engage in a relationship with their bank due to the theories underlying this paradigm, improving the explanation of relationship marketing when compared to the neoclassical paradigm.

However, although the neo-institutional paradigm is particularly relevant in the context of bank-client relationships, it does not address the socio-behavioural aspects of these relationships. Rather, the neo-behavioural paradigm delves largely into the behavioural and psychological aspects of relationships. These theories have either a psychological or socio-psychological focus. The former refers to behaviours driven from psychological influences – past experience, perceived risk, and cognitive balance – and the latter considers the behaviours within the social context driven by, for example, networks, multiple interactions and mutual value exchanges (Bruhn, 2003: 27-34). The Social Penetration Theory postulates that through a process of several interactions between relationship parties, new elements of each party are constantly being discovered. Central to the numerous interactions between the parties is the acquisition of confidential information about the other party, thereby resulting in an increased level of intensity in the relationship and greater client knowledge from the services providers' point of view (Bruhn, 2003: 35, 37). The Social Penetration Theory therefore suggests that an intense relationship between services provider and client results in increased client knowledge and improved client behaviour that ultimately improves the efficiency of interactions between the two parties.

(d)Defining relationships

Relationships are both dynamic and complex. Services providers must not view a relationship with clients as a static phenomenon. Given the dynamic nature of relationships, Gummesson (2002) provides a highly cited framework of the different types of relationships he refers to as the "30Rs" or the thirty relationships of relationship marketing. The thirty relationships identified by Gummesson in table 4.3 are divided into two groups. These are (2002: 27, 30-31):

- **Market relationships**

These relationships form the basis for conventional marketing literature and include *classic* market relationships and *special* market relationships.

- **Non-market relationships**

These relationships influence the efficiency of markets indirectly. *Mega* relationships provide the "platform" for market relationships and refer mostly to the macroeconomy and society in general. On the other hand, *nano* relationships refer to relationships inside an organisation, which in turn influence all relationships external to the organisation.

This framework is useful to understand the spectrum of relationships in business activities. The relationship categories provide a macro view of all potential business relationships by recognising key organisational interest groups including employees, clients, suppliers, shareholders and communities (Donaldson and O'Toole, 2007: 10). For purposes of this study, the classic dyadic relationship (see table 4.3) between the bank and its clients is considered.

Although the interactions between services providers and clients are either transactional or relational in nature, certain clients might be in either a transactional or relational "mode" given a certain service encounter (Grönroos, 2000: 35). Given that all relationships do not have the same degree of intensity (Donaldson and O'Toole, 2007: 55), a distinction can be made between active and passive relational modes (Grönroos, 2000: 36). The former refers to clients who are actively seeking opportunities to interact with the services provider to get additional value from the relationship and failure to do so disappoints the client. The latter relationship requires the client to have the knowledge that they can contact the services provider if they need to and seldom react to invitations from the services provider to engage (Grönroos, 2000: 36). These two types of relationships are particularly relevant in the context of this study focusing on relationships in financial services.

Due to the complexity of financial services, bank clients can exhibit aspects of both relational types. For example, a client who is particularly savvy and knowledgeable about banking products and services may exhibit passive relationship traits due to interaction only being necessary if a problem arises. Alternatively, clients who are not knowledgeable might need more interactions with the bank due to their lower level of understanding of banking products and services. This type of relationship may be particularly relevant to clients who need to have a dedicated bank consultant who offers advice to them.

TABLE 4.3

THE 30Rs OF RELATIONSHIP MARKETING

MARKET RELATIONSHIPS		**CLASSIC MARKET RELATIONSHIPS**
	R1	**The classic dyad** – the relationship between the supplier and client
	R2	**The classic triad** – the relationship between the client, supplier, and competitor
	R3	**The classic network** – distribution channels
		SPECIAL MARKET RELATIONSHIPS
	R4	**Relationships via full-time marketers and part-time marketers** – sales versus non-sales employees
	R5	**The service encounter** – interaction between clients and services provider
	R6	**The many-headed client and the many-headed supplier** – all contact-personnel in the relationship
	R7	**The relationship to the client's client** – help clients sell more by understanding them better
	R8	**The close versus distant client** – relationships can be lost when a mass marketing approach is used
	R9	**The relationship to the dissatisfied client** – this relationship is intense and includes complaint handling
	R10	**The monopoly relationship** – the client or supplier as "prisoners" due to monopolistic behaviour by a party
	R11	**The client as 'member'** – enlisting clients in loyalty programmes
	R12	**The electronic relationship** – relationships formed through electronic media including the Internet
	R13	**Para-social relationships** – relationships to brands and objects
	R14	**The non-commercial relationship** – relationships primarily between the public sector and citizens/clients
	R15	**The green relationship** – environment and health-related relationships
	R16	**The law-based relationship** – relationships based on legal contracts
	R17	**The criminal network** – relationships primarily found in organised crime networks
NON-MARKET RELATIONSHIPS		**MEGA RELATIONSHIPS**
	R18	**Personal and social networks** – relationships between friends and families
	R19	**Mega marketing** – relationships with influential bodies to enable relationships at an operational level
	R20	**Alliances change the market mechanisms** – sometimes alliances make the market economy work
	R21	**The knowledge relationship** – acquiring knowledge drives many alliances
	R22	**Mega alliances change the basic conditions for marketing** – for example, the EU, NAFTA, and SADC
	R23	**The mass media relationship** – media relationships are crucial to forming public opinion
		NANO RELATIONSHIPS
	R24	**Market mechanisms are brought inside the company** – for example, profit centres within a company
	R25	**Internal client relationship** – the relationship between a company and its different tiers or departments
	R26	**Quality and client orientation** - the relationship between operations management and marketing
	R27	**Internal marketing** – relationships with the employees of the company
	R28	**The two-dimensional matrix relationship** – interrelationships caused by new ways of organising
	R29	**The relationship to external providers of marketing services** – for example, advertising agencies
	R30	**The owner and financier relationship** – these relationships influence the conditions for the marketing function

<u>Source:</u> Adapted from Donaldson and O'Toole (2007: 11) and Gummesson (2002: 28-29).

Service encounters have traditionally been defined as either "continuous" or "discrete" transactions. This implies that services providers engage in two types of relationships – a "membership relationship" or "no formal relationship". Banks are characterised as offering a continuous delivery of services and having a "membership" relationship with its clients, similar to that of a family doctor (Lovelock, 1983: 13). This might not always be the case, especially if clients prefer passive relational roles as suggested by Grönroos (2000) above. Nevertheless, the advantage of a "membership" relationship is that it enables a services provider to "know" its clients better and identify which services they use (Lovelock, 1983: 14). This suggests that a series of transactions between a services provider and client does not constitute a relationship if either parties do not know each other (Little and Marandi, 2003: 23). There must therefore be a sense of familiarity between the parties in the relationship.

Donaldson and O'Toole (2007: 58) provide a relationship classification based on the so-called "relationship strength" between the parties to a relationship. This classification establishes what the underlying motivation of the relationship is and defines the intensity of the interaction between the parties as close, recurrent, dominant, or discrete in nature. This is aligned to the relationship continuum provided by Little and Marandi (2003: 32) which suggests that clients wanting a relationship with a services provider involve a high degree of contact and anxiety for the clients' perspective, and requires a high degree of confidence, social, and special treatment benefits from the client.

This section therefore indicates that there are several different types of relationships that vary, in particular, in different contexts within the service delivery and product provision process. For purposes of this study, the type of relationship refers specifically to the classic dyadic relationship between bank and client. The following section deals with this in detail.

4.3 RELATIONSHIPS IN BANKING

Drawing from the literature of RM, the following section deals specifically with bank-client relationships.

4.3.1 Relationships in a banking context

Building mutually beneficial client relationships has resulted in the establishment of full-service "banking units" to address the range of changing client needs to capitalise on building relationships with "profitable clients" (Berndt, Herbst and Roux, 2004: 31). This phenomenon is commonly referred to as "relationship banking" and is regarded as the antithesis to transactional banking (Nielsen, Terry, and Trayler, 1998: 261; Gill, Flaschner, and Schachar, 2006: 387). Relationship banking focuses on retaining profitable bank clients who are generally regarded as being less price sensitive and more likely to make favourable word-of-mouth recommendations to family and friends (Abratt and Russell, 1999: 7). This typically promotes client loyalty which increases long-term bank profits on a sustainable basis. By implication, relationship banking adopts a relationship marketing approach to promote competitiveness, differentiation, and a means to gain a competitive advantage (Ackerman and Ravesteyn, 2006: 149).

Although the use of relationship marketing underpins the relationship banking focus, not all organisations would benefit from using such an orientation. Kotler (2002) highlights four such organisations. These are organisations:

- That have a mass market orientation.
- That have client lifetime values that are low.
- That function in industries where client churn is high.
- Where there is no direct contact between buyer and seller.

Kotler subsequently highlights three organisational orientations that justify a CRM approach – those that collect a large amount of client data, those that can cross- and up-sell different products and services, and those organisations that have highly differentiated and unique needs who in turn offer highly differentiated value to the organisation. By their nature, banks comply with the three criteria provided by Kotler. As suggested in chapter two, banks are able to collect, store, and disseminate client information due to their unique function as an intermediary and credit provider. They in turn build a database of client information that enables them to identify behavioural trends over time.

Due to banks being diversified financial services providers that offer both banking and insurance related products, they are able to identify further financial needs to cross- and up-sell a diverse range of financial products and services. This results in "mutual value" occurring between the parties in the banking relationship driven by an orientation that structures itself "around client segments and not on the basis of product lines to deliver client satisfaction" (Panda, 2003: 158, 159). The needs of clients are therefore central to organisational policy and highlight the characteristics of client-centricity discussed in chapter three. As Panda (2003: 159) puts it, "A good client relationship management programme addresses the changing needs of the clients by developing products and services that continuously seek to satisfy the lifestyle and need patterns of individual clients".

Clearly, relationship banking draws on relationship marketing as its central frame of reference regarding the benefits of engaging in bank-client relationships.

4.3.2The nature of banking relationships in a retail banking context[5]

A changing banking environment over the past two decades has resulted in banks adopting a relationship-based approach towards their clients (Ackerman and Ravesteyn, 2006; Proença and De Castro, 2000; So and Speece, 2000; Trethowan and Scullion, 1997; Ennew, Wright, and Watkins, 1990). Relationship banking presupposes that banks can maximise profits from client relationships rather than from specific products or transactions due to economies of scale where relationships are maintained over a long-term where clients purchase bank products and services (Ahmad, 2005: 319). Ultimately, the objective is to increase the profitability per client through enabling cross-selling opportunities over the duration of the relationship and become the lead banker of the client (Beckett *et al.*, 2000: 15; Sheedy, 1997: 22). Trethowan and Scullion (1997: 63) refer to a relationship banking strategy as one whereby low profit clients are attracted through "cash transmission business" and then deepened by cross-selling more profitable products.

Furthermore, as with the literature on relationship marketing, a difference exists between transactional and relationship banking. Paulin, Ferguson, and Payaud (2000a: 331) define transactional relations as those "based solely on rational, economic and utilitarian criteria". Conversely, they define relational banking as exchanges "characterised by personal relations, deep and extensive communications, and significant elements of non-economic

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[5] Although this study is conducted in the retail banking context, the type of client included in the retail banking segment needs to be clarified. Retail banking usually includes both individual and small business clients. Proof of this lies in the segmentation of the Big Four South African banks that include both as part of their retail banking divisions. Academic papers also often make reference to their studies being in a retail banking setting (i.e. individual clients), but conduct the survey with only business clients [for example, Ackerman and Van Ravesteyn (2006); Gill *et al.* (2006); Nielsen *et al.* (1998)]. Alternatively, certain papers make reference to only individuals [for example, Koutouvalas and Siomkos (2006); Bick, Brown, and Abratt (2004); White and Yanamandram (2004)]. For these reasons, the literature on relationships in a retail banking context refers to either individuals *or* small businesses or *both* together. Therefore, it is not unfounded that banks refer to both collectively as a single client type, albeit their banking needs and thus the products and services addressing these needs differing slightly. Furthermore, although the banking needs of individuals and small business clients are not the same *per se*, it is assumed that the reason for this segmentation probably lies with 'who' is ultimately liable or responsible for the bank account – an individual or legal entity of some sort. Notwithstanding the different legal entities the owners of bank accounts can take the form of such as close corporations or trusts, the legal recourse of sole proprietorships eventually rests on the owner, as does the bank account of an individual. A further reason could be that assessing the creditworthiness of sole-proprietors requires credit checks and approval of the owner themselves. This would similarly be the case with an individual credit assessment that does not own a business but has a bank account in his or her personal capacity.

personal satisfaction". Relationship-based exchanges are therefore more intensive than mere transactional-based exchanges.

A relationship-based orientation is reflected by banks globally. For example, the annual World Retail Banking Report conducted annually by Capgemini has found a relationship-centred approach to be the cornerstone of bank strategy for retail banks all over the world in recent years (Capgemini, 2009: 23; 2008: 8; 2006: 22; 2005: 13). Indeed, amidst the turmoil of the 2007-2009 global financial crisis, the 2009 edition concludes (Capgemini, 2009: 23) that retail banks will need to "create value in new ways" that "strengthen the added value they bring to clients by personalizing their client approach".

A successful bank is further regarded as one that realises that "core banking activities are the backbone of their relationship with their clients". This indicates that successful banks address the needs of their clients by their very nature as a bank. A client-centric drive is therefore aimed at being particularly sensitive to the basic needs of clients, which is aligned to the client-centric principles established in chapter two. As such, the mutual value or benefit derived from bank-client relationships assists to reduce the perceived riskiness associated with complex financial products and services (Babakus *et al.*, 2004: 462, 463). The mutual benefit therefore enables the bank to sell more products while increasing its share of the client's wallet (Panda, 2003: 168). At the same time, the client becomes more informed about the benefits of bank products and services and purchases more products and services. By providing superior service quality to promote client satisfaction and loyalty over a prolonged period of time, a bank is able to generate profitable relationships (Koutouvalas and Siomkos, 2006).

Given the highlighted benefits of bank-client relationships, not every client wants a relationship. In such cases evidence indicates that self-service banking is a good option for these clients (Capgemini, 2005: 15). This is an appropriate strategy to reduce fixed costs especially due to self-service banking effectively reducing the reliance on personnel. However, even this scenario indicates that a type of relationship is formed. For example, Gill *et al.*

(2006) conduct a study on bank-client relationships, defining it from the perspectives of both the client and bank. From the client's perspective, the depth of a relationship with a bank is determined along two dimensions, both related to the degree of up-take and association a client has with respectively banking products and services, and bank personnel. The first dimension relates to *degree of usage* of bank products or services used – if few products or services are used, the relationship is said to be "narrow"; alternatively, if many products and services are used, the relationship is said to be "wide" (Gill *et al.*, 2006: 387). The second dimension relates to the *degree of association with bank personnel* – if a client has brief or "perfunctory" contact with bank personnel, the relationship is considered to be "shallow"; alternatively, if the client is "known" to the bank personnel, the relationship is considered to be "deep". Therefore, according to these explanations, one might say that an 'intense' relationship with a bank is where a client uses several products and services of the bank and engages with bank contact-personnel on a regular basis.

The opposite would apply to a less intense relationship where no explicit relationship is wanted by the client. From a bank's perspective, a bank-client relationship is referred to as a "connectedness based on emotion and empathy" (Gill *et al.*, 2006: 387). This indicates that the relationship explanation provided by Gill *et al.* (2006) regard physical interactions between the client and bank as central to bank-client relationships. They regard the account manager as an integral contributor to building trust between the two parties. Although clients interact at some point in time with all, or most, of the contact-personnel within the branch environment, a dominant relationship exists with their account managers. Sheedy (1997: 22) states that the account manager acts as a co-ordinator of sales efforts and a "quasi-ombudsman representing the interests of the client's interests" by extending the equity (wealth) of both relationships through cross-selling initiatives.

Furthermore, Degryse and Ongena (2001: 10, 11) differentiate between close single bank relationships and multiple bank relationships. Heffernan (2005) and Holland (1992) identify close (relational) or transaction (arms-length) relationships. The characteristics of close relationships include (Heffernan, 2005: 7; Holland, 1992: 30) an extended relationship expected to be fair for both parties; information flows between the bank and client improving over time; both parties gain unique information about each other; flexibility of response on the part of the bank; regular business flow and low margins; and strong loyalty between both parties. In contrast, transaction relationships (also referred to as contract relationships) occur when banks compete for the business of a client, who shops around at several other banks to get the best possible deal (Heffernan, 2005: 8). These relationships have the following characteristics (Heffernan, 2005: 8; Holland, 1992: 30): little or no relationship exists; information flows are restricted or poor due to the terms of the contract; flexibility is minimal; price is an important relationship determinant; and business is fortuitous, with future prospects perceived as limited.

Proença and De Castro (2000: 338) highlight three benefits of bank-client relationships. These are: preferential access to credit for the client, perceived risk associated with complex banking products is reduced, and the bank gains a competitive edge and increased bargaining power to being privy on privileged information on the client. Their study concludes that relationship banking is a complex phenomenon where more attention should be given to the business network context within which dyadic bank relationships take place (2000: 345). A further study of theirs (2005) investigated short-term irregularities in corporate bank-client relationships and concluded that the "stress" (or irregularities) associated with the relationship to be temporary and endogenous to the relationship, either internal to the client, the bank or the transaction between the bank and client (Proença and De Castro, 2005: 539).

As indicated in chapter three, service quality is also seen as a precursor towards a successful relationship due to it enhancing client loyalty. A highly cited study in the South African context by Ennew and Binks (1996: 228) found that loyal client relationships are enhanced when service quality is invested in by the bank. This is due to increasing the likelihood that client retention occurs in the long-run. Zineldin (2006: 436) similarly finds that service quality and an effective CRM strategy improves client loyalty.

The complexity of a particular bank product or service can also have an impact on the nature of retail bank-client relationships. Ahmad (2005: 322) compares the relatively low complexity ATM with a highly complex pension plan to illustrate that reliability, knowledgeable judgements, face-to-face interactions, advice, and trust vary between usage of the two products, indicating varying degrees of relationship quality and bank-client bonds. He further groups bank-client interactions and highlights three types, namely: bank-client technology interactions, client-service representative interactions and "hybrid" interactions, being a combination of the two. Importantly, the flow of information between the bank and client is central to relationship banking. The dualistic nature thereof allows information and interaction reciprocity to occur. An example is cited (Ahmad, 2005: 321) where a client provides the bank with behaviour data through the usage of bank products or services, and in turn, the client learns more about the reliability of bank services.

4.3.3Relationship banking and information asymmetry

Within the relational sales environment of banks, the notion of information reciprocity, or mutual disclosure (Crosby, Evans, and Cowles, 1990: 71), is essential for both parties in the relationship. Unreciprocated behaviour is seen to lead to unhealthy relationships (Derlega, Winstead, Wong, and Greenspan (1987) as quoted in Crosby *et al.*, 1990: 71), especially to solve ill-structured problems and the quick resolution thereof. Heffernan (2005: 7) refers to a relational contract existing in the bank-client relationship due to there being an "understanding between both parties". The transfer of information between the parties in the relationship is therefore an important requirement of mutually beneficial relationships.

By engaging with its clients banks do credit assessments traditionally based on the so-called six Cs of credit (Rose and Hudgins, 2008: 523), namely the character of the loan applicant and purpose of the loan; the legal capacity of the applicant; adequate levels of cash flows justifying the servicing of the loan;

adequate and marketable collateral in case of default; changing economic conditions that could affect the applicant and/or the usage of the loan itself; and the control the bank must enforce through applicable laws and regulations it is bound to. These six criteria have both social (acquiring the information, and assessing the character, cash flows, and conditions of the client) and contractual (assessing the capacity, collateral, and control criteria) components. For example, a better understanding of the character of a client can be gauged through the behavioural intentions of clients reflected in the bank accounts they hold with the bank (Panda, 2003: 166).

Additionally, the quality of collateral is better assessed when the bank is aware of a client's asset portfolio. These factors can be better assessed when a long-term, quality social relationship exists that enables the bank to acquire proprietary information about the client, especially if the client functions in a high-risk environment and might be reluctant to share valuable information (Elyasiani and Goldberg, 2004: 320; Cole, 1998: 959). A case in point is providing credit to risky small businesses. Studies indicate that although larger, more wealthy firms are able to source credit from multiple sources (contrary to smaller more risky firms), the smaller firms are able to negotiate favourable interest rate and collateral requirements due to having a good relationship with their banks (Elyasiani and Goldberg, 2004: 328; Berger and Udell, 1995: 377). These findings suggest that a successful bank-client relationship must not be based solely on contractual terms, but that a social relationship allows an environment where the bank is able to acquire proprietary information and in so doing, promote a more mutually beneficial relationship.

Similarly, Cole (1998: 976) concludes that pre-existing bank-client relationships are important for the extension of credit and that multiple banking relationships diminish the value of private information generated by the bank. This is driven strongly by the bank-client relationship, and in particular being the lead bank, being able to generate "valuable private information about the firm's [or an individual's] financial prospects". Engaging in multiple banking relationships may therefore deter a bank's ability to gather all information from a client, which in turn prevents the bank from having a complete understanding of the client's needs. A study of publicly listed Norwegian firms by Degryse and Ongena (2001: 27) finds a positive correlation between sales profitability and bilateral (multiple) relationships. Smaller firms were also found to be more likely to switch banks or add more relationships when future prospects were not good. This was supported by the fact that switching firms was less profitable and paid higher interest rates in the year of the switch. Therefore, from a lending perspective, quality bank-client relationships are beneficial to both parties in the relationship. From the perspective of the bank, relationships allow the bank to gather proprietary information on clients that enable the bank to make more informed decisions, whether from a credit or cross-selling perspective.

Alternatively, from the perspective of the client, the proprietary information creates an informational lock-in problem due to the bank being privy to all the information of the client. However, the relationship allows the client to benefit by receiving more favourable credit terms and also allows flexibility in future credit needs. Furthermore, the proprietary information banks acquire through close relationships causes a hold-up problem where the bank offers uncompetitive loan rates to lower quality firms (Degryse and Ongena, 2001: 11). Should the client attempt to switch to a competing uninformed bank, the offered loan rates become even less competitive. Maintaining multiple relationships is therefore seen as a solution to the hold-up problem as the informational lock-in problem is reduced. Perhaps more importantly, small firms are able to diversify the risk associated with future credit availability when having multiple relationships. This follows that when a bank has insufficient information about the probability of default for a client, problems of adverse selection and moral hazard arise (Heffernan, 2005: 6). To curb these information asymmetries, banks produce and analyse client information and set up loan contract terms (Berger and Udell, 1995: 351), which reduces problems associated with information asymmetry.

However, retaining a client in order to ensure that information is collected to identify and capitalise on cross-selling opportunities is a challenge for banks.

As previously mentioned, Zeithaml and Bitner (2003: 157, 514) indicate that retaining a client is five times cheaper to a firm than acquiring a new client, resulting in margins being increased without concomitantly changing prices. Furthermore, due to banks not truly knowing its clients from an institutional point of view because of both historical accident and inefficient data-collection (Hislop *et al.*, 2002: 5), the onus of reducing this lies with the ability of contact-personnel to build relationships and subsequently gather information. Lavender (2004: 291) indicates that contact-personnel should have a strong, proactive sales culture in accordance with client-centric principles that allows information sharing to "understand, own and then maximise client relationships". A further constraint to acquire information is the inability of contact-personnel to identify or be empowered to collect information. This is dealt with in section 4.3.4.

4.3.4The bank-client relationship

(a)Bank selection criteria

In order for banks to acquire, retain and develop bank-client relationships, they need to understand what selection criteria prospective clients use when they decide to bank with and also form their relationship with a bank. And although relationships are established with a contract that is either explicit or relational, the type of account used to start the bank-client relationship is an important aspect to bankers when trying to acquire new clients. The cheque account is generally accepted to be the most basic form of account used by clients and considered by financial institutions as the platform from which cross-selling opportunities arise (Lee and Marlowe, 2003: 53, 65). Bruhn (2003: 250) refers to cheque accounts being a "base" or "entry-level" product that provides a means to identify cross-selling opportunities for banks and the beginning of a relationship. Similarly, Lee and Marlowe (2003: 65, 67) find that the bank holding a particular client's cheque account forms the starting point used to search for new financial products and services and the establishment of bank-client relationships. Nedbank (2007: 188), for example, defines a primary client according to which account (usually a cheque account) their salaries or wages are deposited into. As such, Mester, Nakamura, and Renault (1998: 18) indicate that cheque accounts help banks monitor borrowers and that they provide "a relatively transparent window...of a firm's [or individual's] activity".

Therefore, although a basic transaction account appears to be the starting point *vis-à-vis* the account that starts the relationship, bank selection criteria initiate a relationship between a bank and client (Kugyte and Sliburyte, 2005: 56). The literature on bank selection criteria is extensive and criteria vary across different cultural and bank divisional spheres. For example, according to Lee and Marlowe (2003: 66), convenience is found to mean different things to different categories of consumers, depending largely on their views on delivery channel interaction due to demographic characteristics such as age, life-style and technological savvy. They also found that multi-account holding consumers regard convenience as most important and that the more products held (especially assets), greater emphasis is placed on a personal relationship with the bank. The most probable reasons for switching banks were poor personal service and the perceived increase in bank fees (Lee and Marlowe, 2003: 66-67).

Beckett *et al.* (2000: 15) point out that consumers are inclined to prefer the prospect of long-lasting relationships as a selection criterion due to them avoiding disruption and switching costs. They also confirm that the type of bank product is important in the purchasing behaviour of consumers and that a relationship based on trust is important, especially those of professional associations that "protect consumers from third parties acting opportunistically". They further indicate (Beckett *et al.*, 2000: 24-25) that the strength of a bank-client relationship depends on the costs the consumer will incur to consume within the preferred relationship albeit alternative relationships existing – the greater the costs willing to be incurred by the consumer, the stronger the relationship, and *vice versa*.

Zineldin (1995) concludes in his study that functional quality in bank selection to be more important than traditional marketing activities. More specifically, the study found factors (1995: 22) such as accuracy in account management, efficient mistake correction, and speedy service and decision-making more important than the convenience of location, advertising and price. The performance of contact-personnel and word-of-mouth factors also proved important criteria. The latter is consistent with Devlin and Gerrard (2004).

Trust plays a very important reason in the selection of a bank, especially due to the complexities associated with banking products and services. Trust has for several years been considered a major factor for clients when choosing a lead (or main) bank (Zineldin, 1995: 32). Babakus *et al.* (2004: 462-463) state that besides being considered as fairly complex, financial services are perceived to be high-risk purchases having a high degree of involvement and are multi-faceted. They further argue that many studies focus only on the initial stage attributes of consumer choice criteria (such as, for example, convenience or lowest cost), hence offering a "fully disaggregated second-order model" that offers a better understanding of the dynamic, multidimensional and complicated nature of choice behaviour (Babakus *et al.*, 2004: 463, 467). Their study identifies search, credence, and experience dimensions to explain bank selection behaviour by consumers. Credence qualities in particular are consistent with the literature regarding relationship banking. For example, integrity, managerial capability, and trust regarding client information confidentiality are identified as important credence choice criteria of consumers and indicate that due to these qualities being difficult to evaluate, they pose a particular challenge to banks (Babakus *et al.*, 2004: 468). Within a bank-client relationship these qualities particularly come to the fore.

Devlin and Gerrard (2004: 20-21) conducted a study analysing the changing trends in choice criteria in selecting a retail bank. They found that the greatest influence over time related to incentives offered to the clients – banks need to create some form of incentive to begin a relationship with them. The second largest influence of choice over time related to recommendations made, particularly driven through word-of-mouth interactions. The authors indicate that this reliance on credence qualities (in this case, seeking credibility through valued personal relationships) could indicate the view of clients that retail services are viewed as commodity offerings. So-called 'economic factors' including interest paid and fees levied, and a wider product range have in recent times also become more prevalent choice criteria. They (Devlin and Gerrard, 2004: 24-25) conclude that the changing trends in choice criteria requires banks to stay in tune with changing times and continue monitoring client behaviour. Furthermore, a study conducted in the nineties indicated that well educated clients were more likely to engage in multiple banking relationships (Gerrard and Cunningham, 1999: 34).

The study by Nielsen *et al.* (1998) conducts a nationwide survey to investigate how well Australian banks understand the needs of their business clients. The survey focused specifically on determining whether the expectations of banks and firms were different regarding the bank selection process. Banks and businesses were asked to rank only the three most important bank selection factors. In order of importance, the three most important factors for the business clients were the provision of a long-term business relationship, competitive pricing structures and the efficient day-to-day operations of the bank. Interestingly, the banks ranked the three most important factors as competitive pricing, long-term relationships and personal relationships (Nielsen *et al.*, 1998: 257). A preference for service-related selection criteria is identified in the study by Vanniarajan and Kannan (2008: 32). They identify several selection criteria that retail, business and industrial clients use to choose a bank, including speed of service, number of branches, grace period, friendliness, lesser penal rate, quality of service, and personnel efficiency.

These studies indicate that the selection criteria clients use varies across different spheres ranging from convenience to service quality-related criteria. For bankers, the selection criteria are an important marketing tool so that marketing campaigns can be geared towards attracting prospective clients to choose their bank as the lead or main bank. Engaging in multiple banking relationships results in the bank not being privy to all the information of a client and in so doing, not being able to fully identify all the cross-selling opportunities that may exist. Furthermore, without full knowledge of a client's banking portfolio, multiple banking relationships also place a constraint on a bank's ability to offer superior service quality and retain satisfied clients. This is the focus of the following section.

(b)Service and relationship quality in banking relationships

Several studies consider the unique nature of service quality and interpersonal relationships in client-facing channels such as bank branches. In addition to Avkiran (1994) providing a useful service quality measurement instrument for branches known as BANKSERV,[6] the study provides insight into the drivers of service quality in Australian bank branches. Several drivers emerge as dominant and all in some manner reflect interpersonal relationship characteristics between branch employees and clients – the conduct, professionalism, credibility, thoroughness of communication, and the access clients have to branch employees (1994: 16). In a further study by Avkiran (1999), the BANKSERV instrument is used to test the service quality dimensions identified in the 1994 study. They find personnel conduct to be the most significant variable and suggest the following with regard to the importance of client-facing employees to achieving high levels of service quality (Avkiran, 1999: 66): "Those [banks] arguing in favour of replacing staff by various "cost effective" technologies may well be undermining the essence of successful client service, which invariably involves human contact". Although the argument regarding efficiency and practicality is acknowledged, they provide several examples of banks discouraging the use of "human contact" in bank facilities and suggest these may reduce levels of perceived service quality (Avkiran, 1999: 66-67).

Yavas (2007) conducts a study on the service quality expectations and perceptions of female bank clients and female front-line bank employees

[6] The BANKSERV instrument is a derivation of the SERVQUAL instrument. These are discussed in chapter five.

respectively in Turkey. The results indicate that a notable discrepancy exists between the two groups regarding service quality. The author concludes that the employees are not in "touch" with clients because they are unaware of how clients perceive the bank and recommend that front-line bank employees be suitably trained to focus on service quality as perceived by clients (Yavas, 2007: 36, 37).

A complementary construct to service quality, namely relationship quality is seen by Georgi (2000) (in Bruhn 2003: 63) as having five attributes. These include (Bruhn, 2003: 63-64):

- **Perspective**

This attribute relates to the perspective of the corporate (bank) and the client of each other.

- **Reference object**

The relationship quality of the contact-personnel and the entire organisation (bank).

- **Temporal orientation**

Past assessments and future estimations of the quality of the relationship.

- **Transaction reference**

Perceptions based on transactions made with the organisation (bank) and based on features such as trust, rather than transaction evaluation.

- **Type of construct**

This attribute refers to viewing relationship quality as a higher order construct that has within it, different measureable constructs such as trust and client satisfaction.

Based on the research of several authors, Bruhn (2003: 63) defines relationship quality as a construct that links transactions to relationships characterised by "the capability of one of the relationship parties to reduce the complexity of transactions, lower the uncertainty, and raise the interaction efficiency between the relationship parties". Georgi (2000) (in Bruhn, 2003: 65) identifies two relationship quality dimensions, namely the client trust in the organisation, and the familiarity between the client and the organisation.

The relationship between relationship quality and relationship selling behaviours such as contact intensity, mutual disclosure, and co-operative intentions has been established in the past decade. Within a bank-client relationship context, Crosby *et al.* (1990: 70) state the relationship as follows: "The client's trust in relational sales contexts can be defined as a confident belief that the salesperson [or contact-person] can be relied upon to behave in such a manner that the long-term interest of the client will be served". Therefore, because bankers (in this case contact-personnel) are in essence "hybrid product specialists" (Artikis *et al.*, 2008: 114) due to selling both banking and insurance products, they are able to increase the probability of sales opportunities. This is an important feature for the bancassurance model to be effective, especially in a client-centric context and supports the seminal work of Reichheld and Sasser (1990: 108).

Further to this, Ndubisi (2007: 831) regards relationship quality specifically in the banking context as encapsulating four dimensions, namely trust, commitment, conflict handling, and communication. The findings of the study indicate that relationship quality depends on trust exhibited by a bank's clients, the level of commitment shown by the bank, and the ability of the bank to handle conflict. Although communication was found to be a poor predictor of relationship quality, the findings suggest that clients still regard it as important but not as a significant predictor of relationship quality (Ndubisi, 2007: 838-839). Trust, however, was found to be integral to creating high quality bank-client relationships. As Ndubisi (2007: 841) puts it, "They [banks] must give and keep promises, be concerned about the security of transactions, provide quality services, show respect to customers, fulfil obligations to customers, and strive to enhance customers' confidence in the bank. These actions would lead to increased trust in the bank and its services, as well as perceived quality of the relationship". The complexity of financial services therefore requires a high degree of trust between the parties to the relationship. For example, a study in the nineties conducted by Sheedy (1997: 29) in the highly specialised derivatives market cites reasons such as an absence of trust, an obscured definition of the relationship, and a lack of accountability, and knowledge of business units and personnel as reasons preventing successful bank-client relationships. Similarly, the study by Molina, Martin-Consuegra and Esteban (2007) also finds that client satisfaction amongst retail banking clients is more significant if confidence benefits are evident in the relationship.

Service and relationship quality are therefore closely related constructs. Both are seen to be essential precursors to mutually beneficial bank-client relationships resulting in increased levels of client satisfaction and loyalty. Empirical evidence also supports the causal relationship between service quality, client satisfaction, repeat behavioural intentions, loyalty, and ultimately bank profitability.

(c) The role of contact-personnel in the bank-client relationship

The role that contact-personnel plays in the bank-client relationship is vitally important as they deliver the service directly to the client and contribute to creating satisfied and retained clients (Gustaffson, Johnson, and Roos, 2005: 215; Yavas *et al.*, 1997: 221). Yavas (2007: 31) argues that contact-personnel are in the best position to assess client evaluations and given this, management must take particular interest of the specific needs of contact-personnel (Yavas *et al.*, 1997: 221). Levesque and McDougall (1996: 15, 19) investigate what factors are important for retail banks to ensure client satisfaction. They conclude that both core factors focusing on efficient service delivery and relational factors are important. The relational factors in particular refer to the traits of contact-personnel, and in particular service representatives of the bank and highlight features such as having the necessary skills and knowledge and being able to understand the specific needs of clients.

Tyler and Stanley (1999: 168, 169) conclude in their study of large corporate bank relationships that the perceptions of the corporates regarding service delivery and expectations are shaped by the relationship itself and that the relationship could be defined by usage of the bank's services. They suggest that banks monitor the functional elements of service delivery within account relationships. The role of the account manager is therefore seen as very important in the bank-client relationship and suggests that further research be conducted with account managers to enhance their findings.

Paulin, Ferguson, and Payaud (2000b: 467-468) conduct an empirical study of commercial banking relationships in France and conclude that contact-personnel and in particular account managers are important for successful relationships. A balance must be sought between technical, administrative and social competencies within a client-orientated organisational culture. Their findings indicate that business clients regard consistency (lack of account manager turnover) in the relationship an important factor in the bank-client relationship. In addition, they regard it unrealistic to expect relationship managers to create client-perceived value if the bank pursues a transactional sales strategy instead of a relational strategy. It is for this reason that they recommend technology and administrative procedures to be viewed as a tactical rather than strategic consideration to support the social interaction between the bank and client.

Barrutla, Charterina and Gilsanz (2009) investigate the effects that empowerment has on the performance of bank contact-personnel. Empowerment as such is found to be a multidimensional construct that has both psychological and process/operational aspects. They distinguish between process-driven and decision-making empowerment. They provide an extensive literature review citing benefits such as positive attitudes and job satisfaction, organisational commitment, a high propensity to stay with the organisation, improving innovativeness, word-of-mouth communication, job effectiveness, and productivity. Empowering contact-personnel does however also carry with it certain concerns. Of major concern is that top management tends to "undermine empowerment" and have personnel that are not aligned to the requirements that empowerment requires. The authors conclude that the relationship between the contact-personnel and client is vital for client satisfaction (Barrutla *et al.*, 2009: 42, 44).

Therefore, building mutually beneficial bank-client relationships are not simple. Indeed, this may be more difficult for services providers in certain industries (Baran *et al.*, 2008: 14). Bergeron and Laroche (2009: 7) cite several studies indicating that salespeople (including bank contact-personnel) are generally found to be poor "listeners" of clients. They define listening along physical, mental and response dimensions. Of particular value however are the benefits that listening generates. Specifically, the ability of contact-personnel to listen to clients builds trust, improves service quality, reduces perceived risk, improves client satisfaction, increases repurchase intentions, improves sales performance outcomes and improves word-of-mouth publicity (Bergeron and Laroche, 2009: 8-12).

Given these benefits, however, the study reaffirms the asymmetric nature of the dyadic relationship and that contact-personnel can play a vital role to reduce this if they, in this case, listen to clients (Bergeron and Laroche, 2009: 22). Bick, Buthelezi, and Abratt (2008) conduct a study assessing the perceptions of retail branch managers in South Africa. Branch managers are also part of the contact-personnel in a branch. In particular, they were asked to rank their perceptions of their future roles in a rapidly changing South African banking environment. Out of a list of seventeen roles, branch managers listed in order of importance, service quality, profitability, staff motivation, and client relationships.

Given the importance that contact-personnel play in the bank-client relationship, the four steps of CRM (Wilson *et al.*, 2008: 157) provide the ideal framework whereby a bank, through its contact-personnel, can improve and maintain mutually beneficial bank-client relationships. Because a bank is able to collect, store, and disseminate information (Sinkey, 2002: 91), they are able to perform the functions of CRM, reduce information asymmetry, identify cross-selling opportunities (Lymberopoulos *et al.*, 2004: 45; Nayyar, 1990: 513) that increase revenue sources (Mundt, Dawes, and Sharp, 2007: 465) and even reduce costs (Ndubisi, 2007: 831).

Due to banks being intermediaries and providing credit, a contractual relationship is formed between the bank and the client. The bank-client relationship is therefore not only defined along social dimensions such as, interaction frequency, or friendliness and empathy of staff, but also according to contractual obligations that, for example, credit agreements hold. Therefore, the motivation and intensity of a relationship indicates that they comprise of both social and economic elements (Donaldson and O'Toole, 2007: 58). A discussion of this is the subject of the following section, where the concept of 'relationship banking' is conceptualised into a formal framework.

4.3.5 A conceptual model for relationship banking

A review of the literature reveals that there are two strands of literature focusing on the concept of 'relationship banking' – the marketing (or social) stream and the economic (or contractual) stream (Donaldson and O'Toole, 2007: 58). Table 4.4 reflects this.

TABLE 4.4

THE MARKETING AND ECONOMIC DISTINCTIONS OF RELATIONSHIP BANKING

MARKETING	ECONOMIC
Personal interactions with bank contact-personnel defined along marketing (or social) dimensions	Personal interactions with bank contact-personnel defined along economic (or contractual) dimensions
Confidence benefits	Pricing
Special treatment benefits	Security (collateral) requirements
Social benefits	Monthly contractual obligations
Cross-sell opportunities	Monitoring to enforce contractual obligations

The economic stream focuses more on the contractual elements of a bank-client relationship and in particular, the notion of relationship lending and the resultant mitigation of risk through the collecting of information in (mostly) the context of small businesses (Boot and Marinč, 2008; Peltoniemi, 2007; Song and Thakor, 2007; Baas and Schrooten, 2006; O' Donohoe, *et al.*, 2006; Elyasiani and Goldberg, 2004).[7] The relationship is therefore of a more formal nature and through the contractual relationship, risk is mitigated. Therefore, from a theoretical perspective, the nature of a bank as an intermediating financial institution implies that relationships lean towards being contractually based. This stream of literature focuses more acutely on a bank's contractual policies and the enforcement of these policies and has a focus on the internal and operational policies of the bank to build and enforce bank-client relationships and reduce risk. Therefore, economic relationships focus on reducing costs and in so doing, improve profits.

Alternatively, the social (or marketing) stream aligns itself more to the marketing literature and focuses on *how* financial institutions market their products and services and the ensuing relationship through cross-selling and marketing strategies that attract, satisfy and retain profitable clients (Barrutla, *et al.*, 2009; Bergeron and Laroche, 2009; Wood, 2009; Baran *et al.*, 2008;

[7] For more reading on this topic, see Yamori (2009); Gorton and Winton (2002); Degryse and Ongena (2001); Allen (2001); Boot (2000); Cole (1998); Berger and Udell (1995); Boyd and Gertler (1994); Moriarty, Kimball, and Gay (1983).

Soureli, Lewis, and Karantinou (2008); Bick *et al.*, 2008; Mundt *et al.*, 2007; Ndubisi, 2007; Yavas, 2007; Molina *et al.*, 2007; Ackerman and Ravesteyn, 2006; Koutouvalas and Siomkos, 2006; Gill *et al.*, 2006).[8] These relationships are not necessarily contractually defined (although contractual obligations may exist) and are established mostly on a personal and social basis through contact-personnel of the bank. The behavioural intentions of clients and how the bank is able to address the changing needs of its clients are central to this stream of literature. The relationship takes a more tacit nature rather than being contractually binding. And, where the economic stream of literature focuses on reducing costs, the social or marketing stream focuses on increasing revenue by identifying client needs and cross-selling to address those needs. The social stream therefore focuses on increasing profits by increasing revenue opportunities.

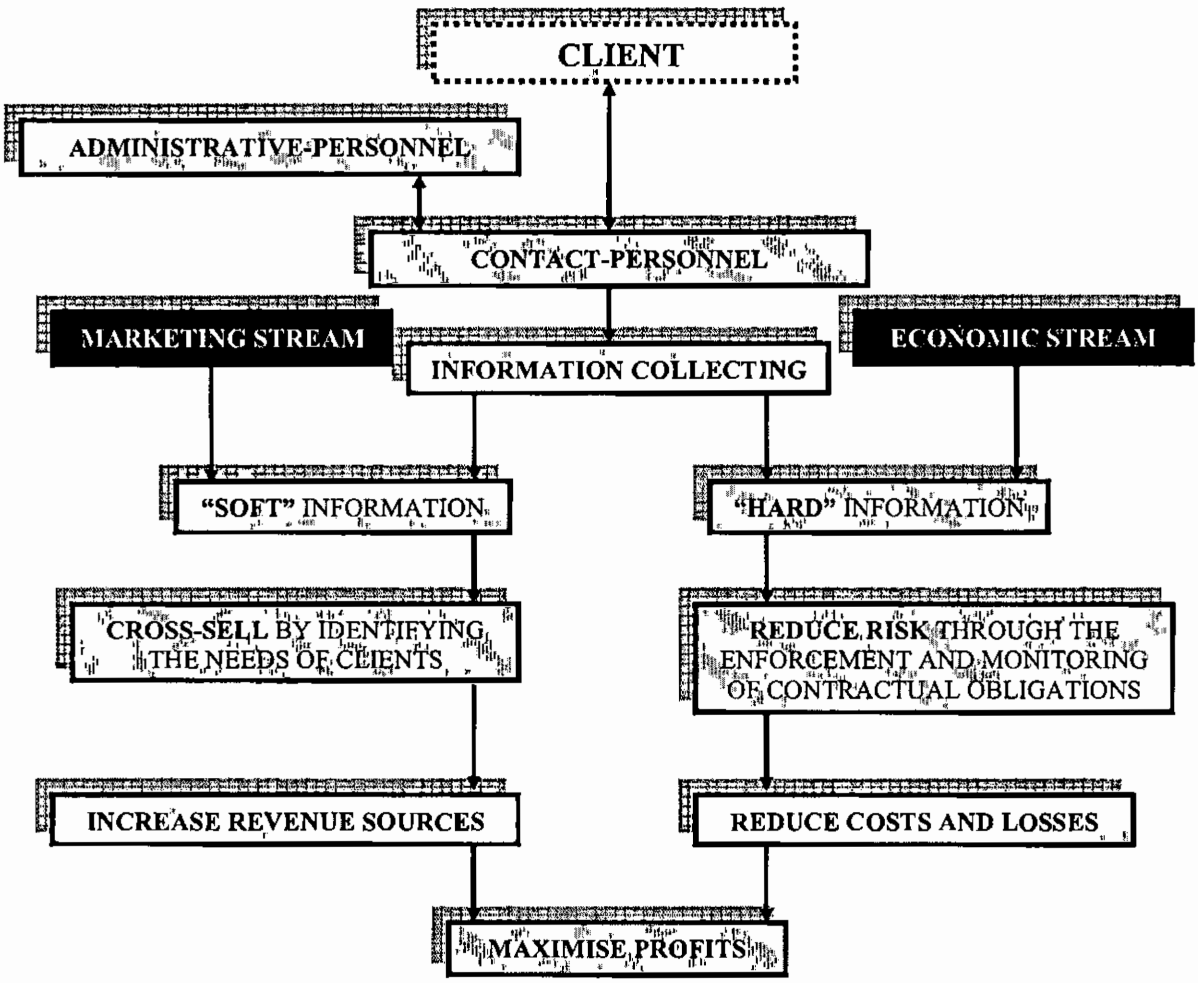
A model for relationship banking is proposed in diagram 4.3. Although the literature on the bank-client relationship is distinguishable from a marketing and economic perspective, this does not imply that the two streams are mutually exclusive of one another. Credit and administrative personnel rely on contact-personnel and in particular sales-driven personnel to attract loan applicants that are aligned to prudent bank lending policies and risk management and tolerance. Similarly, sales-personnel are dependent on administrative-personnel to perform sales activities that rely on back-office processes. Neither party is therefore more or less dependant on the other. Although Gummesson (2002: 25) indicates that the majority of relationships are not contractually regulated, in a banking context this is not the case. Both the contact- and administrative-personnel collect information, although the contact-personnel are directly responsible for this due to them interacting directly with clients.

[8] For more reading on this topic, see Zineldin (2006, 1996, 1995); Farquhar (2004); Berndt, *et al.* (2004); Devlin and Gerrard (2004); Babakus *et al.* (2004); Lymberopoulos *et al.* (2004); Madill, Feeney, Riding, and Haines (2002); Alfred (2001); Beckett *et al.* (2000); Proença and de Castro (2000); So and Speece (2000); Oldenboom and Abratt (2000); Paulin *et al.* (2000a, 2000b); Abratt and Russell (1999); Tyler and Stanley (1999); Avkiran (1999); Colgate and Stewart (1998); Trethowan and Scullion (1997); Sheedy (1997); Ennew and Binks (1996); Avkiran (1994); Ennew *et al.* (1990).

Therefore, information is collected by the contact-personnel from the client, which is distinguishable as being either 'soft' or 'hard' information. The marketing stream of literature focuses more on the acquisition of "soft" information (that is, related to client behaviour and especially the behavioural intentions of clients) which is used as a platform to identify the needs of clients and in so doing, identify further cross-selling opportunities. The dominant paradigm within the marketing literature *vis-à-vis* relationship banking is therefore to increase revenue sources and in so doing, increase profits.

DIAGRAM 4.3

A MODEL FOR RELATIONSHIP BANKING



Complementary to this is the economic stream, which focuses more intensely on the acquisition of 'hard' information (that is, for example, factual data pertaining to the financial performance and loan repayment history of clients). Collecting this information enables the bank to identify and summarily reduce risk that may lead to losses for the bank. This implies that the dominant paradigm within the economic literature is risk reduction to prevent the escalation of costs. Therefore, although the marketing and economic streams align themselves slightly differently to how they ultimately increase profits, they both have profit maximisation at their core. Once again, the two streams are not mutually exclusive of one another. For example, although 'hard' information is more factual in terms of, say client financial performance, knowledge of the 'softer' behaviour intentions of the client provides a more informed overall perspective on the client. Therefore, 'relationship banking' is considered a broader concept than merely the lending or socially interactive nature of relationships, and consists of both contractual (economic) and marketing (social) components. The ability of a bank to collect, store and disseminate information is central to both the marketing and economic paradigms.

4.4 SUMMARY AND CONCLUSIONS

This chapter provided an overview of the literature on relationship marketing and then relationship banking. The literature on relationship marketing reveals that services providers have in recent years moved to a relationship-focused strategy as opposed to a more transactional-based approach. In so doing, a services provider commits more resources to having a longer-term relationship with clients and identifying further revenue generating opportunities. A CRM approach facilitates this and is focused on gathering client data and making decisions based on this data. Due to the nature of relationships, the relationship marketing paradigm theories are embedded in philosophical and socio-psychological theories. For purposes of this study however, the classic dyadic relationship between services provider (in this case the bank) and client is suitable.

Although the foundation theories of relationship marketing are central to relationship banking, the literature on relationship banking is divided along two streams – a marketing (or social) and economic (or contractual) stream. The former focuses on aligning the bank-client relationship with the marketing objectives of the bank. The latter focuses on enforcing the contractual and legal obligations inherent to bank-client relationships through their uptake of bank products and services. The streams are *not* mutually exclusive of one another. This is evident in the strategic objectives of banks to become more client-centric and focus more explicitly on building mutually beneficial relationships which has become more apparent in recent years. So much so that banks are taking cognisance of the importance to manage bank-client relationships, service quality and quality skilled personnel in future strategy. This has become an important strategic driver for banks. As suggested by Panda (2003: 167), the reason why organisations fail to achieve a relationship-based client-centric organisation is because CRM is being used as a technical rather than strategic tool.

Due to the purchase of banking products and services being viewed as a risky purchase, banks have aligned their strategies to become more focused on the needs of their clients. In order to capitalise on their full-service nature, banks have placed emphasis on building relationships with their clients. The ability of a bank to build long-term mutually beneficial relationships depends on how it is able to capitalise on its 'information collecting' capabilities. In this lies the core function of banks – to collect, disseminate and make decisions based on the information it collects.

Collecting this information is strongly dependant on contact-personnel. In particular, they provide the contact point with clients and the extent to which they are empowered to service the needs of clients results not only in the bank collecting valuable information, but also contributes to better service quality, client satisfaction and ultimately client retention. This in turn has a direct effect on the profits of a bank. The principles of client-centricity established in chapter two form the cornerstone of all relationship-based client interactions. Bank contact-personnel are able to collect so-called 'soft' information of clients that in principle identifies future behavioural intentions and enables the identification of cross-selling opportunities. This results in the contact-personnel being better equipped to service clients and form mutually beneficial bank-client relationships. Ensuring that information reciprocity (or transfer) occurs between the bank (primarily through contact-personnel) and clients is vital to the relationship because it enables a bank to make a more informed decision of a client's overall financial position and risk to the bank. It also enables the bank to be more sensitive to future behavioural intentions of the client.

The ultimate objective for banks should be to promote an environment of trust within the relationship. Extensive research has shown that trust is vital to bank-client relationships from initiation (through bank selection criteria) right through to ensuring that service quality, client satisfaction and retention in the long-term. Having said this, relationships are complex and change continuously and the onus rests with the bank through its contact-personnel and the empowerment of them to be sensitive to the changing dynamics defining bank-client relationships. This is especially the case when considering that not all relationships are profitable. Committing resources to these clients would be an inefficient allocation of resources. Therefore, bank contact-personnel should be sensitive and have the necessary tools (for example CRM) at their disposal to ensure they avoid this. Adopting a client-centric approach is not only important to address the needs of a changing clientele, but also to ensure survival in an increasingly competitive banking environment, both locally and internationally.

The needs of contact-personnel should be aligned to the client-centric principles established in chapter two. If mutual benefit (or collaboration, or reciprocity) (Gummesson, 2002: 27; Wolfe, 1998: 450) is considered the core of any relationship, it follows to establish what the needs of each party of the bank-client relationship is. If this is established, a better understanding of the mutual nature of relationships is possible which can provide insight into why either party acts the way it does and in so doing, ensure that mutual benefit is achieved. As such, Ennew and Binks (1996: 223) provide valuable insight into the dynamics of a bank-client relationship: "This [bank-client] relationship is not simply a one-way process. An effective banking relationship requires a positive contribution from both parties. The ability of the bank to meet client needs requires that the owner/manager provides the bank with appropriate and timely information and is receptive to suggestions and advice provided by the bank".

Given the importance that banks place on building mutually beneficial bank-client relationships and the encompassing focus on providing quality services within a client-centric context, the following chapter considers the methodology adopted for the empirical research conducted between banks (and in particular contact-personnel) and their clients in central South Africa.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 INTRODUCTION

As discussed in the preceding chapters, the relationship between a bank and its clients is complex and dynamic. The purpose of this chapter is to discuss the methodology adopted regarding the empirical part of the research. A model indicating the constructs to be empirically measured is provided. The model builds on the bank-client relationship and focuses on measuring and collecting data on bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and aspects of client-centricity. A survey method is adopted and questionnaires for banks (specifically contact-personnel in branches of three of the Big Four banks in central South Africa) and clients are used.

With this in mind, section two deals with the rationale for the empirical study and proposes a relationship model used as the framework for this study. This is followed by the research methodology used to conduct the survey for the two respondent groups.

5.2 RATIONALE FOR THE EMPIRICAL STUDY AND THE RELATIONSHIP MODEL

Given that all studies to some extent have dimensions of both exploratory and formal research designs inherent to the research process (Churchill and Iacobucci, 2005: 77; Cooper and Schindler, 2003: 147), this study collects primary data through the usage of two questionnaires. The central focus is to investigate the nature and dynamics of the bank-client relationship by collecting empirical evidence of the relationship. More specifically, the study identifies several aspects of the relationship and empirically collects data from both parties in the relationship, namely the clients and the contact-personnel in the branches of banks. The specific constructs identified are bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and for the contact-personnel only, factors pertaining to client-centricity. The study uses a survey approach to collect the data. By collecting empirical evidence of these constructs, and perhaps more importantly, comparing the respective views of the clients and bank contact-personnel, a bank will be better equipped to address the needs of clients and become client-centric. As such, the following questions are central to each construct from the perspectives of respectively the bank (through the contact-personnel) and the client.

For bank selection criteria, the primary research question posed to respectively clients and contact-personnel at banks is:

Clients: *What criteria do clients use when choosing a bank for the first time?*

Banks: *What criteria do contact-personnel think that clients use to bank by them for the first time?*

For service quality, the primary research question posed to respectively clients and contact-personnel at banks is:

Clients: *What are the perceptions of clients regarding the service quality they receive from the branches they use?*

Banks: *What do contact-personnel think that the actual service quality experiences of clients are when interacting with their branch?*

For client satisfaction, the primary research question posed to respectively clients and contact-personnel at banks is:

Clients: *Are clients satisfied with their main bank?*

Banks: *Do contact-personnel think that existing clients at their bank are satisfied?*

For client loyalty, the primary research question posed to respectively clients and contact-personnel at banks is:

Clients: *Are clients loyal to their main bank?*
Banks: *Do contact-personnel think that existing clients at their bank are loyal?*

For the nature of the relationship, the primary research question posed to respectively clients and contact-personnel at banks is:

Clients: *Which factors define the relationship clients have with their main bank?*
Banks: *How do contact-personnel perceive clients define the relationship that existing clients have with their bank?*

Lastly, the primary research question regarding client-centricity posed to contact-personnel at banks is:

Is the bank geared towards being client-centric and does the bank empower contact-personnel to address the needs and expectations of clients?

Given these objectives, the bank-client relationship is depicted in the conceptual model in diagram 5.1. As a basic framework, the relationship marketing framework according to Wilson *et al.* (2008: 157) is used. The first step in the relationship is to acquire new clients. Once they are acquired, the services provider must satisfy them in order to retain them as loyal patrons of the organisation. The services provider must then continually work to enhance or improve the relationship with the client in order to be an organisation that is client-centric. This implies a services provider that is focused on the central role of the client rather than promoting the sales of specific products and services (Brink and Berndt, 2008: 175), and is more geared towards creating an environment that is client-centric.

DIAGRAM 5.1

A CONCEPTUAL MODEL OF THE BANK-CLIENT RELATIONSHIP

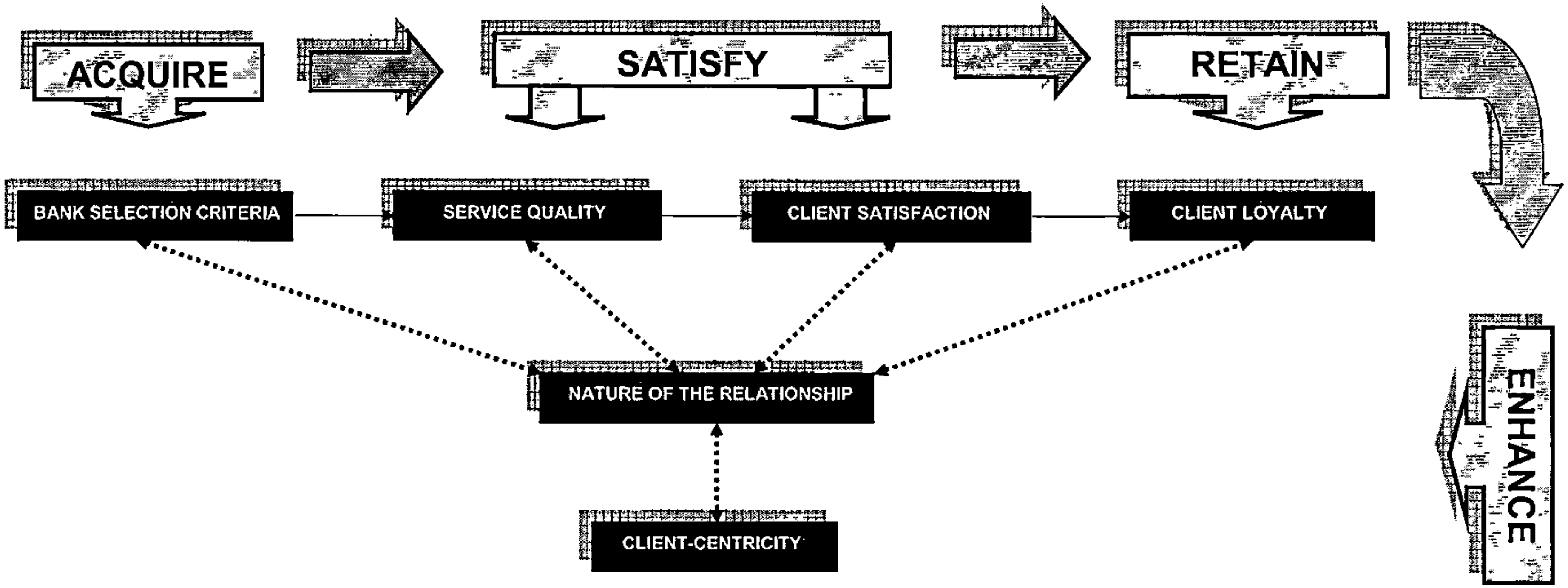
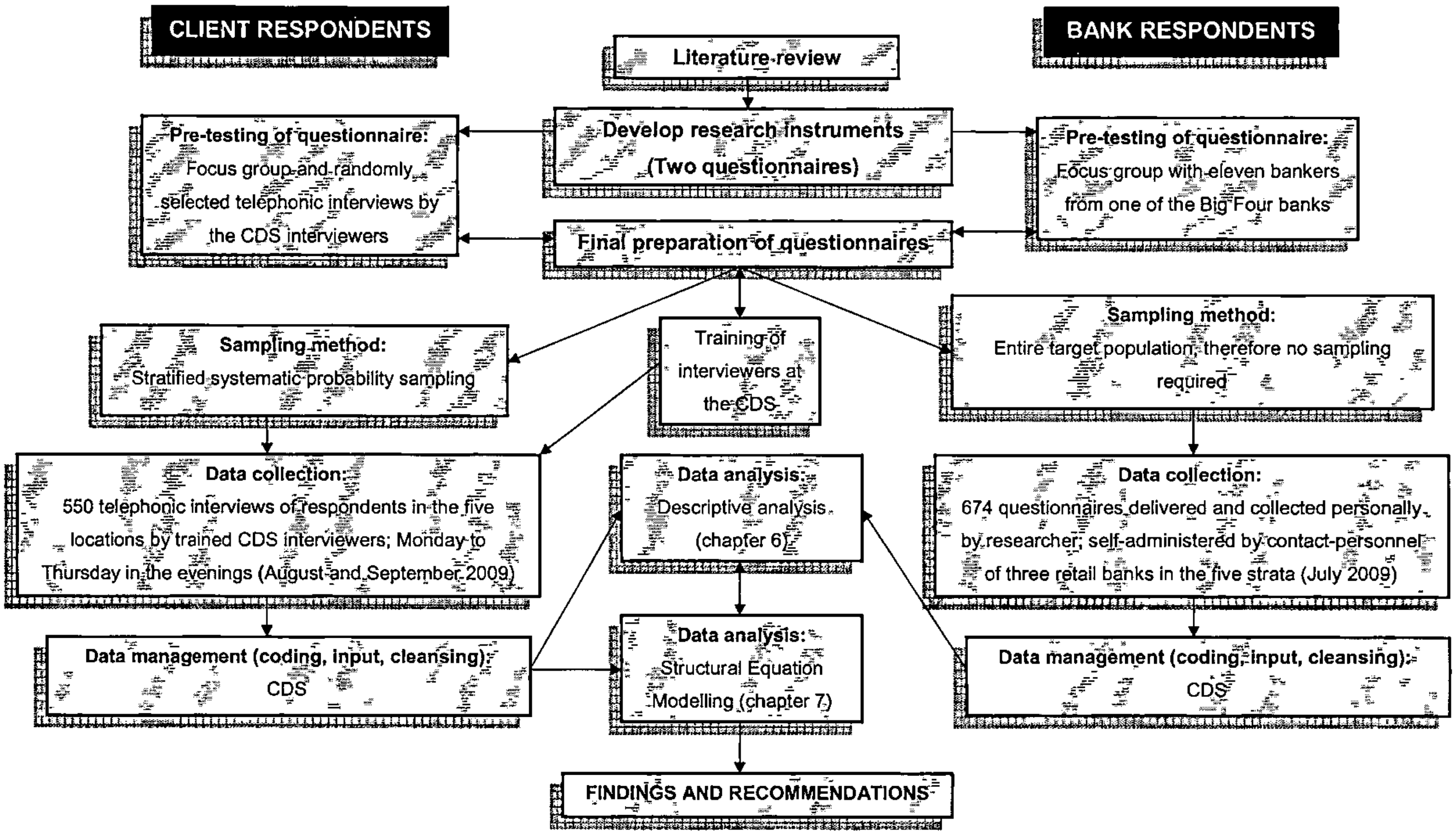


DIAGRAM 5.2

THE RESEARCH PROCESS FOR THE STUDY



Within the context of the identified constructs and the literature review conducted in chapters two, three, and four, the model can be explained as follows. Initially a client decides whether he or she wants a relationship with a bank. The client uses selection criteria (or selection factors) to select which bank to start a relationship with. These specific criteria are discussed in chapter four. Once a relationship has been established between the bank and the client, the quality of the service provided to the client determines whether the client is satisfied. As suggested by research dealt with in chapter three, superior service quality is an antecedent to client satisfaction, which in turn leads to the client being more loyal to the bank. If the relationship is not mutually beneficial throughout, either party could terminate the relationship. Therefore, the bank wants to maintain loyal clients where it increases its share of wallet through cross-selling; a client wants a relationship with the bank that offers products and services that addresses his or her needs. Who the client deals with in the bank and what bank products and services are used within the bank-client relationship are important aspects defining the nature of the relationship. As such, by addressing bank selection criteria, service quality, client satisfaction, and client loyalty, the bank is better equipped to identify the nature of the relationship as defined by the client, and in so doing, become a more client-centric organisation.

Diagram 5.2 highlights the research process adopted for the study. Two separate respondent groups were used in the sample, namely the client respondent group and the bank respondent group and specifically contact-personnel in retail branches of the banks. Chapters two, three and four dealt with the literature. This chapter deals with the research methodology used to collect the empirical data. Upon finalising the literature review, the two questionnaires [see annexures 1, 2, and 3 for examples of respectively the bank and the client questionnaires (in English and Afrikaans respectively)] for both respondent groups were formulated. A pre-testing phase occurred where the questionnaires were refined and deemed ready for use. Before the data collection occurred, the sample size was determined according to scientific requirements. Data collection ensued with the Centre for Development Support (CDS)[1] who collected the data for the client respondent group via telephonic interviews from pre-trained interviewers, and the researcher delivered the self-

[1] The CDS is an independent research unit at the University of the Free State functioning under the auspices of the Faculty of Economic and Management Sciences.

administered questionnaires for the bank respondent group to complete in the five geographical locations in central South Africa, namely Bloemfontein, Bethlehem, Kimberley, Kroonstad and Welkom. The collation and data management of the raw data was done by the CDS, whereupon the analysis and findings followed. The following sections deal in detail with the research methodology adopted for the empirical part of the study.

5.3 THE RESEARCH INSTRUMENTS[2]

Two questionnaires were used to conduct the survey – one for each of the respondent groups (see annexures 1, 2, and 3). The *bank* questionnaire was self-administered by the contact-personnel at the retail bank branches of the participating banks and was presented in English only. In order to provide a professional appeal to its layout, the logo of the university was embossed at the top of each page. A cover page also cited the purpose of the study and provided the names of all the researchers involved. This was done to promote the integrity of the study. A second cover page provided an overview of the structure of the questionnaire. The purpose of this was to familiarise the respondent with the purpose of each section. The questionnaire is divided into five sections. The *client* questionnaire also has five sections, although the sections differ regarding the context within the questions are asked (see the following section). The clients were randomly chosen and interviewed telephonically by the CDS at the University of the Free State (see sections 5.5 and 5.6 for a discussion on the sampling and data collection methods). The client questionnaire was offered in both English and Afrikaans to cater for the two languages most prominently spoken in the region (see table 5.6) in the five locations. Both questionnaires were structured and quantitative in nature with questions drawn mostly from studies of a similar type. In certain sections, respondents were asked to provide their own opinion on certain aspects of the bank-client relationship.

[2] Note that the questionnaire items for the respective constructs are taken from the literature discussed in section 4.3.4 (a) for bank selection criteria, chapter three for service quality, section 3.3.4 for respectively client satisfaction and client loyalty, and section 2.2 for client-centricity. The items for the nature of the relationship construct is self generated.

For both the questionnaires a seven-point Likert scale was used as opposed to a five-point scale unless otherwise stipulated. The primary reason for this was to extract a more in-depth answer for each response.[3] When compared to a seven-point scale, a five-point scale would limit the extent and degree of the answer to which a response is provided. The same questions were asked to both respondent groups in order to establish the respective views of each and also to enable comparisons between the two groups. However, the questions were asked with the perception of the client as the focus. In other words, the contact-personnel were asked to provide their view of what they think the clients' perspective is and conversely, the clients were asked what their personal perspective is. The following section deals with each construct separately.

5.3.1 Bank selection criteria

Bank selection criteria reflect the criteria or factors that clients use to choose a bank for the first time. In effect, these criteria indicate the factors that start a relationship between a bank and its prospective client. Bank selection criteria were the first section for both the bank and client questionnaires. The questionnaires for both the bankers and clients included the same questions *vis-à-vis* the bank selection criteria. The difference being the perspective from which they express their view. For both questionnaires, section A dealt with bank selection criteria. The contact-personnel of the banks were given the following instruction that required them to provide their view of clients not currently banking at their bank but were considering banking at their bank:

> *Rank each of the following statements according to your personal view why you personally think a client would choose to bank at [name of bank] for the first time. Please circle the option most applicable.*

Similarly, the client respondent group was given the following instruction requiring the respondents to provide their view regarding what factors they would consider when choosing to bank at a bank [no particular bank] for the first time:

[3] Rhodes, Matheson, and Mark (2010: 139) state that a 7-point Likert scale may be preferred to 5-point scales as they demonstrate better levels of variability and reliability.

I am going to read you several statements relating to possible reasons why you would choose a bank for the first time. Please rank these statements from 1 to 7, one being very unlikely and seven being very likely.

Given the responses of the two groups, a comparison could be made and analysis be done (see chapter six) as to what contact-personnel regard as being the most important bank selection criteria prospective clients use to bank at their respective banks, and alternatively, what bank selection criteria clients find most important when selecting a bank for the first time. Chapter four indicated several studies identifying numerous bank selection criteria. Including all of them in the survey would be both time-consuming to complete and add to the length of the questionnaires. Although the study of Nielsen *et al.* (1998: 255) asked respondents to rank only their three most important criteria, they conclude that limiting the options to choose from would result in the questionnaires being easier to complete and thus the respondents being more willing to respond. Therefore, for purposes of this study, seven broad categories of bank selection choice criteria were used. Table 5.1 provides the list of selection criteria as well as their respective descriptions and which items/statements they are in both questionnaires.

TABLE 5.1

THE BANK SELECTION CRITERIA CATEGORIES AND DESCRIPTION

BANK SELECTION CRITERIA CATEGORIES	STATEMENTS (ITEMS) NUMBER ON QUESTIONNAIRE		DESCRIPTION
	CLIENT	BANK	
Recommendation	21, 29, 34	A5, A13, A18	Recommendations made by people or the media.
Convenience	18, 27, 31	A2, A11, A15	The convenience and location of branches and ATMs.
Service quality	23, 32, 33	A7, A16, A17	The service received at a branch.
Pricing	19, 25	A3, A9	The bank charges or interest rates.
Image and reputation	22, 26	A6, A10	The image and reputation of the brand.
Product mix	24, 30	A8, A14	The products and services offered.
Relationship	17, 20, 28	A1,A4, A12	A relationship with bank staff.

5.3.2Service quality

The second section of both the bank and client questionnaires deals with service quality. As discussed in chapter three, service quality has been dealt with extensively in the literature and is a central component of any relationship between a services provider and its clients. The measurement of service quality is a further aspect of the literature that has received widespread attention. For the purposes of this study, an important decision was how to measure service quality. Several instruments such as SERVQUAL, Retail-Service-Quality-Scale (RSQS), BANKSERV and SERVPERF have been developed over the years to measure service quality.

Parasuraman, Zeithaml, and Berry (1988: 13; 1985: 42) identified the difficulty to measure service quality due to it being an "abstract and elusive construct" that is more difficult to evaluate than goods because of less "tangible cues" that allow evaluation. During the early eighties no suitable measuring instrument had been developed to measure service quality. This resulted in them following up their 1985 paper which provided the basis for identifying the dimensions of service quality and the Gaps Model of Service Quality, with a measuring instrument they developed called SERVQUAL. SERVQUAL is an instrument that assesses the expectations and perceptions of clients regarding service quality (Parasuraman, Zeithaml, and Berry, 1988: 12) and has become the most commonly used instrument to measure service quality and in several different industries (Wilson *et al.*, 2008: 132; Safakli, 2007: 187; Gaur and Agrawal, 2006: 318; Yavas *et al.*, 2004: 147; Brady *et al.*, 2002: 17; Pont and McQuilken, 2002: 861). Parasuraman *et al.* (1988: 18) initially had a ninety-seven item scale which was subsequently reduced to twenty-two through factor analysis. The study was conducted through data collection by focus groups in five diverse service industries – retail banking, appliance repair and maintenance, long-distance telephone, credit cards, and securities brokerage (1988: 18). More recently, the items have been reduced to twenty-one items (Wilson *et al.*, 2008: 133-134; Zeithaml and Bitner, 2003: 136).

The central purpose of the instrument is to measure perceived quality which, as defined above, refers to the subjective assessments clients make of the actual service quality provided by an organisation. As Parasuraman *et al.* (1991: 445) put it, "The purpose of SERVQUAL is to serve as a diagnostic methodology for uncovering *broad* areas of a company's service quality shortfalls and strengths".[4] Importantly, the instrument tests what has subsequently been referred to as the "disconfirmation paradigm" or "gap" between the expectations and perceived service quality of clients (Brady *et al.*, 2002: 19). As Parasuraman *et al.* (1988: 17) put it, "Perceived service quality is therefore viewed as the degree and direction of discrepancy between consumers' perceptions and expectations". Therefore, negative disconfirmation occurs when a perceived service is "worse than expected" and positive disconfirmation when perceived service is better than expected (Boshoff, 1990: 151). The disconfirmation paradigm is used by most research on service quality (Grönroos, 2000: 62).

As such, SERVQUAL is a two-part instrument that applies the disconfirmation paradigm by using twenty-one statements each for respectively the expectations and perceptions according to the five dimensions of service quality, namely reliability, responsiveness, tangibles, empathy, and assurance. The authors state that SERVQUAL provides a framework or "skeleton" for services providers to assess service quality that can be adapted and supplemented to fit specific service quality requirements (Parasuraman *et al.*, 1988: 31). They therefore highlight the usage of SERVQUAL in different service settings and provide several uses for the instrument. These are (Parasuraman *et al.*, 1988: 31-36):

- Periodically track the trends in service quality of an organisation.
- Assess the relative importance clients place on each of the five dimensions of service quality, as well as the "relative importance" of the dimensions.
- Based on the scores gained on the SERVQUAL instrument, a services provider can categorise its clients into different "perceived-quality segments".

[4] Italics in original.

- Organisations with several chain stores can track the level of service quality of each store and also assess its level of service quality relative to competitors in the market.[5]

Dabholkar, Thorpe, and Rentz (1996) provide a service quality measuring instrument called the RSQS. Also referred to as the "Multilevel Model" (Brady and Cronin, 2001: 35), the instrument is aimed specifically at the retail store setting, which they define as "stores that offer a mix of goods and services" and was developed due to instruments at the time (including in the view of the authors, the SERVQUAL instrument) failing to measure service quality in a retail setting and focusing mostly on "pure" services-only settings (Dabholkar et al., 1996: 3-5). The authors conducted a qualitative study that involved the triangulation of three different qualitative methodologies – phenomenological interviews, exploratory in-depth interviews, and the tracking and monitoring of the client shopping experience, and specifically their thought processes, through a store while shopping.

A service quality measurement instrument relating specifically to the banking sector is the BANKSERV instrument. Developed by Avkiran (1999, 1994), it measures service quality as perceived by retail banking clients in the branch of a bank. The BANKSERV instrument initially conceptualises six service quality dimensions. Three of the dimensions, namely responsiveness, empathy, and reliability were deemed identical to that of the SERVQUAL instrument but included staff conduct, access (to staff) and communication (Avkiran, 1994: 11). Further refinement through factor analysis resulted in staff conduct, communication, credibility, and access to teller services emerging (Avkiran, 1999: 62; Avkiran, 1994: 15).

The four dimensions of service quality eventually proposed by Avkiran (1994: 11) provide valuable insight into the service quality dynamics of retail banking clients. Although the dimensions proposed differ to that of the SERVQUAL instrument, as

[5] Wilson *et al.* (2008: 132) suggest that a further use for the SERVQUAL instrument is to assess the quality of services provided within a services provider between, say, departments of divisions. The SERVQUAL instrument was later refined and improved in 1991 and 1993 by the original authors. Notable refinements included wording all the statements in the questionnaire positively rather than negatively as well as refining statements pertaining to the Tangibles and Assurance service quality dimensions (Parasuraman *et al.*, 1991: 423). The refined questionnaire also asked respondents to refer to an ideal or excellent service experience of a service in the same category as the one consumed (Parasuraman *et al.*, 1991: 446).

with the RSQS instrument the BANKSERV instrument has similarities with SERVQUAL, especially regarding the dimensions of service quality. Indeed, the author states quite clearly that the study is not an attempt to replicate SERVQUAL, but rather an effort to "arrive at a more practical framework with sound psychometric properties". A notable difference between the BANKSERV and SERVQUAL instrument however, is that BANKSERV does not adopt the expectations-perceptions disconfirmation methodology. Rather, an approach is used whereby only perceptions are assessed. As Avkiran (1999: 67) states: "Customer service in banks is characterised by multiple encounters between customers and branch staff...BANKSERV is designed to capture the multi-faceted nature of customer service quality issues that arise in such environment...[and] allows the customer to reflect on perceptions and expectations in a single statement". This performance-only approach is the central tenet of the co-called SERVPERF instrument which is considered next.

Developed by Cronin and Taylor (1994, 1992), SERVPERF has been the major alternative to SERVQUAL in the services marketing literature to measure service quality (Wilson *et al.*, 2008: 135; Grönroos, 2000: 78). The SERVPERF instrument differs from the SERVQUAL instrument in that it adopts a performance-only methodology as opposed to the disconfirmation paradigm adopted by SERVQUAL. In other words, only actual experiences (or perceptions) of service quality are assessed and not expectations of clients. Cronin and Taylors' 1992 paper tests whether the five dimensions of service quality and the original twenty-two item scale is reliable. They do this through factor analysis and data collection through random personal interviews of clients in four service industries, namely, banking, pest control, dry cleaning, and the fast food industry. They find that expectations introduce psychometric bias in the factor analysis and thus regard the SERVQUAL instrument inadequate and discard the disconfirmation paradigm, or "gap theory" as they put it (Cronin and Taylor, 1992: 55, 59-60). Given this and the disagreement that measuring service quality can be defined by five separate dimensions, they agree with the twenty-two item scale proposed by Parasuraman *et al.* (1988), stating that it adequately defines the "domain of service quality" and is consistent with the literature (1992: 58). The SERVPERF instrument therefore uses the twenty-two item scale directly from SERVQUAL, but, contrary to SERVQUAL, only perceptions are assessed.

SERVQUAL is the instrument that receives the most attention by scholars in terms of its validity and appropriateness in measuring service quality. Indeed, most of the theoretical debate surrounding the measurement of service quality stems from the works of Parasuraman *et al.* (1991, 1988, 1985), Grönroos (2000, 1984, 1982), and the works of Cronin and Taylor (1994, 1992). In particular, the major criticisms regarding the applicability of the service quality measuring instruments stems from the validity of the disconfirmation paradigm used by particularly SERVQUAL (Wilson *et al.*, 2008: 134). A performance-only methodology disregards the expectations aspect to consider only performance or perceptions of service quality. Cronin and Taylor argue (1992: 63-64) that if service quality is considered to be an "attitude" as suggested by Parasuraman *et al.* (1988: 15), then using the disconfirmation paradigm reflects a "satisfaction paradigm rather that [*sic*] an attitude model". As a result, the performance-only methodology is preferred and, according to their findings, explains more of the variation in service quality than the SERVQUAL instrument does. They therefore contend that the conceptualisation of the SERVQUAL framework is inherently flawed and argue that the literature supports the notion that service quality be conceptualised and measured like an attitude, which the SERVPERF instrument attempts to do [this view is also supported by Buttle (1996) and Teas (1994)].

Due to only twenty-two items being measured as compared to forty-four in SERVQUAL, SERVPERF is also easier to administer and analyse (Grönroos, 2000: 78; Cronin and Taylor, 1992: 64). Avkiran (1994: 11) similarly agrees with prior studies highlighting the complexities associated with performance-only assessments and use this methodology to make the BANKSERV questionnaire "more manageable". A further criticism by Cronin and Taylor (1992) is the appropriateness of the five service dimensions proposed by Parasuraman *et al.* (1988). They find (1992: 61) that the five service dimensions structure of the SERVQUAL instrument is not confirmed in their empirical analysis and does not provide a good fit between the theoretical and measurement models they provide. Cronin and Taylor therefore differ from Parasuraman *et al.* (1988) in both the usage of the disconfirmation paradigm and the service quality dimensions.[6]

Therefore, the literature on how to measure service quality is grounded in two major arguments: the validity of the confirmation-disconfirmation paradigm and the validity of the dimensions that comprise the service quality construct. In essence, however, the literature reveals a plethora of studies either arguing for or against the SERVQUAL instrument. Albeit the instrument is not perfect and valid arguments are provided questioning its applicability in different contexts, it has by far received the most attention from scholars in the services marketing literature. Although the SERVQUAL instrument can be adapted to include "ideal" or "excellent" expectations of service rather than only expectations of the same service (Parasuraman, 1991: 446), different types of expectations can be measured (Grönroos, 2000: 77). For purposes of this study, the SERVPERF methodology was adopted. In other words, only the perceptions of the respondents *vis-à-vis* service quality was placed into the questionnaire. The rationale for this was in accordance with the proposals of Cronin and Taylor (1992: 64) and Grönroos (2000: 78) that it is easier to administer and analyse collected data. Given that the questionnaires had five parts, assessing service quality by collecting only perceptions and not expectations also addresses a more manageable length to the questionnaire.

As such, the bank respondent group was given the following instruction and asked to rank the statements according to their view of actual clients at their respective banks:

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[6] Following the initial debate between Parasuraman *et al.* (1988) and Cronin and Taylor (1992), the two sets of authors provide counter arguments in the January 1994 issue of the Journal of Marketing. The major arguments put forth by Parasuraman *et al* (1994) are based on reaffirming the disconfirmation paradigm as being well documented in the literature and in particular, reaffirming that SERVQUAL is an instrument that measures perceptions at a particular point in time and not over time. Also, they argue that the disconfirmation paradigm provides "richer" information than perceptions-only assessments and confirm that executives using this methodology report higher diagnostic value than the perceptions-only methodology (1991: 444). This contrasts Cronin and Taylors' (1994, 1992) view regarding their interpretation of conceptualising 'attitude' as the driving force for the perception-only conceptualisation (1994: 112). They accordingly respond (1994: 125-126) by highlighting the emerging literature supporting their SERVPERF instrument, and in particular, those discrediting the five dimensions of service quality proposed by Parasuraman *et al.* (1988). Although the two sets of authors disagree on the validity of the disconfirmation paradigm, they do agree on the causal relationship between service quality and client satisfaction (Cronin and Taylor (1994, 1992); Taylor and Cronin, 1994); Parasuraman *et al.* (1988, 1985). Although Buttle (1996) and Carman (1990) raise concerns regarding the use of the five service quality dimensions and provide support that different service environments may need more or less dimensions, Wilson *et al.* (2008: 134) reconfirm the sentiments of Parasuraman *et al.* (1988: 31) that the SERVQUAL instrument can be adapted to a particular service context being assessed, which may include adding or deleting certain dimensions. Although the analysis above provides three alternatives to SERVQUAL, scholars have modified the SERVQUAL instrument to reflect multiple different industries and renamed the instrument as such. In addition to those listed above a few examples include: DINESERV has been developed for restaurants, LODGSERV for lodging properties, BANKPERF for banking, and SERVUSE to examine human factors in services [Strawderman and Koubek (2008); Schneider and White (2004); Pont and McQuilken (2002)].

Rank each of the following statements according to your personal view of <u>actual</u> experiences of existing [the bank's name] clients when they interact with bank staff members in your branch. Please circle the option most applicable.

Alternatively, the client respondent group was given the following instruction requesting them to provide their perceptions of the service they received from their branch:

I am going to read you several statements relating to your personal perceptions of the service you receive from the bank staff members you directly interact with at your bank branch, whether it is at one or several different branches. Please rank these statements from 1 to 7, one being strongly disagree and seven being strongly agree.

Given the methodology of SERVPERF, only the perceptions and not the expectations were asked in the questionnaires. Table 5.2 provides the dimensions used in the questionnaires. In addition to the five dimensions provided by Parasuraman *et al.* (1988), *a* sixth dimension was added that referred specifically to aspects of the relationship. Although the BANKSERV instrument provided useful ideas regarding what aspects of service quality are important, especially in a retail banking context, trust and decision-making ability were used explicitly in the relationship dimension of the questionnaire. This is in accordance with the importance placed on trust in bank-client relationships as highlighted in chapter four.

TABLE 5.2

THE SERVICE QUALITY DIMENSIONS AND DESCRIPTION

SERVICE QUALITY DIMENSIONS	STATEMENTS (ITEMS) NUMBER ON QUESTIONNAIRE		DESCRIPTION[7]
	CLIENT	BANK	
Reliability	43, 50, 54, 63, 69	B2, B9, B13, B22, B28	The ability of a bank to deliver all services as promised in a dependable and accurate manner.
Responsiveness	46, 49, 57, 59	B5, B8, B16, B18	The willingness of a bank to help clients and deliver prompt service.
Assurance	44, 53, 66, 68	B3, B12, B25, B27	The ability of the contact-personnel of a bank to enthuse trust and confidence through their knowledge and courtesy.
Empathy	48, 56, 58, 64, 65	B7, B15, B17, B23, B24	The ability of a bank to care and provide personalised attention to clients.
Tangibles	42, 52, 62, 70	B1, B11, B21, B29	The physical appearance of the facilities, equipment, written materials and employees of a bank.
Relationship	45, 47, 51, 55, 60, 61, 67	B4, B6, B10, B14, B19, B20, B26	The aspects of a relationship with contact-personnel that promote banking needs of clients.

5.3.3Client satisfaction and client loyalty

The third section of the questionnaires dealt with both client satisfaction and client loyalty. The bank respondent group was given the following instruction and asked to provide their views as if they were existing clients of their respective banks:

> *Please rank the following statements referring to the relationship between you and your clients as if you were referring to existing clients of [the bank]. Please circle the option most applicable.*

[7] The descriptions of the five service quality dimensions, namely reliability, responsiveness, assurance, empathy, and tangibles are taken and adapted from Wilson *et al.* (2008: 84).

Alternatively, the client respondent group was given the following instruction based on their personal perceptions when dealing with their main bank:

> *I am going to read several statements to you indicating whether you are satisfied and loyal to your main bank. Please rank these statements from 1 to 7, one being strongly disagree and seven being strongly agree. In-between you may have to provide additional information.*

Table 5.3 provides the statement (item) number on the questionnaires as well as the descriptions of the constructs for both respondent groups.

TABLE 5.3

THE CLIENT SATISFACTION AND CLIENT LOYALTY CONSTRUCTS AND DESCRIPTIONS

CONSTRUCTS	STATEMENTS (ITEMS) NUMBER ON QUESTIONNAIRE		DESCRIPTION
	CLIENT	BANK	
Client satisfaction	79, 80, 81, 82, 83, 85	C3, C4, C5, C6, C7, C9	The ability of the product or service of a bank to meet the needs and expectations of the client.[8]
Client loyalty	77, 78, 84	C1, C2, C10	The situation where the client chooses a particular bank over another and engages in repeat purchases at this bank.

Both questionnaires had open-ended questions in this section pertaining to possible multiple banking relationships the client might have with other banks. Identifying multiple banking relationships is important information for banks as it reflects a loss of potential revenue. This in turn reflects an opportunity for the bank to identify further cross-selling opportunities for the main bank of a client.

[8] The definition of customer (in this case client) satisfaction is taken and adapted from Wilson *et al.* (2008: 80).

5.3.4Nature of the banking relationship

The fourth section of the questionnaires referred to the nature of the bank-client relationship. This section was part of section C in the bank questionnaire but stated as section D in the client questionnaire. Respondents were asked to provide their views of particular aspects within the bank-client relationship in order to assess what the nature of the bank-client relationship is. Within the context of the model in diagram 5.1, this section clarifies how the bank is able to enhance the bank-client relationship due to it being more informed of *how* the client defines the relationship, and especially the relationship with its main or lead bank. As such, the bank respondent group were given the following instruction and asked to answer as if they were existing clients of their banks:

> *Please read the applicable question and then rank each statement from 1 to 7 best explaining your opinion. Please answer these questions as if you were referring to existing clients of [the bank's name]. Please circle the number most applicable.*

Conversely, the client respondent group was given the following instruction asking them to answer in view of their main banks:

> *I am going to read several questions and statements relating to how you see your relationship with your main bank. Please rank these statements from 1 to 7, one being strongly disagree and seven being strongly agree.*

The primary purpose of this section was to identify why clients bank at a particular bank, why they regard their main bank as such, and which contact-personnel they regard as being the most important to have a relationship with. As with the other sections, the perspective for this section is particularly useful as it provides the perception of the contact-personnel themselves and alternatively the view of the clients.

Respondents were asked to answer three questions relating to the bank-client relationship and also which types of accounts they regard as defining their relationship with their main bank. This information holds important implications for banks as this account can be targeted by banks to start a relationship with a prospective client, and also identifies which account is most likely to be used to engage in multiple banking relationships.

5.3.5Client-centricity

A fourth section dealing with client-centric specific aspects was included only in the bank questionnaire in section D. The purpose of this section was to identify specific aspects of client-centricity that bankers face in their day-to-day operations as contact-personnel in branches. Contact-personnel were given the following instruction and asked to rank specific aspects of client-centricity:

> *In your capacity as an employee of [bank's name], please read the following questions and answer them according to what extent you agree or disagree with the statements. Please circle the option most applicable.*

The questions in this section were drawn from the literature on client-centricity dealt with in chapter two. Respondents were asked in particular whether their bank empowers them to service the needs of their clients and also whether they were provided with the necessary support and empowerment to be client-centric driven.

5.4 GEOGRAPHIC DEMARCATION OF THE STUDY

The study was conducted within five selected cities or towns in the central South African region exclusively where the Big Four bank brands [ABSA, First National Bank (FNB), Nedbank, and Standard Bank][9] are represented. In general, central South Africa refers to the Free State and Northern Cape provinces, but for purposes

[9] As indicated earlier, only three of the Big Four were willing to participate in the survey. For confidentiality reasons, these three banks are referred to as Bank A, Bank B, and Bank C.

of this study specifically, Bloemfontein, Bethlehem, Kimberley, Kroonstad, and Welkom.

The Free State and Northern Cape provinces are not major contributors to the South African Gross Domestic Product (GDP), both as a whole and their respective financial sectors' contributions. As indicated in table 5.4, the provincial contributions of both are the least of all the provinces. Also, the contribution of the financial sector (which includes the banking sector) to national GDP for both provinces are in the bottom three. In both instances, the Northern Cape contributes the least.

The contribution of major economic centres such as in particular Gauteng and to a lesser extent Kwazulu-Natal and the Western Cape far exceeds that of the Free State and Northern Cape. Therefore, although the actual revenue contribution that branches of the Big Four make in the Free State and Northern Cape compared to those in Gauteng is not publicly disclosed information, it is presumed to be less for purposes of this study. From a GDP perspective, the Free State and Northern Cape are not major players in a national context.

TABLE 5.4

PROVINCIAL GDP AND FINANCIAL SECTOR CONTRIBUTION TO SOUTH AFRICAN GDP IN 2008

	GDP contribution of province as a percentage of SA GDP	Provincial contribution of the financial sector[1] as a percentage of SA GDP
Gauteng	33.1	39.2
Kwazulu-Natal	16.4	14
Western Cape	14.3	20.1
Mpumalanga	7.6	4.1
Eastern Cape	7.5	7.6
Limpopo	7.2	5.3
North West	6.5	4
Free State	5.2	4.1
Northern Cape	2.3	1.5
TOTAL	**100**	**100**

Source: StatsSA (2009: 18-19).

[1] The "financial sector" includes finance, real estate, and business services (StatsSA, 2009: 19).

In order to gain access to the bank group respondents, permission was originally requested from the Big Four banks. An ethical declaration was discussed and agreed upon between the researcher and the regional managers of the four banks (see an example of this declaration in annexure 4). However, the regional managers of only three banks granted permission to conduct the study. The fourth regional manager referred the request to senior management at the head office in Johannesburg, which was subsequently declined. This bank's major concern was that the study might jeopardise the perceptions of the services they provide to clients, especially due to the study being conducted by a neutral external researcher not explicitly mandated by the bank itself to conduct the research. This was a pity because informal conversations with the branch managers of this bank in the five locations suggested a keen willingness to participate for the very reason the head office rejected the participation. Nevertheless, the willingness of only the three banks to participate did not alter the rationale that the study be conducted where all four banks were represented. Therefore, although the basis for the geographical segmentation of the study was based on the five locations where all four banks were situated, only three of the Big Four banks were included in the study.

5.5 SAMPLING METHODS

The sampling method was different for each respondent group due mainly to the different characteristics of each target population. The following section discusses separately the sampling methods used for each respective respondent group.

5.5.1 Sampling for the bank respondent group

The list of branches used in the study were provided by the regional managers of the three banks and based on the branches within the five locations. Only branches with full service facilities were included and smaller "agencies" or "in-store branches" with typically less than five contact-personnel excluded in order to focus on the larger staffed branches. This also reduced costs from a data collection perspective. As such, in total 37 branches were surveyed, with Bank A having the most followed by Bank B and Bank C respectively (see table 6.4 in chapter six). The total number of contact-personnel in each branch was also provided by the branch manager of each branch prior to the questionnaires being distributed in order to provide each particular branch with the correct number of questionnaires. The target population size is therefore based on all the contact-personnel in all the branches under the authority of the regional managers for each respective bank. Due to the entire population of full-service branches in the five locations being the sample, there was no need to sample (Saunders, Lewis and Thornhill, 2003: 161). The final sample size was 559 with a response rate of 83 per cent (see table 6.4 in chapter six).

5.5.2Sampling for the client respondent group

Probability sampling was used for the client respondent questionnaire. The sampling procedure within the context being a probability sample followed the guidelines proposed by Pellissier (2007: 19), Churchill and Iacobucci (2005: 323) and Saunders *et al.* (2003: 161).

The target population for the client respondents includes all the people residing in the five locations. More specifically, these people must have bank accounts with one of the Big Four South African banks. The sampling frame is the list of residents from the telephone directory listed in the five locations. Due to the sampling frame being stratified into five "strata" (the residents from the five respective locations), the sampling technique used for the client respondent group was a stratified systematic sampling procedure (Pellissier, 2007: 19; Saunders *et al.*, 2003: 161). Saunders *et al.* (2003: 165) suggest that a systematic sampling procedure is ideal for a geographically dispersed study if the mode of interaction with the respondents is not of a face-to-face nature. With reference to the client respondents, the data was collected telephonically in the five locations in central South Africa, thereby supporting the stratified systematic sampling procedure.

Table 5.6 provides the basis for determining the sample size for the client respondent group by providing a population breakdown for the five locations (or strata). With the next census only expected to be completed in 2011, the 2001 Census was used as the basis for determining the sample size within the five locations. To date, the 2001 Census is the most up-to-date measure of the actual population breakdown in South Africa, with Statistics South Africa providing annual half-yearly updated estimates of South African population data.

<u>TABLE 5.5</u>

CENSUS 2001 BY GENDER, POPULATION GROUP AND PROVINCE

		FREE STATE	NORTHERN CAPE	TOTAL
MALE	African/Black	1 140 329	222 724	**1 363 053**
	Coloured	40 857	205 798	**246 655**
	Indian/Asian	2 064	1 201	**3 265**
	White	114 353	50 070	**164 423**
	Total	**1 297 603**	**479 793**	**1 777 396**
FEMALE	African/Black	1 240 743	238 581	**1 479 324**
	Coloured	42 337	219 919	**262 256**
	Indian/Asian	1 657	1 177	**2 834**
	White	124 436	52 449	**176 885**
	Total	**1 409 173**	**512126**	**1 921 299**
TOTAL	African/Black	2 381 072	461 305	**2 842 377**
	Coloured	83 194	425 717	**508 911**
	Indian/Asian	3 721	2 378	**6 099**
	White	238 789	102 519	**341 308**
	TOTAL	**2 706 776**	**991 919**	**3 698 695**

<u>Source:</u> StatsSA, Census (2001).

Given that four of the locations, namely Bloemfontein, Bethlehem, Kroonstad and Welkom are in the Free State, and Kimberley in the Northern Cape, table 5.5 provides the Census 2001 data breakdown for the gender and population groups of these two provinces. The total population for the provinces total is approximately 3.7 million with the black race group forming the majority of its composition. Given the decision regarding what language the questionnaires should be offered, table 5.6 indicates that Afrikaans in particular is dominant in this region. This was used as a basis for providing the client questionnaire in both English and Afrikaans. Contrary to this, due to a prerequisite in South African banks being that personnel be English literate, the bank questionnaire was presented only in English.

TABLE 5.6

CENSUS 2001 BY POPULATION AND LANGUAGE BREAKDOWN OF THE RESEARCH AREAS

	Bloemfontein	Welkom	Bethlehem	Kroonstad	Kimberley	TOTAL	% OF TOTAL
Population	111 694	34 155	11 815	24 001	62 523	244 188	100
Of which, language breakdown:							
Afrikaans	76 715	14 249	8 756	16 141	41 174	157 035	**64,3**
English	9 840	4 271	723	935	12 888	28 657	**11,7**
IsiNdebele	102	72	6	51	39	270	**0,1**
IsiXhosa	4 095	2 920	83	759	1 495	9 352	**3,8**
IsiZulu	937	549	283	424	422	2 615	**1,1**
Sepedi	273	114	27	72	120	606	**0,2**
Sesotho	13 585	10 375	1 826	5 065	688	31 539	**12,9**
Setswana	4 967	771	24	369	5 361	11 492	**4,7**
SiSwati	103	163	12	39	69	386	**0,1**
Tshivenda	106	36	--	21	24	187	**0,0**
Xitsonga	172	368	9	45	48	642	**0,2**
Other	799	267	66	79	195	1 406	**0,6**

Source: StatsSA, Census (2001).

As indicated in table 5.7, the recommendations of Sekaran (2000) and Iarossi (2006) were used as an estimate of the total sample. Given a population of 244 188, a minimum sample size of 380 was used (see table 5.8). Table 5.8 provides the breakdown of the five strata (the five locations) as a proportion of the minimum total sample suggested in particular by Sekaran (2000). With a minimum sample size of 380, the proportion of each stratum relative to the minimum sample is provided. However, as indicated in table 5.8, a larger sample was drawn for each respective stratum.

TABLE 5.7

PROPOSED SAMPLE SIZES BASED ON POPULATION SIZE

	SEKARAN[1]	IAROSSI[2]
POPULATION SIZE	Proposed sample size	Proposed sample size
50	44	42
100	80	74
200	132	116
300	169	145
500	217	179
750	254	203
1 000	278	218
2 000	322	245
5 000	357	264
10 000	370	271
1 000 000	384	279

[1] Source: Sekaran (2000: 253)
[2] Source: Iarossi (2006: 131). The sample size proposed is at a 90% confidence interval and 5% level of precision.

Using Bloemfontein as an example, instead of drawing a sample of 174, a larger sample of 230 was used. The actual sample size used for each of the five strata (locations) was therefore larger than the proportional sample suggested. Therefore, although a stratified systematic sampling method was used for the client respondents, elements of judgemental or purposive methods were adopted to determine the final sample size for each respective stratum. This resulted in the total sample size equalling 550 rather than the proposed 380.

TABLE 5.8

GEOGRAPHICAL BREAKDOWN OF THE SAMPLE SIZES FOR THE CLIENT RESPONDENT GROUP

	Bloemfontein	Welkom	Bethlehem	Kroonstad	Kimberley	TOTAL
TARGET POPULATION	111 694	34 155	11 815	24 001	62 523	244 188
% of total population[1]	45.7%	13.9%	4.8%	9.8%	25.6%	100%
Strata % of minimum sample size	174	53	18	37	97	380
Actual sample size used	**230**	**100**	**40**	**50**	**130**	**550**

[1] The percentage of each stratum (location) relative to the total population of the five strata.

Several factors justify the use of a larger sample size and also the preferred stratified sampling methodology adopted for the client respondents group:

- A larger sample improves the quality of research conclusions (Churchill and Iacobucci, 2005: 362).

- Due to having five strata (that is, the five locations), a larger sample size enables better statistical precision by reducing within- and between-strata variability (Churchill and Iacobucci, 2005: 343, 369).

- Although the increase in sample sizes for each respective stratum was not proportional, the reasoning was aligned to the number of branches represented in each location. For example, although Bethlehem required only 18 client respondents compared to the 37 of Kroonstad, both these towns had only one branch of each of the three banks with approximately the same number of contact-personnel in total (see table 5.8). Given this, better judgement suggested that a larger sample of client respondents would in all likelihood be a better representation of the client base serviced by each branch. Although this was used as the primary rationale to increase the sample size from 18 to 40 in the case of Bethlehem, the overall sample size for Bethlehem is still lower than that of Kroonstad. Controlling the sample size of each stratum as was done here, is an advantage according to Cooper and Schindler (2003: 197). Therefore, although the minimum samples for each respective stratum was increased on a judgemental basis, the samples of the five locations still reflect the relative sizes of the five locations from largest (Bloemfontein) to smallest (Bethlehem).

The sample frame used was the telephone directory from which the sample elements (the people and specifically client respondents) were chosen. The project manager at the CDS used the telephone list and chose every twentieth name starting alphabetically. Although this systematic sampling procedure is economical (Pellissier, 2007: 19), strictly speaking choosing every twentieth name by itself does not imply that a random sample is drawn. To overcome this, the first name chosen must be done so randomly (Saunders *et al.*, 2003: 163-164). This was subsequently done on the first page of the directory. Lastly, the data was collected and is discussed in the following section

5.6 PRE-TESTING AND DATA COLLECTION

As indicated above, the study adopted a survey approach to collect the data with two questionnaires. The data collection process is dealt with separately for each respondent group.

5.6.1 Pre-testing the questionnaires

Before actual data collection commenced, pre-tests were conducted with both questionnaires in order to refine and assess the reliability of the questionnaires (McQuarrie, 2006: 121; Cooper and Schindler, 2003: 390; Saunders *et al.*, 2003: 308). Although time constraints did exist (especially related to the availability of the services provider (CDS) to collect the data for the client respondent group), pre-testing was conducted for the questionnaires of both the respondent groups. For both questionnaires content (or face) validity was particularly tested; that is, whether the questions and scales logically and accurately measured what they intended to measure (Saunders *et al.*, 2003: 478). The pre-testing process for each questionnaire is discussed below.

(a) Bank respondent questionnaire

Due to the requirements of banks that personnel be fully literate in English, it was decided that the questionnaire to the bank respondents be only in English. As such, an English questionnaire was pre-tested and it was decided that a focus group be used. Focus groups are the most frequently used qualitative technique to gather valuable ideas and insights (Churchill and Iacobucci, 2005: 81).

Due to this questionnaire being self-administered by bank personnel in retail branches, a participant-pretesting focus group option was chosen in which pre-test respondents had characteristics similar to the actual sample respondents (Cooper and Schindler, 2003: 390; Frey, 1989: 181). The focus group consisted of eleven bankers from one of the Big Four retail banks. The size of the group is consistent with the suggestions of Churchill and Iacobucci (2005: 81) who suggest a size of between eight and twelve members. The group members were required to each complete the questionnairė on their own and then a discussion followed where problem questions were identified and suggestions encouraged.

The researcher acted as moderator with the purpose to probe and gather information to improve not only the sequencing and structure of the questionnaire, but also to encourage debate on the relevance of the sections and validity of items/statements within each section (Cooper and Schindler, 2003: 155; Churchill and Iacobucci, 2005: 83). Comments and suggestions relating to the overall length of the questionnaire and the relevance of the questions were therefore explicitly encouraged. Mcquarrie (2006: 139) states that an important aspect of a pre-test of this nature is to enable better understanding from respondents due to the researcher of a study having a particular cognitive style that may result in questions with "some quirks in terms of [the] chosen mode of expression". Feedback, therefore, ensured that a wider audience with different cognitive styles were able to better interpret the questionnaires (Mcquarrie, 2006: 139; Suskie, 1996: 78). The feedback was useful and several aspects, especially surrounding the client-centric aspects within the bank were highlighted and improvements suggested. The value of the focus group consisting only of bankers enabled an 'inside look' at core factors in the day-to-day operations of a typical banker that were not originally captured in the questions. This advantage is highlighted by Cooper and Schindler (2003: 157) and also served to improve response rates by including only pertinent questions (Suskie, 1996: 79).

Throughout the facilitation of the focus group, cognisance was taken of the fact that a focus group does not enable sampling accuracy by its nature and is geared towards generating qualitative feedback (Cooper and Schindler, 2003: 157). As such, the questionnaire was subsequently adapted according to the suggestions and an arrangement was made whereby the researcher could contact random members of the focus group and re-conduct the questionnaire interview telephonically. In doing so, the same individuals were able to provide further feedback on the questionnaire. McQuarrie (2006: 141) suggests that this improves the robustness of the questionnaires. Upon completion of this, further adjustments were made and the banker questionnaire was deemed ready for distribution.

(b)Client respondent questionnaire

The pre-testing phase for the client respondents' questionnaire was multi-faceted due to the data collection method being telephonic interviews and the questionnaire itself being in both English and Afrikaans. The length of the questionnaire was initially a concern, especially given that the mode of collection was telephonic and this might lead to lethargy on the part of the respondents. However, the pre-test indicated that the topic of the survey, especially relating to the service of banks, sparked a keen interest from the respondents. As such, the issue of possible respondent fatigue due to the length of the questionnaire was not as problematic as was initially surmised.

Upon completion of the first round of pre-testing, ten random names were chosen from the Bloemfontein telephone directory and contacted by the researcher. This practice is consistent with the suggestion of Frey (1989: 181) that pre-test respondents for telephonic surveys be used from the study population. Initially only English interviews were conducted in order to acquire feedback on the sequencing and relevance of the questions. It was made clear to the respondents at the outset that the purpose of the phone call was to conduct the questionnaire and to test the sequencing and wording. Probing questions were used to encourage comments and suggestions from the respondents. Again, the feedback was useful, especially regarding the sequencing of questions. Several respondents also commented that certain questions were repeated. After adapting the questionnaires to the proposed suggestions, it was translated into Afrikaans by a qualified language practitioner (see annexure 5). Although Iarossi (2006: 86) suggests that a translated questionnaire be translated back into the original language by a different translator, this was not possible from a cost perspective and was consequently not done. Following translation, a focus group with six members was arranged to discuss the outlay of the sections and the consistency between the English and Afrikaans versions. Further adjustments were made and another random sample of six English and six Afrikaans respondents from the Bloemfontein telephone directory were contacted telephonically.

After final adjustments were made a training and briefing session was held with the interviewers from the CDS. The CDS employs interviewers who have experience in conducting telephonic interviews for parastatals such as Telkom and Eskom amongst others. A training manual was drawn up in conjunction with the project manager at the CDS and discussed with the interviewers (see annexure 6 for the training manual). A trial-run was conducted by the CDS interviewers under the supervision of the researcher and the CDS project manager that included telephonically interviewing a random sample of respondents via the telephone book list. Minor adjustments were made, in particular a 'comments' box was added after each section to assist interviewers to jot down valuable comments made by the respondents while conversing. This proved an invaluable addition to the original questionnaire as the comments captured in the completed questionnaires provided valuable insight into the feelings and concerns of respondents not captured by the questionnaire itself. Upon completion of the pre-test and the subsequent adjustments to the questionnaire, data collection ensued.

5.6.2Data collection

Due to two questionnaires being used in the survey, two separate data collection methodologies were used. For the client respondent group, the data collection was outsourced to the CDS and telephonic interviews were the mode of collection. Alternatively, the bank respondent group had a self-administered questionnaire which the researcher delivered and collected personally. The following section discusses the process for each respondent group separately.

(a) Client respondent group

Twelve interviewers were used to conduct the interviews and were chosen by the project manager assigned to this project at the CDS based on prior experience and telephonic skills. An evening was arranged where the interviewers were trained prior to the actual data collection. The researcher explained the purpose of the study and the questionnaires were dealt with in detail. It was decided the interviewers would make the phone calls during the hours of 18:00 and 21:00 on weekdays.

It was initially planned that the telephonic interviews would take two weeks to be completed starting in early August 2009. However, it became evident early in the first week of interviews that the topic of the study aroused emotions amongst respondents that resulted in a high refusal rate. Although feedback from the interviewers suggested that the respondents who were willing to participate in the survey had a lot to say about their respective banks, a 70 per cent refusal rate occurred by sample elements. Nevertheless, several interviews took up to forty-five minutes to complete a single questionnaire. This resulted in the collection period eventually lasting five weeks and ending in mid-September 2009.

(b) Bank respondent group

Before the questionnaires were distributed, the researcher contacted the regional managers of the three banks willing to participate in the study. A letter indicating the ethical commitment by the researcher and the University of the Free State was signed by the researcher and the regional managers of the three banks. Upon approval by the regional managers, the researcher requested the contact details for the branch managers of all the branches for each of the respective banks. As indicated in section 5.1, the sample for the bank respondents was based on the branch list provided by the regional managers. It was further requested that the regional managers inform the branch managers that the researcher would be contacting them to personally deliver the questionnaires. Accordingly, each branch manager was contacted personally by the researcher and informed that the questionnaires would be delivered personally to them to be distributed to their contact-personnel. The branch manager would then collect the completed questionnaires directly from the branch manager and avoid any direct interaction with the contact-personnel in the branch. Iarossi (2006: 149) finds that prior contact has been shown to improve response rates, which indeed was the case as evidenced in table 6.4 (in chapter six). The questionnaires were distributed to the five locations during the second week of July 2009 with the instruction that they would be collected personally by the researcher on a pre-specified deadline date.

Due to non-response error being a common problem with self-administered questionnaires (Cooper and Schindler, 2003: 342), only ten days were given to complete the questionnaire. Although evidence suggests that a deadline date does not necessarily increase response rates, the rate of questionnaire return is accelerated (Cooper and Schindler, 2003: 343). Therefore, a follow-up phone call was made to each branch manager five days before collection as a friendly reminder of the pending collection. This follow-up increased the response rates tremendously (as evidenced in table 6.4) and is consistent with the evidence provided by Cooper and Schindler (2003: 342).

5.7 SUMMARY AND CONCLUSIONS

The purpose of this chapter was to deal with the methods used to conduct the empirical research of the study. A model was provided conceptualising the bank-client relationship that is grounded in the phases of relationship marketing. The research used the survey methodology and two questionnaires were used – one each for clients and the contact-personnel within the branches of the three participating retail banks. The constructs within the questionnaires included measuring bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and drivers of client-centricity. These constructs intend to "mimic" the typical bank-client relationship. Although these constructs reflect similar constructs and dimensions reflected in previous studies using for example SERVQUAL, BANKSERV, and SERVPERF to measure service quality, the theory dealt with in chapters two, three and four provided the basis from which the questionnaires were constructed. Pre-testing was used to test the internal validity of the questionnaires and the required sampling methodologies were used to determine the sample sizes for the two respondent groups. As such, the response rate for the bank respondent group was high according to recommendations in the literature. The client respondent group was randomly chosen and a pre-determined sample size was achieved based on cost and time constraints.

The following chapter deals with the descriptive analysis of the collected data and compares the responses of the bank respondent group with that of the client respondent group.

CHAPTER SIX

DATA ANALYSIS AND FINDINGS: A DESCRIPTIVE ANALYSIS

6.1 INTRODUCTION

The analysis of the data is divided into two parts. Chapter six analyses the data of the bank and client respondent groups by using mainly *descriptive and inferential statistical techniques* (such as MANOVA and t-tests). Six constructs are analysed based on the structure of the questionnaires. These six constructs are bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and client-centricity. In most parts, the analysis compares the results of the two respondent groups in order to determine whether or not any differences exist between the actual perceptions of clients and those that the contact-personnel have of the clients regarding the six constructs.[1] Following this, chapter seven analyses the data by using a *structural equation model*. Therefore, the first part of chapter six deals with an overview of the statistical techniques used in this chapter and the data analysis process used. Following this, the biographical results of the two respondent groups are provided and then an analysis of the six constructs is conducted.

6.2 ANALYSIS OF DATA: TECHNIQUES AND PROCESS

6.2.1 Statistical techniques used for data analysis

Section 6.3.1 of the chapter deals specifically with the biographical data analysis. Basic percentage tables are used to analyse the biographical data. From section 6.3.2 onwards the six constructs are analysed until section 6.3.7 as follows:

[1] The client-centricity construct was only part of the bank questionnaire due to it pertaining specifically to the contact-personnel of the banks. No comparison is therefore made to the client respondent group for client-centricity.

- Bank selection criteria (section 6.3.2).
- Service quality (section 6.3.3).
- Client satisfaction (section 6.3.4).
- Client loyalty (section 6.3.5).
- Nature of the relationship (section 6.3.6).
- Client-centricity (section 6.3.7).

The Statistical Analysis Software (SAS) package was used to conduct the following statistical techniques on the data:

(a) Percentage tables

Percentage tables are used to reflect the responses for both the client and bank respondent groups for each of the statements (or items)[2] listed in the respective questionnaires. The percentage tables provide a useful overview of the general importance of each response by the sample. In effect, the percentage tables reflect the relative percentages of the frequency distribution per item. For a particular item response, table 6.1 was used to indicate the relative importance of that item in terms of the group's overall responses.

TABLE 6.1

LEGEND FOR THE PERCENTAGE TABLES

Agreement	
Between 20% and 30% in a cell	
More than 30% in a cell	
Disagreement	
Between 20% and 30% in a cell	
More than 30% in a cell	

For either the client or bank respondent group, if between 20 and 30 per cent of the group were in agreement with the item in a cell, it is highlighted in light green. If over 30 per cent of the group agrees with a particular item in a cell, the cell is highlighted

[2] Reference will be made interchangeably to either the statement or item in the questionnaires and could also be referring to a question as such, depending on whether the respective questionnaires provided either a statement or question.

in dark green. Conversely, disagreement is indicated in either light or dark red using the same percentages.

(b)Exploratory Factor Analysis

Exploratory factor analysis (EFA) was used to facilitate the grouping of the variables (Hair, Anderson, Tatham, Black, 1998: 87-135) and was conducted on only the client data of bank selection criteria. The rationale for only using the client data is that the relationship with the bank has as yet not started until the client uses one of the so-called bank selection criteria. Therefore, EFA provides a useful tool to identify which selection criteria clients group together to *begin* the relationship with the bank. Furthermore, bank selection criteria had numerous items (statements) and an EFA methodology is useful to group the data accordingly. EFA was not used on service quality because the dimensions of service quality as identified by Parasuruman *et al.* (1985) were used as the basis for the groups, along with an additional 'relationship' dimension. For these reasons, EFA was not conducted on any other construct besides bank selection criteria. The identified groups can be used as a basis when formulating marketing policies to target new clients. The dimensions of service quality in the original SERVQUAL instrument were retained, along with the added relationship dimension as indicated in table 5.2.[3]

The maximum likelihood method was used to estimate the factors (Johnson and Wichem, 2002: 492-493). For the bank selection criteria factor solution, the VARIMAX orthogonal rotation was performed to provide a simplified factor structure (Johnson and Wichem, 2002: 504; Hair *et al.*, 1998: 109) in order to facilitate interpretation (Hair *et al.*, 1998: 115). Orthogonal rotation methods (such as QUARTIMAX, VARIMAX, and EQUIMAX) are the most widely used rotational methods and is the preferred methodology when the purpose is to reduce the data into a smaller number of variables or "a set of uncorrelated measures" to be used in further multivariate techniques (Hair, Black, Babin, and Anderson, 2010: 116). In this case, the EFA groups identified for bank selection criteria were used as the basis for the MANOVA, t-tests, and cluster analysis. As such, the number of factors retained

[3] For an extensive discussion on the service quality measuring instruments, see section 5.3.2.

was initially determined using the proportion criterion where at least 100 per cent of the common variance needs to be explained (Hair *et al.*, 1998: 103-106). If this did not provide a knowledgeable solution, the number of factors was adjusted accordingly. The variables in the respective sections were then grouped according to the resulting factor structure.

(c)Means, MANOVA and t-tests[4]

A means multivariate analysis of variance (MANOVA) and t-test analysis was conducted. The means of the responses between the client and bank respondent groups were compared by using the MANOVA and t-tests. MANOVA was used to test for a significant difference in the entire (overall) section (for example, bank selection criteria) by using the mean vectors of the client and bank respondent groups. Put differently, MANOVA simultaneously tests for any significant difference in all the variables between the respondent groups (Cooper and Schindler, 2003: 619). A t-test was then used to determine whether a significant difference exists for each separate variable (or grouped variable) (Hair *et al.*, 2010: 443).

The statistical tests for the MANOVA and t-tests are done at a ten per cent (0.1) level unless otherwise indicated. For the MANOVA tests, the null hypothesis tests whether the vector means are equal. If the p-value is larger than 0.1, the null hypothesis is not rejected and therefore no statistically significant difference exists. If the p-value is smaller than 0.1, the null hypothesis is rejected and a statistically significant difference does exist. Furthermore, although the t-test tests if the means are equal, the hypotheses are accepted or rejected in the same manner.

[4] Due to the study focusing on the Big Four South African banks and one bank withdrawing its participation, only client respondents who bank at the three participating banks were included in the MANOVA, t-tests, cluster analyses, and cross-tabulations. This enabled a better comparison with the bank respondent group data due to it being only from the three participating banks. As such, the number of client respondents used for data analysis in these statistical tests are, in certain instances, substantially lower than that of the sampled data and also when compared to the size of the bank respondent group.

(d)Cluster analysis

Cluster analysis was applied to group the client respondents according to their response patterns for the respective section (Hair *et al.*, 2010: 505-563; Johnson and Wichem, 2002: 668-700). This was done in order to provide possible 'market segments' based on the responses of the client respondent group.

Cluster analysis was applied in two stages. In the first stage, the factor scores were clustered using Ward's hierarchical clustering method (Hair *et al.*, 2010: 532; Johnson and Wichem, 2002: 691-692) in order to identify the number of clusters to retain and analyse. Care was taken when identifying the number of clusters. For example, the more clusters chosen, the smaller the number of respondents with the same response patterns in each respective cluster. This diminishes the relevance of each cluster as such and does not necessarily provide a meaningful explanation of the data. Hair *et al.* (2010: 538) suggest that the number of clusters used should not be too small, the clusters should be significantly different across the clustering variables, and should have theoretical validity. For these reasons, a smaller number of clusters of between three and five clusters per section were used. Each cluster had to have enough records within it in order for it to be meaningful. Furthermore, the composition of each cluster has to make logical sense from a literature point of view and be significantly different from one another.

To initially determine the number of clusters, the Cubic Clustering Criterion (CCC), pseudo F statistic, and the pseudo t^2 statistic were considered (SAS, 2004). The CCC measure is a stopping rule[5] that attempts to measure the heterogeneity of each cluster directly (Hair *et al.*, 2010: 538). The values for these three statistics are not provided in the discussions below[6] as the most important criterion used when selecting the cluster solution was the theoretical validity of each cluster as dealt with the literature review of chapters two to four. As such, several cluster size solutions were generated and the most applicable solution was selected and presented as results in the sections that follow. Table 6.2 provides the legend for the relative

[5] The stopping rule refers to the decision by the researcher to choose the number of clusters in the solutions to represent the data structure when doing cluster analysis (Hair *et al.*, 2010: 538).
[6] The Cubic Clustering Criterion (CCC), pseudo F statistic, and pseudo t^2 statistic are used as an indication only to determine the cluster solution.

importance the respondents placed on either the items or dimensions (depending on which construct is being discussed) for the cluster analysis. Using the colour coding provides a clear method to reflect the relative importance of a particular item or dimension within a particular cluster.

TABLE 6.2

LEGEND TO IDENTIFY CLUSTER GROUPINGS FOR ITEMS/DIMENSIONS

Very important: ≥ 0.8	
Important: <0.8 but >0.2	
Neither important nor unimportant: ≥-0.2 but ≤0.2	
Unimportant: >-0.8 but <-0.2	
Very unimportant: ≤ -0.8	

In addition to the above colour codes, the minimum size of a cluster must be 50 respondents (in other words, a minimum frequency of 50)[7] in order to provide a meaningful and valuable size that can be used when an analysis is done. The larger the sample size, the more representative it is of the population under consideration. Care was taken to provide smaller (but not too small) cluster sizes. Furthermore, it should be noted that a red cell does not necessarily mean that a particular item (or dimension) is not regarded as important as such. Rather, when a cell is red this particular item (or dimension) is considered not important *relative* to the other responses of the respondent. As such, the cluster solutions group together respondents with similar *response patterns* and not their actual responses. For these reasons, the results in the percentage tables should always be used in conjunction with the cluster solutions.[8]

After the number of clusters was selected for each section, the cluster mean values for the variables were used as initial seeds to a non-hierarchical k-means clustering procedure (Johnson and Wichem, 2002: 694). The reason why both a non-hierarchical and hierarchical clustering procedure is used in conjunction is to leverage the benefits of both techniques and to avoid certain disadvantages. For example, hierarchical procedures do not make provision for reallocating respondents and non-hierarchical procedures are very dependent on the choice of initial seeds

[7] A guideline of approximately ten per cent (approximately 50) of the total sample size was used.
[8] The same argument is applied to green cells.

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[7] A guideline of approximately ten per cent (approximately 50) of the total sample size was used.
[8] The same argument is applied to green cells.

(Hair *et al.*, 2010: 535; Johnson and Wichem, 2002: 690-691). A non-hierarchical analysis is also not as efficient when examining a large number of possible clusters. Needless to say, both procedures were adopted in the analysis.

(e)Two-way frequency tables (chi-square tests)

Once the clusters were identified for the client respondent group, two-way frequency tables were created in order to cross-tabulate each cluster according to the biographical variables: gender, age, race, income, main bank, and location. For each table, a chi-square test (Rice, 1995: 483-498) was performed to determine whether a significant relationship exists between the cluster number and the respective biographical variable. This provides a formal test to determine whether "market segments" can be identified using the respective biographical variables or whether they should be considered independent to any particular market segment.

6.2.2Data analysis process

The data analysis process followed an eight step process. Once again, these steps only apply to the constructs from section 6.3.2 onwards.

(a)Step 1: Data preparation (1) - recode

The first step of the analysis was to prepare the data and specifically to recode the missing values. As indicated in the questionnaires, option "8" was offered to respondents who had no answer for a particular item. For ease of statistical computation and analysis, these "8" values were changed to missing values. Furthermore, when no response was given for a specific item, these values were also changed to missing values.

(b)Step 2: Percentage tables

The next step was to calculate the percentage tables for each section of the data in both respondent groups. The missing values were displayed as 'no response' in these tables.

(c)Step 3: Data preparation (2) – missing value imputation

Before any further data analysis was possible, the missing values had to be dealt with for both respondent groups. The missing values were imputed (replaced with another value) using cluster imputation for both respondent groups. Imputation is the process of "estimating the missing value" based on values of other variables in the sample. Imputation therefore enables the missing data to reflect known relationships within the sample data. Care should however be taken to ensure that imputation does not provide the impression that the data is complete and lead to biases in estimation (Hair *et al.*, 2010: 50). Therefore, cluster imputation was used as it groups the records into clusters and any missing values are then replaced with the cluster mean for that variable. Imputation was done for each separate section. For data quality purposes, records with more than 25 per cent missing values for the variables in that specific section were removed from further analysis in that section. Initially the total number of client respondents equalled 550 and the bank respondent group 559. However, after removing respondents with more than 25 per cent missing values, the samples sizes available for each section fell significantly (see for example the means and standard deviations tables).

(d)Step 4: Data preparation (3) – resample

Due to the client respondent group showing a noticeable bias towards respondents over the age of 51 [see section 6.3.1(d)], it was initially thought that the client data should be re-sampled randomly to reflect a more accurate depiction of the actual age distribution categories in South Africa. Using Census 2001 data (StatsSA, 2001) as the basis for the age distribution in the Free State (ignoring under 18's), the group older than 51 would have accounted for only 21 per cent. However, although the age distribution would be more accurately spread across the different age categories, the total sample size would be reduced from 550 to 135 (or 252 using a less strict match to the actual age distribution). Given these small sample sizes, it was decided to not resample the data according to actual South African age distributions. However, given the relatively smaller number of respondents in the younger age categories, when cross-tabulations were done all the respondents younger than 35 were grouped together in one category. Therefore the age categories one through five were grouped together as one group and listed as category one in the tables below referring to age.

(e) Step 5: Exploratory Factor Analysis

An EFA was conducted on only the bank selection criteria. This was done to identify any variable groups that are identified explicitly by the client respondent group *before* the relationship with the bank has started.

(f) Step 6: Means, MANOVA and t-tests

Step six of the data analysis dealt with the MANOVA and t-tests. These analyses were done on both the respondent groups.

(g) Step 7: Data preparation (4) – standardising by observation

Before performing cluster analysis (step eight), each observation was standardised according to its own mean and standard deviation for the items in that specific section. This was done to enable cluster analysis to identify response patterns instead of grouping 'yes-sayers' and 'no-sayers' together. If this is not done, all the respondents who, for example, answered high on a specific set of items would be grouped together rather than all of the respondents who answered high *relative* to their other answers (Hair *et al.*, 1998: 490).

Standardisation therefore occurs by subtracting from each variable value for that respondent the mean of all the variable values for that respondent in that section and then dividing it by the standard deviation of all the various values for that respondent in that section. If a respondent answered the same (for example, answering "four" on the Likert scale) for all items in a specific section, the standard deviation for the respondent's values in that section would be zero. Since such respondents provide no pattern as such and dividing by zero would result in an undefined answer, these records were removed from the cluster analysis and the two-way frequency tables in steps eight and nine respectively. A further benefit of removing these respondents is that it removes those who complete the questionnaire by choosing only one option throughout. This is especially done if respondents want to complete the questionnaires quickly or do not want to read the item posed to them.

(h)Step 8: Cluster analysis

Step eight of the data analysis dealt with the cluster analysis for only the client respondent group.

(i) Step 9: Cross-tabulations: two-way frequency tables and chi-square tests

The two-way frequency tables and chi-square tests were based on the clusters identified in step eight. Given the data collected, these tests enable cross-tabulations according to, for example, biographical data such as gender, age, race, education, income, marital status, main bank, number of accounts at main bank, and location. However, providing all these tables would be too cumbersome. Rather, and keeping in mind that the purpose of the study is to provide meaningful managerial recommendations to bank management regarding the bank-client relationship, it was decided to do cross-tabulations according to six biographical categories. These biographical aspects of the respondent groups (especially the client respondent group) enable a meaningful assessment of the characteristics of different market segments. The section for client-centricity did however not use these biographical data for cross-tabulations.

6.3 DATA ANALYSIS

The following section deals with the analysis of the data collected. Due to space limitations, the items provided on the respective questionnaires are not provided on the tables unless otherwise indicated. As such, only the item number is provided. It is therefore recommended that the bank and client questionnaires (annexures 1, 2, and 3) are therefore used in conjunction with the analysis that follows.

6.3.1 Biographical analysis

The following section deals with a description of the biographical composition of the data collected for the study. Each demographic variable is discussed for respectively the client and bank respondent group.

(a) Biographical data for both the client and bank respondent groups

Table 6.3 reflects a cross-tabulation of the geographical location of the client respondents and their respective main (or lead) banks. Regarding the Big Four banks, most respondents bank with Bank A followed by Bank D, Bank B and Bank C. Seventeen respondents indicated Bank E as their main bank.[9]

Table 6.4 reflects the data collection and response rate data for the entire bank respondent group. A total of 674 questionnaires were delivered to the contact-

[9] Several clients indicated that they do not bank at one of the Big Four banks. As such, the names of these banks are also kept confidential.

personnel in 37 branches of the three banks. Of this, 559 contact-personnel completed the questionnaires. Bank A had the largest proportion of both the sample elements and branches (285 and 15 respectively), followed by Bank B (220 and 12 respectively), and Bank C (169 and 10 respectively). Saunders *et al.* (2003: 159) provide evidence from several studies indicating that an acceptable response rate vary depending on the mode of the data collection. No clear guidelines exist, but rather suggestions based on the mode of data collection and the type of research instrument used. Nevertheless, a general guideline is suggested to vary between 50 per cent and 75 per cent, which is lower than the overall response rate of 83 per cent acquired for the bank respondents. According to Frey (1989: 49), response rates of higher than 70 per cent are the minimum necessary to feel "comfortable" with as being an acceptable response rate.

TABLE 6.3

SAMPLE SUMMARY FOR CLIENT RESPONDENT GROUP ACCORDING TO BANK AND LOCATION[10]

	Bank A	Bank B	Bank C	Bank D	Bank E	Bank F	TOTAL
Bloemfontein	128	30	23	45	4	0	**230**
Bethlehem	18	6	3	12	1	0	**40**
Welkom	46	16	10	21	6	1	**100**
Kroonstad	28	4	4	14	0	0	**50**
Kimberley	53	25	15	31	6	0	**130**
TOTAL	**273**	**81**	**55**	**123**	**17**	**1**	**550**

The response rates for each bank are also provided in table 6.4, as well as the respective locations. The response rate for each respective bank was over 70 per cent with Bank B returning a 91 per cent response rate. The high response rates can be attributed to the advanced notification and follow-ups made to each branch manager leading up to and during the collection period respectively. Cooper and Schindler (2003: 342) confirm higher response rates when this process is adopted.

[10] For confidentiality purposes, the names of all the banks provided by the clients are not indicated.

TABLE 6.4

DATA COLLECTION SUMMARY FOR BANK RESPONDENT GROUP ACCORDING TO BANK AND LOCATION

	Bank A				Bank B				Bank C			
	Number of branches	Population per branch	Responses per branch	Response rate per branch	Number of branches	Population per branch	Responses per branch	Response rate per branch	Number of branches	Population per branch	Responses per branch	Response rate per branch
Bloemfontein	8	33	30	91%	6	13	13	100%	5	11	8	73%
		31	29	94%		11	10	91%		19	17	89%
		15	12	80%		20	20	100%		10	9	90%
		12	11	92%		7	7	100%		15	14	93%
		9	3	33%		28	24	86%		14	14	100%
		6	6	100%		11	10	91%				
		8	4	50%								
		17	5	29%								
Bethlehem	1	25	7	28%	1	22	19	86%	1	19	17	89%
Kroonstad	1	30	18	60%	1	22	22	100%	1	12	10	83%
Welkom	2	41	41	100%	1	35	34	97%	1	33	28	85%
		8	8	100%								
Kimberley	3	10	3	30%	3	20	20	100%	2	18	15	83%
		26	19	73%		11	10	91%		18	17	94%
		14	13	93%		20	12	60%				
TOTALS	**15**	**285**	**209**	**73%**	**12**	**220**	**201**	**91%**	**10**	**169**	**149**	**88%**

Key statistics of the data	
Target population size	674
Sample size	559
Overall response rate	83%
Overall non-response rate	17%
Total branches	37
Of which	
Bank A	*15*
Bank B	*12*
Bank C	*10*

Response rates per bank	%
Response rate for Bank A	73%
Response rate for Bank B	91%
Response rate for Bank C	88%

Response rates per location	%
Response rate for Bloemfontein	85%
Response rate for Bethlehem	65%
Response rate for Kroonstad	78%
Response rate for Welkom	95%
Response rate for Kimberley	80%

TABLE 6.5

GENDER BREAKDOWN FOR BOTH RESPONDENT GROUPS

	CLIENTS		BANKS	
	FREQUENCY	% OF TOTAL	FREQUENCY	% OF TOTAL
NO RESPONSE			68	12.16
Male	173	31.45	123	22
Female	377	68.55	368	65.83
TOTAL	550	100	559	100

Tables 6.5 to 6.9 provide the biographical breakdown of the data for both respondent groups. The gender for both respondent groups significantly favours females with both groups of respondents being well over 65 per cent of the total sample data collected.

TABLE 6.6

AGE BREAKDOWN FOR BOTH RESPONDENT GROUPS

	CLIENTS		BANKS	
	FREQUENCY	% OF TOTAL	FREQUENCY	% OF TOTAL
NO RESPONSE	1	0.18	31	5.55
under 18	3	0.55	0	0
18 – 21	21	3.82	11	1.97
22 – 25	20	3.64	112	20.04
26 – 30	18	3.27	126	22.54
31 – 35	25	4.55	91	16.28
36 – 40	55	10	54	9.66
41 – 45	48	8.73	57	10.2
46 – 50	61	11.09	36	6.44
51 – 55	57	10.36	26	4.65
Older than 56	241	43.82	15	2.68
TOTAL	550	100	559	100

The respondent age breakdown shows a noticeable difference between the groups in table 6.6. Although most of the contact-personnel ranged between the ages of 22 and 45, almost 55 per cent of the clients were older than 51 years of age. The main reason attributed to this is the fact that Telkom landline numbers were used rather than cell phone numbers. Although it is estimated that approximately 86 per cent of people in South Africa have cell phones (Sutherland, 2009: 16), there is no recent reliable breakdown of the age groups as such. Paterson, Roodt and Weir-Smith (2007: 4) indicate that the percentage of households with cell phones exceeds the percentage of households with landlines in the Free State by 12.1 per cent. Of the eleven provinces in South Africa, this is the fourth highest difference in the percentage favouring cell phone usage (Paterson *et al.*, 2007: 4). The usage of landlines is the exception to the norm since the inception of cell phones, especially regarding the youth.

TABLE 6.7

RACIAL BREAKDOWN FOR BOTH RESPONDENT GROUPS

	CLIENTS		BANKS	
	FREQUENCY	% OF TOTAL	FREQUENCY	% OF TOTAL
NO RESPONSE	1	0.18	31	5.55
Black	164	29.82	188	33.63
Coloured	37	6.73	127	22.72
Indian	1	0.18	4	0.72
Asian	0	0	2	0.36
White	347	63.09	207	37.03
TOTAL	550	100	559	100

Along racial lines the composition of both respondent groups indicates that whites formed the largest part of the respondents. Although the composition of the contact-personnel is more evenly spread amongst white, black and coloured racial groups, the white client group consisted of almost two-thirds of the respondents.

TABLE 6.8

EDUCATIONAL BREAKDOWN OF THE RESPONDENT GROUPS

	CLIENTS		BANKS	
	FREQUENCY	% OF TOTAL	FREQUENCY	% OF TOTAL
NO RESPONSE	7	1.27	26	4.65
None	8	1.45	1	0.18
Primary schooling (SubA-Std5/Gr1 - Gr7)	33	6	1	0.18
Secondary schooling (Std 6-Std10/Gr8-Gr12)	236	42.91	265	47.41
Tertiary Diploma or Certificate	166	30.18	208	37.21
Bachelors/B.Tech degree	60	10.91	40	7.16
Honours degree	17	3.09	5	0.89
Masters degree	12	2.18	2	0.36
PhD	9	1.64	1	0.18
Other	2	0.36	10	1.79
TOTAL	550	100	559	100

Evidence provided by Cooper and Schindler (2003: 342) suggests that respondents well educated and interested in the topic of a study are more likely to complete questionnaires. As mentioned earlier, the client respondents who did participate were interested in the topic, resulting in some interviews lasting up to 45 minutes. As indicated in table 6.8, in excess of 90 per cent of the respondents in both groups had a minimum education of secondary schooling or a tertiary diploma or certificate. Of note is that only approximately nine per cent of the bank respondents have at least a bachelor's degree, whereas 37 per cent have a tertiary diploma or certificate. Given the requirements of the FAIS Act requiring financial advisors to comply with "fit and proper" requirements of a minimum of National Qualifications Framework (NQF) six level qualification (Government Gazette, 2008: 9), the percentage of bachelor's degrees will in all likelihood show an upward trend in future years in the banking sector. Nevertheless, cognisance should be taken of the fact that contact-personnel in retail banking do not require the level of skills and expertise as do, say, a banker in corporate or investment banking. The qualification breakdown is therefore indicative of the retail banking context.

TABLE 6.9

MARITAL STATUS BREAKDOWN FOR BOTH RESPONDENT GROUPS

	CLIENTS		BANKS	
	FREQUENCY	% OF TOTAL	FREQUENCY	% OF TOTAL
NO RESPONSE	4	0.73	27	4.83
Single	111	20.18	174	31.13
In a relationship	4	0.73	31	5.55
Married	363	66	252	45.08
Divorced	22	4	41	7.33
Staying with partner/Life partner	3	0.55	25	4.47
Other (eg. widow)	43	7.82	9	1.61
TOTAL	550	100	559	100

The marital statuses of the two respondent groups are reflected in table 6.9. The majority of respondents are either single or married. The client respondent group reflected 66 per cent as married. The client respondent group therefore reflects a distinctly noticeable demographic breakdown – mostly married, white females over the age of 51. Furthermore, as table 6.18 indicates, approximately 37 per cent of the client respondents are retired.

(b)Biographical data relating specifically to the bank respondent group

Table 6.10 reflects the breakdown of the contact-personnel in the bank respondent group. The majority of contact-personnel are tellers followed by consultants. For purposes of this study, contact-personnel who are 'salespeople' include those who are able to sell products and services such as managers, and consultants. The 'other' category returned a varied range of personnel in front-office capacities including service bankers, sales, financial planners, collections, sales support, financial advisors, and treasury custodians. Therefore, the mix of contact-personnel does not distinctly favour sales people, but reflects the diversified nature of products and services offered by banks.

TABLE 6.10

JOB TITLE BREAKDOWN FOR BANK RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	51	9.12
Manager	59	10.55
Consultant/Banker	114	20.39
Teller	163	29.16
Information/Enquiries clerk	78	13.95
Other	94	16.82
TOTAL	**559**	**100**

Due to the study being conducted in branches of the three participating banks, the majority of sales activity is expected to be retail-related. Table 6.11 reflects the divisional breakdown of the contact-personnel. Although almost 12 per cent of the respondents did not respond, over 70 per cent are employed in the retail banking division.

TABLE 6.11

DIVISION OF BANK CURRENTLY EMPLOYED WITHIN FOR BANK RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	66	11.81
Retail	401	71.74
Commercial	16	2.86
Business	36	6.44
Corporate	13	2.33
Wealth	1	0.18
Other	26	4.65
TOTAL	**559**	**100**

Table 6.12 reflects the number of years the contact-personnel have been employed in their respective banks. The table indicates a relatively even spread across the categories, although the category indicating longer than 15 years is large.

TABLE 6.12

NUMBER OF YEARS WORKING AT CURRENT BANK FOR BANK RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	30	5.37
< 1 year	35	6.26
$1 < X \leq 2$ years	99	17.71
$2 < X \leq 5$ years	132	23.61
$5 < X \leq 10$ years	71	12.7
$10 < X \leq 15$ years	68	12.16
> 15 years	124	22.18
TOTAL	559	100

The number of contact-personnel working in their respective branches shows a distinct drop once it exceeds five years. This is shown in table 6.13. This could indicate the fact that job prospects are relatively limited in smaller towns or cities and hence, upward mobility especially in managerial positions is somewhat limited. As a result, particularly young bankers pursue job opportunities at the head offices in Johannesburg or Cape Town.

TABLE 6.13

NUMBER OF YEARS WORKING AT CURRENT BRANCH FOR BANK RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	24	4.29
< 1 year	109	19.5
$1 < X \leq 2$ years	142	25.4
$2 < X \leq 5$ years	135	24.15
$5 < X \leq 10$ years	72	12.88
$10 < X \leq 15$ years	40	7.16
> 15 years	37	6.62
TOTAL	559	100

The number of years' experience that the contact-personnel have worked in their current positions is reflected in table 6.14. The majority of the contact-personnel have been in their current positions for less than five years. Based on the findings in tables

6.13 and 6.14, the majority of the respondents therefore have worked for less than five years in their current positions at their current branches. Given that most of the contact-personnel are under the age of 35 (see table 6.6), anecdotal evidence from the branch managers suggest high staff turnover rates, especially in the smaller locations such as Bethlehem, Kroonstad and Welkom.

TABLE 6.14

NUMBER OF YEARS WORKING AT CURRENT POSITION FOR BANK RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	31	5.55
< 1 year	103	18.43
1 < X ≤ 2 years	157	28.09
2 < X ≤ 5 years	146	26.12
5 < X ≤ 10 years	65	11.63
10 < X ≤ 15 years	26	4.65
> 15 years	31	5.55
TOTAL	559	100

Table 6.15 indicates that almost 72 per cent of contact-personnel respondents have not previously worked at another bank. Furthermore, of the approximately 22 per cent who have worked for another bank, a large percentage have done so for less than 5 years (see table 6.16), and this has mostly occurred at the largest retail banks, namely Bank A, Bank D, or Bank B (see table 6.17). Therefore, based on the data collected, the sample respondent contact-personnel exhibit a high level of loyalty to their current bank, although cognisance should be taken of the possible lack of lateral and especially upward mobility into managerial positions particularly in the smaller locations.

TABLE 6.15

WORK EXPERIENCE AT OTHER BANKS FOR BANK RESPONDENT GROUP

	FREQUENCY	PERCENT
NO RESPONSE	33	5.9
YES	124	22.18
NO	402	71.91
TOTAL	559	100

TABLE 6.16

NUMBER OF YEARS WORKED AT ANOTHER BANK FOR BANK RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	399	71.38
< 1 year	28	5.01
$1 < X \leq 2$ years	44	7.87
$2 < X \leq 5$ years	39	6.98
$5 < X \leq 10$ years	18	3.22
$10 < X \leq 15$ years	19	3.4
> 15 years	12	2.15
TOTAL	559	100

TABLE 6.17

OTHER BANKS WORKED AT FOR BANK RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	444	79.43
ABSA	33	5.9
Standard Bank	32	5.72
FNB	14	2.5
BOE Bank	3	0.54
Saambou	4	0.72
Teba Bank	2	0.36
Barclays	1	0.18
Nedbank/Peoples Bank	4	0.72
Other	22	3.94
TOTAL	559	100

(c)Biographical data relating specifically to the client respondent group

As indicated earlier, the largest proportion of client respondents are retired or at home. Table 6.18 further indicates that the 'other' category included over 16 per cent of the respondents. Professions included in this category were mostly clients in the health and related services (40 respondents), housewives (23 respondents), students (15 respondents), and secretarial (15 respondents) professions. Nevertheless, the data indicates a distinct bias towards retired clients, of which the most are female and older than 51 years of age (a cross-tabulation indicated that retired females over the age of 51 equalled 76.32 per cent of the entire client respondent group).

TABLE 6.18

PROFESSIONS FOR THE CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	5	0.91
Education	58	10.55
Retail	21	3.82
Manufacturing	4	0.73
Financial services	42	7.64
Mining	14	2.55
Agriculture/farming	13	2.36
Self-employed	30	5.45
Retired/At home	207	37.64
Medicine	41	7.45
Government services	25	4.55
Other	90	16.36
TOTAL	**550**	**100**

Table 6.19 indicates the duration of the client respondents' relationship with their respective main or lead banks. As can be expected due to the age breakdown of the group, the majority of the respondents have had a relationship with their main banks for longer than 25 years. Although this information does not necessarily imply that the clients do not have multiple banking relationships, it does indicate that they in most parts are loyal to their main banks in terms of the duration of their relationships.

TABLE 6.19

DURATION OF RELATIONSHIP WITH MAIN BANK FOR CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	5	0.91
< 1 year	14	2.55
1 < X ≤ 3 years	46	8.36
3 < X ≤ 5 years	28	5.09
5 < X ≤ 9 years	41	7.45
9 < X ≤ 14 years	60	10.91
14 < X ≤ 17 years	45	8.18
17 < X ≤ 20 years	35	6.36
20 < X ≤ 25 years	65	11.82
> 25 years	211	38.36
TOTAL	**550**	**100**

Table 6.20 indicates the net monthly income of the client respondent group. Due to the sensitivities attached to divulging such information, almost 20 per cent were not prepared to share this information. Interviewers were told to explicitly mention that

this information would be treated with the necessary care and confidentiality. As such, the spread of incomes are spread across the spectrum of categories, but as can be expected, favouring lower net incomes generally below R11 000 per month. Given that the study was conducted in central South Africa away from the economic centres of Gauteng and Western Cape, lower incomes can be expected.

TABLE 6.20

NET MONTHLY INCOME OF CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	107	19.45
None	10	1.82
Less than R1000	29	5.27
R1001 – R5000	113	20.55
R5001 – R8000	85	15.45
R8001 – R11 000	55	10
R11 001 – R15 000	47	8.55
R15 001 – R18 000	32	5.82
R18 001 – R21 000	18	3.27
R21 001 – R25 000	18	3.27
Above R25 001	36	6.55
TOTAL	550	100

Tables 6.21 through 6.25 reflect information regarding the interactions with the branch that the client respondent group has made. The purpose of these questions was to extract information regarding the behaviour and preferences of clients to interact with their branches. This data could be helpful for management of the branches to understand their clients better. Table 6.21 indicates that the majority of clients visit their branches less than three times per month.

TABLE 6.21

NUMBER OF BRANCH VISITS PER MONTH FOR CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	12	2.18
Never - I use electronic banking	80	14.55
≤ 3 times	357	64.91
4 ≤ X ≤ 6 times	78	14.18
7 ≤ X ≤ 10 times	15	2.73
> 10 times	8	1.45
TOTAL	550	100

Due to the high non response rate indicated in table 6.22, conclusive evidence cannot be found indicating which day of the week clients prefer to do their banking. However, of the respondents that did answer this question, Saturday is the most favoured with just over seven per cent indicating this option. Table 6.23 indicates the time of day preference for branch visits. The majority of respondents did not answer this question, but approximately 35 per cent indicated they do their banking early in the mornings. A possible reason for this could be to avoid the long queues and waiting times especially during the lunch time midday period.

TABLE 6.22

DAY OF THE WEEK PREFERENCES FOR BRANCH VISITS FOR CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	302	54.91
Monday	14	2.55
Tuesday	12	2.18
Wednesday	26	4.73
Thursday	16	2.91
Friday	26	4.73
Saturday	39	7.09
Weekdays only	57	10.36
Weekends only	51	9.27
Don't visit the branch	5	0.91
Other	2	0.36
TOTAL	550	100

TABLE 6.23

TIME OF THE DAY PREFERENCES FOR BRANCH VISITS FOR CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	234	42.55
Early in the mornings	196	35.64
Midday	50	9.09
Lunch hour	28	5.09
Late afternoon	42	7.64
TOTAL	550	100

The reasons cited for visiting their branches is reflected in table 6.24. Again a high non-response rate occurred, but the most highly cited reason is when it is most convenient to the client, followed by when the branch is quiet. Convenience is therefore an important consideration for clients to visit their branch.

The purpose of the data reflected in tables 6.25 and 6.26 is to indicate the most recent emotional experience of the clients. This information may be useful when analysing the data especially if the most recent experiences are strongly biased towards favourable or unfavourable. The most recent experience could therefore have a marked impact on the scores clients give. Interestingly, in excess of 43 per cent of client respondents hadn't visited their branches in the past few weeks at the time of the study. Of these, approximately 16 per cent hadn't made a visit in the past few months. This could be explained by the large proportion of client respondents being over the age of 51 and retired.

TABLE 6.24

REASONS FOR VISITING BRANCHES FOR CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	287	52.18
When bank is quiet	69	12.55
When convenient (time/job/family commitments)	119	21.64
Pension/Salary	20	3.64
End of month	18	3.27
Large deposits to be made	4	0.73
Weekends when not busy	13	2.36
Weekdays because weekends are too busy	8	1.45
When queues are short	3	0.55
Other	9	1.64
TOTAL	550	100

TABLE 6.25

MOST RECENT VISIT TO BRANCH FOR CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	63	11.45
Today	47	8.55
Yesterday	24	4.36
During the past week	36	6.55
Last week	136	24.73
A few weeks ago	158	28.73
A few months ago	86	15.64
TOTAL	550	100

TABLE 6.26

MOST RECENT EXPERIENCE OF BRANCH VISIT FOR CLIENT RESPONDENT GROUP

	FREQUENCY	% OF TOTAL
NO RESPONSE	49	8.91
Yes, favourable	394	71.64
Somewhat favourable	45	8.18
It was 'ok'	37	6.73
Somewhat unfavourable	9	1.64
No, not favourable	16	2.91
TOTAL	550	100

Table 6.26 indicates that over 71 per cent of client respondents had a favourable experience the last time they visited their branch. In fact, approximately 85 per cent indicated a positive (of varying degree) experience regarding their most recent visit. Although an analysis of service quality as such is done in section 3.3, the most recent experiences as a whole by the clients of the banks are favourable.

(d)A biographical profile of the respondent groups

The following section provides a synopsis of the data collected and a profile of the respective bank and client respondent groups.

(da) Bank respondent group

Based on the data collected from the sample of bank respondents for three of the Big Four South African banks, the following attributes are most evident:

- The majority of contact-personnel are female.
- The majority of contact-personnel are younger than the age of 35.
- The racial composition is spread explicitly between the white, black, and coloured groups, with the white and black groups accounting for approximately 37 per cent and 33 per cent respectively.
- The highest form of education for the majority of contact-personnel is either secondary schooling or a tertiary diploma.

- The majority of contact-personnel are married (45 per cent) with 31 per cent single.
- The majority of contact-personnel are teller and salespeople (consultants/bankers) in the retail banking division.
- The majority of contact-personnel have two to five years working experience at their current *bank*, but a large majority of respondents have in excess of 15 years experience at their currently employed bank.
- The majority of contact-personnel have worked in their current *position* for less than 5 years.
- A small percentage (approximately 22 per cent) of contact-personnel has worked for another bank in their careers, generally for shorter than 5 years and for one of the large retail banks notably Bank A, Bank B, and Bank D.

In general, the contact-personnel are therefore well represented across racial and age categories, although the tendency is towards young adults and the gender split strongly favours females. They also exhibit a tendency to stay with their current bank and if they have worked at other banks, it was with the Big Four South African retail banks.

(db) Client respondent group

The most evident characteristics of the client respondent group are as follows:

- The majority of clients bank with the Big Four banks, in order of preference being Bank A, Bank D, Bank B, and Bank C.
- The majority of the respondents are white.
- The majority (approximately 76 per cent) of the respondents are female, older than 51 years of age, and retired.
- The majority of respondents have a minimum qualification of secondary schooling or a tertiary diploma.
- The majority of client respondents are married (two-thirds of the sample).
- The majority of clients have a relationship with their main bank for longer than 20 years.

- The majority of respondents have net incomes lower than R11 000, with approximately 35 per cent of this group earning between R1 000 and R8 000.
- The majority of respondents visit their branches less than 3 times a month, mostly during the week in the early mornings when the bank is quiet and it is convenient to them.
- The majority of respondents have not visited their branches during the week prior to the interviews and the last visit was favourable for the majority of these clients.

Particularly noticeable of the client respondent group is the bias towards white retired female clients who are older than the age of 51. Resultantly, the majority of the client respondents have a relationship with their main bank for longer than 20 years and earn net incomes lower than R11 000 per month. The majority of respondents also do not visit their branches often with approximately 42 per cent not having visited their branch in the weeks leading up to the interview.

6.3.2Bank selection criteria

The following section deals with the analysis of bank selection criteria for both the bank and client respondent groups.

Tables 6.27 and 6.28 respectively provide percentage tables for the client and bank respondent groups for specifically bank selection criteria. Clients were asked to rank each statement according to whether they would choose a bank for the first time. Similarly, the bank contact-personnel were asked to rank each statement according to why they think a client would choose to bank at the bank they work at. Considering the blocks marked in green, both respondent groups at least agree or mostly agree with most of the items provided. In particular, the bank respondent group at least agrees with all the items explaining why clients would choose to bank at their bank for the first time. However, the most noticeable difference between the two tables is the blocks marked in red for the client respondent group. The item numbers in red have distinct references to recommendations and trust. More specifically, item 20 refers to whether clients would move their business to another bank if a staff member they trust moves to another bank. Over 58 per cent of the respondents would not move.

Furthermore, items 21, 28, and 35 refer to recommendations as bank selection criteria and all provide low percentage responses as a reason to choose a bank for the first time. In particular, recommendations from trusted sources are not considered as important, albeit recommendations from trusted sources do reflect lower disagreements (items 28 and 35) than a recommendation from a (most likely) less trusted work colleague (item 29). Given that the majority of the client respondent group are over the age of 51, it can be expected that the recommendations of parents (item 21) would not show a high ranking.

TABLE 6.27

PERCENTAGE TABLE OF CLIENT RESPONDENT GROUP FOR BANK SELECTION CRITERIA

ITEM NUMBER	No response	Very unlikely	Unlikely	Somewhat unlikely	Neutral opinion	Somewhat likely	Likely	Very unlikely
17	1.09	7.45	1.09	2.18	6.73	13.64	24.73	43.09
18	0.36	8.18	2.55	3.27	4.36	10.55	20.18	50.55
19	7.64	7.27	3.09	3.64	9.09	10.91	17.45	40.91
20	1.27	58.18	6.55	3.64	5.82	5.27	10.36	8.91
21	1.45	57.27	4.73	3.64	5.45	5.64	6.18	15.64
22	0.73	1.82	2.18	1.64	4.36	10.00	27.27	52.00
23	1.82	2.55	1.64	4.00	8.00	14.91	27.45	39.64
24	0.91	0.55	1.45	1.82	2.73	8.55	33.64	50.36
25	7.64	5.27	2.91	1.82	7.27	14.00	30.18	30.91
26	1.09	4.00	1.45	1.64	6.00	11.64	29.82	44.36
27	12.18	16.00	3.09	2.18	5.27	6.00	16.73	38.55
28	4.18	26.36	6.73	4.73	7.09	10.55	16.91	23.45
29	5.09	51.27	8.00	4.91	7.64	4.18	8.91	10.00
30	6.18	9.45	2.73	0.91	3.64	5.64	15.09	56.36
31	6.18	9.45	2.73	0.91	3.64	5.64	15.09	56.36
32	0.55	1.45	1.45	1.82	3.27	8.18	27.45	55.82
33	0.55	6.91	3.82	6.91	8.73	14.55	23.64	34.91
34	2.73	8.73	4.36	3.82	8.36	10.18	22.91	38.91
35	2.73	23.09	4.55	4.18	10.55	10.18	14.91	29.82
36	0.55	4.00	1.09	1.64	3.82	8.55	23.82	56.55
37	2.91	11.82	4.73	5.64	9.27	11.64	28.00	26.00
38	8.36	4.18	2.00	2.73	7.64	13.09	29.64	32.36
39	0.73	0.91	0.73	0.55	1.45	8.73	34.00	52.91
40	0.55	0.73	0.73	1.45	3.27	9.09	28.36	55.82
41	1.27	0.55	0.73	1.27	1.64	8.18	29.09	57.27

TABLE 6.28

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR BANK SELECTION CRITERIA

ITEM NUMBER	No response	Very unlikely	Unlikely	Somewhat unlikely	Neutral opinion	Somewhat likely	Likely	Very unlikely
A1	2.50	0.36	0.54	2.15	7.16	8.23	35.23	43.83
A2	1.97	3.76	5.37	6.98	11.27	15.92	27.19	27.55
A3	1.79	4.65	5.72	5.90	20.21	18.25	20.21	23.26
A4	3.22	5.19	6.08	7.33	16.99	20.04	22.90	18.25
A5	2.68	1.61	1.79	3.04	12.16	23.79	32.55	22.36
A6	1.43	0.89	1.07	3.04	10.20	18.07	32.20	33.09
A7	1.97	0.54	1.25	3.40	12.16	23.26	32.74	24.69
A8	1.43	0.36	1.07	2.50	6.62	12.16	39.38	36.48
A9	0.72	1.97	3.76	3.94	15.74	20.39	32.55	20.93
A10	1.97	0.54	1.43	3.22	14.85	18.07	37.57	22.36
A11	1.61	2.15	2.86	5.72	8.94	21.47	31.13	26.12
A12	2.33	0.72	1.43	2.68	10.38	14.13	33.80	34.53
A13	2.50	0.89	0.89	2.15	7.51	17.53	38.10	30.41
A14	2.33	0.18	0.72	0.89	3.94	6.08	16.28	69.59
A15	2.86	3.94	2.86	6.08	7.87	9.48	19.14	47.78
A16	1.79	0.72	0.89	2.15	9.30	11.99	30.77	42.40
A17	2.15	4.83	3.94	7.69	15.21	19.68	26.12	20.39
A18	3.76	0.89	1.43	3.22	20.21	17.71	29.87	22.90
A19	1.97	0.36	0.72	1.61	13.77	19.14	37.57	24.87
A20	1.79	4.29	3.58	4.65	9.48	14.67	22.72	38.82
A21	2.15	0.36	0.89	3.40	10.02	15.03	39.00	29.16
A22	1.79	2.50	1.43	3.94	13.42	20.21	32.20	24.51
A23	1.79	0.54	0.72	1.61	6.26	13.77	32.38	42.93
A24	1.97	0.72	0.89	1.79	9.66	15.74	30.77	38.46
A25	1.79	0.00	0.36	1.97	6.44	14.31	33.09	42.04

An exploratory factor analysis (EFA) was conducted using only the client data (see table 6.29) in order to determine whether the clients in any way group the bank selection criteria according to the categories identified in the literature as reflected in table 5.1 of chapter five. After careful consideration of the questionnaire and also comments by interviewers that certain items were considered duplicates of other statements in the questionnaire by the client respondents, items 36, 38 and 41 were excluded from the EFA. Through the EFA, four factors were extracted from the data for bank selection criteria. In accordance with the bank selection criteria the four groups identified for the client respondent group were service and image, relationship and recommendations, convenience and accessibility, and pricing and products.

TABLE 6.29
EXPLORATORY FACTOR ANALYSIS FOR CLIENT RESPONDENT GROUP FOR BANK SELECTION CRITERIA

GROUP NAMES	ITEM	Factor1	Factor2	Factor3	Factor4
Service and image	A40	**0.75247**	0.05422	0.10583	0.15364
	A39	**0.70389**	0.02498	0.30402	0.12978
	A22	**0.66994**	0.12497	0.07143	0.13464
	A24	**0.54403**	-0.01647	0.16985	0.23888
	A23	**0.51582**	0.09128	0.10739	0.16663
	A26	**0.48943**	0.1045	0.41875	0.1627
	A32	**0.40837**	0.1087	0.27562	0.12938
Relationship and recommendations	A29	0.09091	**0.62696**	0.0566	0.09026
	A20	0.00161	**0.50638**	-0.06895	0.22679
	A21	-0.0428	**0.46141**	0.03394	-0.1053
	A35	0.20406	**0.45511**	0.18559	-0.15762
	A28	0.06629	**0.44312**	0.174	0.17926
	A37	0.23955	**0.37811**	0.21961	0.32634
	A33	**0.31363**	**0.32252**	-0.04003	0.19632
Convenience and accessibility	A27	0.06625	0.14401	**0.44137**	0.04123
	A31	0.16902	0.03736	**0.41823**	0.22327
	A30	0.04013	-0.02289	**0.39951**	0.01892
	A34	0.21301	0.10686	**0.38487**	-0.02944
	A18	0.07836	0.02179	**0.2656**	0.24327
Products and pricing	A25	0.26736	0.0755	0.15416	**0.58813**
	A19	0.3617	0.12696	-0.072	**0.47603**
	A17	0.25197	0.05192	0.15956	**0.41355**

The service and image group included the items of both service quality and image and reputation in the original grouping provided in table 5.1 in chapter five. The relationship and recommendation group included the items of the relationship and recommendation bank selection criteria. Although item 33 (which refers to how long clients have to wait in queues to be helped in the branch) was included in this group, it has a high score for factor one (0.31363), as well. As such, it was decided to move item 33 to the service and image group as it makes more logical and theoretical sense to do so. This could indicate the importance that clients place on standing in queues as being a reflection of both service quality *and* the quality of the relationship *per se*.

The pricing group included the items of pricing and products and services. However, the products included here are not in accordance with the original products mix dimension identified in table 5.1. Rather, the knowledge of the contact-personnel *vis-à-vis* the products and services is included. The convenience and accessibility grouping includes items relating to the convenience and accessibility of banking products and services. Item 30 refers to the offering of electronic banking facilities which can be interpreted as measuring the accessibility of a bank's products. Although item 34 refers to media recommendations of the bank, it was included in the convenience and accessibility grouping due to its high factor score. Given the relatively high factor score of 0.21301 for factor one it could also be included in the service and image grouping.

A cluster analysis was done for both the client and bank respondent groups in order to group them according to their respective response patterns. Table 6.30 reflects the client grouping and table 6.31 that of the contact-personnel at the bank. The four categories identified in the EFA reflected in table 6.29 are used for the cluster analysis. These categories are maintained because the rationale is that the banks must be reactive to the selection criteria identified by the clients and not vice versa. This is a fundamental feature of a client-centric organisation.

TABLE 6.30

CLUSTER MEANS OF CLIENTS FOR BANK SELECTION CRITERIA

Cluster	Frequency	Service and image	Relationship and recommendations	Pricing and products	Convenience and accessibility
1	233	0.5296	[illegible]	[illegible]	0.6742
2	142	0.4367	[illegible]	[illegible]	0.0531
3	81	[illegible]	-0.7050	-0.5542	-0.7943
4	77	0.7027	-0.4439	-0.4987	0.7105

TABLE 6.31

CLUSTER MEANS OF BANKS FOR BANK SELECTION CRITERIA

Cluster	Frequency	Service and image	Relationship and recommendations	Pricing and products	Convenience and accessibility
1	108	-0.336	-0.405	-1.3917	-0.361
2	141	0.8778	0.133	-0.067	-0.849
3	115	0.046	-0.817	-0.19	1.0804
4	177	0.0389	0.4483	-1.15	0.6726

A four-way cluster solution was identified for both respondent groups. The client respondent group cluster solution is discussed first followed by the bank respondent group clustering.

- **Cluster 1 for clients**

Cluster one for the client respondent group is the largest of the four clusters including 233 respondents. The cluster associates a strong unimportance attached to the relationship- and pricing-related criteria relative to the other criteria groups when choosing a bank for the first time.[11] Rather, service-, image- and convenience-related factors rank as most important when choosing a bank for the first time.

- **Cluster 2 for clients**

Cluster two of the client respondent group includes 142 clients. Once again, relationship- and pricing-related criteria are ranked as unimportant relative to the other criteria. In contrast to cluster one, only service and image is regarded as important by this cluster.

- **Cluster 3 for clients**

Cluster three includes 81 respondents. This group regards service and image as the only most important criterion relative to the other criteria when choosing a bank for the first time. In addition, relationship-, pricing-, and convenience-related criteria were considered much less important by this cluster.

[11] As mentioned previously, because the observations were standardised before the EFA was conducted, the cluster solutions indicate the average importance of a category *relative* to the other categories for the respondent within that specific cluster. This must be borne in mind with all the cluster solutions from hence forth.

- **Cluster 4 for clients**

Cluster four is the smallest of the four clusters and has similar characteristics to cluster one. They regard service- and accessibility-related issues as the most important criteria relative to the other criteria and more important than cluster one. They also regard relationship and pricing features as unimportant but more important than cluster one. Cluster four could therefore be regarded as a sub-cluster or grouping of cluster one reflecting the same preferences as a whole, but differing on the degree of importance they attach to the criteria.

Below follows an analysis of the cluster groupings for the bank respondent group.

- **Cluster 1 for banks**

Cluster one includes 108 contact-personnel from the bank respondent group. Only pricing is regarded as an important criterion relative to the other criteria by contact-personnel when they choose to bank at their respective banks for the first time.

- **Cluster 2 for banks**

Cluster two for the bank respondent group is characterised as having regarding service and image as very important and convenience-related criteria as very unimportant relative to the other criteria for clients choosing their bank for the first time.

- **Cluster 3 for banks**

This cluster regards accessibility and convenience as the most important criterion used when choosing a bank for the first time. Once again, relationship and recommendations are not considered important criteria relative to the other criteria by contact-personnel regarding clients' choice of their bank.

- **Cluster 4 for banks**

Cluster four is the largest of the four-way cluster groups identified. This cluster regards pricing as the most unimportant criteria clients use when choosing to bank at their bank for the first time. This indicates that bank contact-personnel regard pricing as not important at all for clients when selecting a bank and in particular their bank. Although they regard relationship- and convenience-related criteria as important selection criteria, pricing and in particular the unimportance thereof is the most notable feature of this cluster group.

A cursory glance of the colour coding of table 6.30 reveals that relationship- and pricing-related selection criteria are not important for clients when selecting a bank for the first time. Indeed, for clusters one, two, and three the cluster means for relationship- and pricing-related criteria are below -0,7 indicating strong relative unimportance. Alternatively, service quality- and image-related criteria rank as important for all the four clusters in the client respondent group. In contrast, the bank respondent group's perception of bank selection criteria tendencies of clients reveals no particular preference or dislike for any particular grouping of bank selection criteria (see table 6.31). All four selection criteria groups include both important and unimportant perceptions from contact-personnel. However, given the colour representation in each criteria grouping, the convenience and accessibility category does reflect the strongest degree of response, whether important or unimportant. This indicates a strong inclination amongst contact-personnel to most likely disagree on convenience-related criteria as a likely factor clients use when choosing their banks for the first time relative to the other categories.

The two-way frequency (or cross-tabulation) tables and chi-square tests to cross-tabulate the four client clusters identified in table 6.30 with selected biographical data of the client respondent group are provided in annexure 7 as tables A7.1 to A7.6. Table 6.32 provides the chi-square scores for these cross tabulations.

TABLE 6.32

CHI-SQUARES OF BIOGRAPHICAL VARIABLES BY CLUSTER FOR BANK SELECTION CRITERIA

BIOGRAPHICAL VARIABLE	DF	Value	Prob
Gender	3	1.69	0.6392
Age	12	17.196	0.1424
Race	6	10.484	0.1057
Income	9	8.7237	0.4632
Main bank	9	5.7703	0.7627
Location	12	12.366	0.4168

The cross-tabulations of selected biographical data with the four cluster groups of the clients *vis-à-vis* bank selection criteria reveal that no statistically significant relationship exists between any of the variables and the clusters. The chi-square's p-value for each of the six biographical variables is greater than 0.1 at the 90 per cent significance level. As such, no biographical variable provided has any significant relationship with the client clusters identified in table 6.30. This indicates that neither gender, age, race, income, main bank, or location play a significant role in the decision for clients in the respondent group to choose a bank for the first time.

6.3.3Service quality

Tables 6.33 and 6.34 provide the percentage tables of service quality for respectively the client and bank respondent groups. For both groups, no significant disagreements exist for the items when the tables are viewed according to the colour codes. As indicated, the perceptions of service quality for both the bank and client respondent groups are grouped mostly at 'agree' or 'strongly agree'. The majority of the bank contact-personnel responses do however fall under the 'agree' column and in certain instances, the 'slightly agree' column, whereas the clients mostly chose to 'strongly agree' with the items. Nevertheless, the percentage tables indicate a strong similarity and agreement on service quality indicators, reflecting differences only in the degree of agreement.

TABLE 6.33

PERCENTAGE TABLE OF CLIENT RESPONDENT GROUP FOR SERVICE QUALITY

ITEM NUMBER	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
B42	0.36	0.55	0.55	0.73	2.00	6.55	22.91	66.36
B43	0.36	0.73	1.45	1.45	4.55	10.36	28.36	52.73
B44	0.55	0.36	1.27	2.55	5.45	10.18	33.64	46.00
B45	2.18	2.55	1.27	2.36	5.09	9.82	30.18	46.55
B46	1.09	1.82	1.64	3.27	5.09	13.27	31.45	42.36
B47	7.27	9.27	1.45	1.82	4.00	10.73	23.64	41.82
B48	0.91	1.45	2.18	3.27	6.73	10.18	28.18	47.09
B49	0.55	0.18	0.55	0.91	5.45	8.55	30.00	53.82
B50	0.55	0.91	0.55	1.27	3.09	7.82	25.64	60.18
B51	1.64	3.27	2.18	3.09	7.64	8.91	24.18	49.09
B52	0.18	0.73	0.00	0.00	1.27	2.91	21.09	73.82
B53	0.55	0.18	0.91	0.73	2.36	6.91	22.00	66.36
B54	0.55	0.73	1.64	1.64	6.55	10.00	26.91	52.00
B55	0.55	0.91	1.27	1.82	5.82	14.36	28.18	47.09
B56	0.55	0.91	2.36	3.27	5.82	13.09	27.82	46.18
B57	0.36	1.27	0.73	1.64	5.64	12.73	29.09	48.55
B58	0.91	1.64	1.45	2.18	5.82	12.36	31.09	44.55
B59	1.82	4.36	3.64	2.55	6.91	10.36	23.82	46.55
B60	0.18	1.45	0.36	2.18	3.82	6.55	23.09	62.36
B61	0.36	1.27	1.45	0.91	3.09	8.36	24.36	60.18
B62	0.36	0.18	0.55	0.55	0.73	4.73	20.73	72.18
B63	2.00	0.18	1.27	2.91	4.00	9.82	29.09	50.73
B64	1.09	2.18	2.18	2.55	6.73	10.73	25.64	48.91
B65	0.91	2.18	2.55	2.73	4.00	8.36	26.18	53.09
B66	0.55	0.73	1.09	2.00	5.45	10.73	29.82	49.64
B67	1.27	1.64	1.27	2.91	4.73	14.73	25.45	48.00
B68	0.73	1.27	1.27	2.00	5.09	12.55	27.64	49.45
B69	0.91	0.73	1.27	2.00	5.82	10.18	30.18	48.91
B70	1.27	0.55	0.36	0.73	2.36	4.36	20.55	69.82
B71	1.64	0.55	0.91	1.64	4.18	10.36	34.18	46.55
B72	0.73	0.18	0.73	1.27	4.91	10.73	33.09	48.36
B73	0.73	0.55	0.55	1.45	4.18	10.00	34.73	47.82
B74	0.73	1.45	1.27	3.82	5.82	13.45	28.55	44.91
B75	0.91	0.00	0.18	0.55	2.55	6.00	25.45	64.36
B76	1.82	3.64	1.45	2.55	6.91	11.27	23.82	48.55

TABLE 6.34

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR SERVICE QUALITY

ITEM NUMBER	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
B42	0.89	2.33	2.15	2.86	8.41	11.09	38.28	33.99
B43	0.89	0.89	1.07	3.40	9.30	11.81	42.75	29.87
B44	0.89	0.36	0.89	3.22	8.41	15.38	44.90	25.94
B45	0.72	0.18	0.54	0.72	6.98	10.73	43.29	36.85
B46	1.61	1.61	1.79	4.83	10.73	18.25	38.64	22.54
B47	1.43	1.25	2.33	5.01	9.66	17.17	38.46	24.69
B48	0.54	0.36	0.54	2.68	11.09	12.88	40.79	31.13
B49	2.15	0.18	0.18	3.22	8.41	10.38	39.36	36.14
B50	1.25	0.89	2.15	5.01	14.49	20.93	34.53	20.75
B51	0.89	0.00	0.54	2.33	8.94	13.60	44.54	29.16
B52	1.43	2.15	1.07	1.61	5.01	7.16	30.23	51.34
B53	0.72	0.72	1.07	1.61	6.80	12.16	40.25	36.67
B54	1.07	1.07	0.72	4.83	11.81	21.29	37.21	22.00
B55	1.43	0.54	1.07	3.94	10.20	16.10	39.53	27.19
B56	1.07	0.72	1.07	2.68	10.73	17.17	37.92	28.62
B57	1.25	1.07	0.72	3.04	9.48	16.64	42.04	25.76
B58	1.25	0.89	0.89	2.50	10.20	15.21	41.14	27.91
B59	1.25	1.43	1.43	5.01	11.27	15.56	39.36	24.69
B60	1.25	0.72	0.36	2.50	11.63	15.03	40.07	28.44
B61	1.25	0.36	1.07	2.15	8.05	13.77	43.65	29.70
B62	1.61	0.72	1.25	1.79	5.19	7.51	30.05	51.88
B63	1.43	0.18	0.89	4.47	10.91	17.17	39.53	25.40
B64	0.89	0.54	1.07	2.50	9.48	13.77	41.68	30.05
B65	0.89	0.18	0.72	1.79	7.33	11.63	34.70	42.75
B66	0.72	0.18	0.18	2.15	9.30	14.31	40.97	32.20
B67	1.43	0.54	2.33	4.11	11.81	21.82	40.43	17.53
B68	0.72	0.54	0.72	2.15	11.81	16.46	44.01	23.61
B69	0.89	0.36	0.89	3.94	9.48	15.38	45.44	23.61
B70	1.07	4.65	3.04	4.83	8.94	14.49	29.70	33.27
B71	1.43	0.18	1.07	2.15	10.55	14.13	45.62	24.87
B72	1.25	0.18	0.54	2.15	9.12	14.13	44.36	28.26
B73	0.89	0.00	0.72	2.33	9.66	14.49	46.69	25.22
B74	0.72	0.36	0.54	1.43	10.38	15.56	43.83	27.19
B75	1.61	2.15	1.43	2.86	8.94	14.31	38.28	30.41
B76	1.07	0.54	0.89	1.07	9.30	13.06	37.92	36.14

TABLE 6.35

MEANS AND STANDARD DEVIATIONS FOR SERVICE QUALITY BETWEEN CLIENT AND BANK RESPONDENT GROUP

	RELIABILITY		
	N	Mean	Std Dev
BANKS	555	5.6314	0.9849
CLIENTS	407	6.1248	0.9376
	RESPONSIVENESS		
	N	Mean	Std Dev
BANKS	555	5.6988	1.0661
CLIENTS	407	5.9751	1.0655
	ASSURANCE		
	N	Mean	Std Dev
BANKS	555	5.8466	0.9195
CLIENTS	407	6.143	0.9542
	EMPATHY		
	N	Mean	Std Dev
BANKS	555	5.8474	0.936
CLIENTS	407	5.9121	1.1096
	TANGIBLES		
	N	Mean	Std Dev
BANKS	555	5.9041	1.0619
CLIENTS	407	6.5564	0.6114
	RELATIONSHIP		
	N	Mean	Std Dev
BANKS	555	5.7627	0.8809
CLIENTS	407	5.9664	1.02

An EFA was not conducted on the service quality dimensions. The reason for this was to use the original five dimensions of the SERVQUAL methodology and add the sixth dimension entitled relationship that was based on relationship-based indicators found to be important in the literature on relationships. Based on this, the mean scores and standard deviations for the six dimensions of service quality are reflected in table 6.35. The mean scores reflect the average score of an item for each dimension.

The MANOVA table 6.36 indicates a statistically significant result for the total responses between the bank and client respondent groups. This indicates that there is a statistically significant difference between the overall perceptions of bank contact-personnel and clients regarding service quality at both the 0.1 and 0.05 levels.

TABLE 6.36

MANOVA TABLE FOR SERVICE QUALITY BETWEEN CLIENT AND BANK RESPONDENT GROUP

STATISTIC	Value	F-Value	Num DF	Den DF	Pr > F
Wilk's Lambda	0.7847019	43.67	6	955	<.0001
Hotelling-Lawley Trace	0.2743693	43.67	6	955	<.0001
Roy's Greatest Root	0.2743693	43.67	6	955	<.0001

TABLE 6.37

T-TEST TABLE FOR SERVICE QUALITY BETWEEN CLIENT AND BANK RESPONDENT GROUP

VARIABLE	Method	Variances	DF	t-Value	Pr > |t|
Reliability	Pooled	Equal	960	-7.83	<.0001
Responsiveness	Pooled	Equal	960	-3.97	<.0001
Assurance	Pooled	Equal	960	-4.86	<.0001
Empathy	Pooled	Equal	960	-0.98	0.3277
Tangibles	Pooled	Equal	960	-11.11	<.0001
Relationship	Pooled	Equal	960	-3.31	0.001

Table 6.37 indicates the t-tests for the dimensions of service quality between the bank and client respondent groups. Five of the six dimensions within the overall service quality construct indicate a statistically significant difference between the two respondent groups at a 0.05 per cent level of significance. In other words, for the dimensions reliability, responsiveness, assurance, tangibles, and relationship there is a statistically significant difference of the perceptions of clients and the perceptions of contact-personnel *vis-à-vis* clients interacting at their branch. Empathy, however, is statistically insignificant at the 0.1 level. Therefore, the data provides evidence that only for the empathy dimension does any similarity in the perceptions of bank contact-personnel and clients exist. As such, clients feel that the contact-personnel at their branches do in fact care and provide personalised attention to them and contact-personnel feel that they do offer this to their clients. A statistically significant difference exists however between the perceptions of clients and contact-personnel regarding the other five service quality dimensions.

Table 6.38 provides the cluster analysis of service quality for only the client respondent group. Given the six dimensions of service quality, three distinct clusters can be identified. These are discussed below.

TABLE 6.38

CLUSTER MEANS FOR SERVICE QUALITY

Cluster	Frequency	Reliability	Responsiveness	Assurance	Empathy	Tangibles	Relationship
1	122	0.3641	0.1514	0.2367	0.1031	0.6938	-1.549
2	307	-0.059	-0.589	0.1127	-0.665	1.1807	0.0008
3	65	0.222	0.2941	-0.2	0.3426	-0.863	0.205

- **Cluster 1**

The most noticeable feature of cluster 1 is that they do not experience factors reflecting the relationship dimension relative to the other dimensions when they interact with contact-personnel in the bank branch. The clients in this cluster experience a strong reflection of the five service quality dimensions of SERVQUAL.

- **Cluster 2**

The largest cluster (307 respondents) indicates that they experience tangibles within the branch most strongly relative to the other dimensions. Regarding service quality, this cluster experiences the physical condition and presentation of the branches most acutely, and do not regard the responsiveness of contact-personnel or the empathy they exhibit as particularly prevalent.

- **Cluster 3**

Cluster 3 (65 respondents) experience the assurance and tangible dimensions the least relative to the other dimensions when they interact with contact-personnel in their branch. Although this cluster is the smallest of the three identified, this cluster most closely exhibits the characteristics of a mutually beneficial bank-client relationship. Bank contact-personnel must be responsive, caring, provide personal attention, and be focused on aspects in the relationship such as trust, clarity of communication, good financial advice, and the provision of credit in accordance to the needs of clients.

Considering the colour coding of table 6.38 and a general impression of the groupings, no apparent pattern exists except that the tangibles dimension appears to invoke the largest difference in the experiences amongst the client respondent group. Furthermore, the reliability dimension exhibits an overall tendency by all cluster groups to be most prevalent, although once again, in varying degrees relative to the other dimensions.

The cross-tabulations of the six selected biographical variables are depicted on tables A7.7 to A7.12 in annexure 7. The chi-square values for each of the cross-tabulations are in table 6.39.

TABLE 6.39

CHI-SQUARES OF BIOGRAPHICAL VARIABLES BY CLUSTER FOR SERVICE QUALITY

BIOGRAPHICAL VARIABLE	DF	Value	Prob
Gender	2	2.7357	0.2546
Age	8	36.243	<.0001
Race	4	8.0359	0.0903
Income	6	10.597	0.1016
Main bank	6	3.2628	0.7752
Location	8	20.059	0.0101

The chi-square values in table 6.39 indicate that gender, income, and main bank are statistically insignificant at the 0.1 level. This means that these three biographical variables are not statistically related to the three identified clusters. Gender, income and where these clients bank therefore has no significant relationship on the perceptions of clients regarding service quality received. Alternatively, age, race and location are found to be statistically significant. Therefore, there is a relationship between age, race and location and the three identified clusters. Given the fact that the age distribution of the client sample favours in particular the white elderly, especially in the smaller locations of Bethlehem, Kroonstad, and Welkom, these results indicate that age in particular (the smallest p-value) does play a role regarding the perception of service quality.

6.3.4Customer satisfaction

Tables 6.40 and 6.41 reflect the percentage tables for the construct client satisfaction from the perspective of respectively the client and bank respondent groups.

TABLE 6.40

PERCENTAGE TABLE OF CLIENT RESPONDENT GROUP FOR CUSTOMER SATISFACTION

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
C79	0.73	7.82	1.82	1.45	4.91	5.09	14.00	64.18
C80	0.91	2.73	1.64	1.45	3.27	6.91	22.18	60.91
C81	4.55	7.09	2.91	1.45	4.00	6.91	16.00	57.09
C82	6.18	19.82	6.36	5.27	6.55	8.36	13.64	33.82
C83	0.91	0.73	0.91	0.91	3.09	7.82	21.64	64.00
	NO RESPONSE	YES	NO					
C85	0.36	13.45	86.18					

The results for client satisfaction for the client respondent group indicate a notable preference to strongly agree with the provided statements.

TABLE 6.41

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR CUSTOMER SATISFACTION

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
C3	1.79	0.89	2.50	2.50	14.49	19.68	37.75	20.39
C4	1.25	0.18	1.97	3.58	15.74	20.04	39.71	17.53
C5	1.97	0.89	1.43	2.50	13.77	18.60	41.50	19.32
C6	2.86	2.68	3.22	4.11	11.99	12.16	31.66	31.31
C7	3.04	4.47	9.12	8.23	20.93	19.50	23.61	11.09
C9	5.01	0.72	1.61	2.86	12.52	17.89	40.07	19.32

The percentage table for the bank respondent group indicates that the contact-personnel mostly agree with the statements provided as opposed to strongly agree by the clients.

The means, MANOVA and t-tests for client satisfaction are provided in respectively tables 6.42 and 6.44.

TABLE 6.42

MEANS AND STANDARD DEVIATIONS FOR CUSTOMER SATISFACTION BETWEEN CLIENT AND BANK RESPONDENT GROUP

	Item 79		
	N	Mean	Std Dev
BANKS	551	5.4894	1.2634
CLIENTS	390	5.938	1.8795
	Item 80		
	N	Mean	Std Dev
BANKS	551	5.4579	1.1911
CLIENTS	390	6.1385	1.4576
	Item 81		
	N	Mean	Std Dev
BANKS	551	5.5427	1.1954
CLIENTS	390	5.8205	1.8994
	Item 82		
	N	Mean	Std Dev
BANKS	551	5.5482	1.5269
CLIENTS	390	4.6514	2.4092
	Item 83		
	N	Mean	Std Dev
BANKS	551	5.5499	1.1902
CLIENTS	390	6.3134	1.1373

The means indicate the average ranking the contact-personnel and clients respectively scored for the item specified. As indicated in table 6.42, the scores are on average high when the 7-point Likert scale rating is considered, with the lowest mean being by the client respondent group for item 82.

TABLE 6.43

MANOVA TABLE FOR CLIENT SATISFACTION BETWEEN THE CLIENT AND BANK RESPONDENT GROUPS

STATISTIC	Value	F-Value	Num DF	Den DF	Pr > F
Wilk's Lambda	0.85628	31.39	5	935	<.0001
Hotelling-Lawley Trace	0.167843	31.39	5	935	<.0001
Roy's Greatest Root	0.167843	31.39	5	935	<.0001

The MANOVA table indicates that the overall perceptions of the clients and bank contact-personnel are statistically significant. That means, there is an overall difference in the perceptions of clients and contact-personnel regarding client satisfaction.

TABLE 6.44

T-TEST TABLE FOR CUSTOMER SATISFACTION BETWEEN CLIENT AND BANK RESPONDENT GROUP

ITEM	Method	Variances	DF	t-Value	Pr > |t|
C79	Pooled	Equal	939	-4.38	<.0001
C80	Pooled	Equal	939	-7.86	<.0001
C81	Pooled	Equal	939	-2.75	0.0061
C82	Pooled	Equal	939	6.98	<.0001
C83	Pooled	Equal	939	-9.87	<.0001

The results for the t-tests indicate that all the items regarding client satisfaction are statistically significant at the 0.05 level. Therefore, in addition to an overall statistical difference, there is a statistically significant difference between the perceptions of contact-personnel in branches and the clients for all the items defining the client satisfaction construct.

6.3.5Customer loyalty

The percentage tables for client loyalty for the client and bank respondent groups are provided in tables 6.45 and 6.46 respectively.

TABLE 6.45

PERCENTAGE TABLE OF CLIENT RESPONDENT GROUP FOR CUSTOMER LOYALTY

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
C77	0.36	[illegible]	4.55	1.64	2.73	3.27	2.36	6.91
C78	0.91	[illegible]	4.00	3.09	3.64	4.91	7.45	11.82
C84	2.73	1.27	1.09	0.36	1.45	5.82	19.45	67.82

The percentage table for the client respondent group indicates that the clients have not taken either active steps or thought of moving to another bank during the past year. Approximately 68 per cent of clients regard themselves as being very loyal to their banks.

TABLE 6.46

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR CUSTOMER LOYALTY

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
C1	1.25	3.22	7.69	8.05	17.17	19.50	25.94	17.17
C2	2.15	3.58	6.08	5.37	20.21	22.90	30.41	9.30
C10	5.55	0.36	0.72	2.68	12.16	18.43	40.07	20.04

The contact-personnel in the branches agree in varying degrees with all the options provided. Indeed, the perceptions of the contact-personnel indicate that in their view clients have taken either active steps or thought of moving to another bank in the past year. This is contrary to the perceptions of clients. The contact-personnel also believe that clients are loyal to their bank, albeit they do not perceive this to be to the same extent as the clients indicate they are.

The means and standard deviation results indicate a noticeable difference in the mean scores for especially items 77 and 78. As indicated in the percentage tables, this refers to taking active steps or thinking of moving to another bank in the recent year. The means reflect the results indicated in the percentage tables.

All three tests in the MANOVA table indicate that the overall perceptions of clients and the bank are statistically significant at the 0.1 level. This indicates that there is a statistical difference between the overall perceptions of clients and the contact-personnel within the branches *vis-à-vis* the loyalty of clients.

TABLE 6.47

MEANS AND STANDARD DEVIATIONS FOR CUSTOMER LOYALTY BETWEEN CLIENT AND BANK RESPONDENT GROUP

	Item 77		
	N	Mean	Std Dev
BANKS	551	4.9141	1.6368
CLIENTS	407	1.8256	1.8022
	Item 78		
BANKS	551	4.8554	1.4955
CLIENTS	407	2.5072	2.2764
	Item 84		
BANKS	551	5.6408	1.1024
CLIENTS	407	6.4562	1.0818

TABLE 6.48

MANOVA TABLE FOR CLIENT LOYALTY BETWEEN THE CLIENT AND BANK RESPONDENT GROUPS

STATISTIC	Value	F-Value	Num DF	Den DF	Pr > F
Wilk's Lambda	0.4996602	318.43	3	954	<.0001
Hotelling-Lawley Trace	1.0013601	318.43	3	954	<.0001
Roy's Greatest Root	1.0013601	318.43	3	954	<.0001

TABLE 6.49

T-TEST TABLE FOR CUSTOMER LOYALTY BETWEEN CLIENT AND BANK RESPONDENT GROUP

ITEM	Method	Variances	DF	t-Value	Pr > |t|
C77	Pooled	Equal	956	27.65	<.0001
C78	Pooled	Equal	956	19.24	<.0001
C84	Pooled	Equal	956	-11.41	<.0001

The t-test confirms that a statistically significant relationship exists for each of the loyalty item descriptors defining client loyalty between the bank and client respondent groups. This indicates that there is a statistical difference between the perceptions of loyalty from clients and the perceptions contact-personnel have regarding client loyalty.

6.3.6Nature of the relationship

The nature of the relationship deals specifically with the aspects of the bank-client relationship and the perceptions of clients regarding the relationship. Three questions were posed to both the clients and bank contact-personnel specifically relating to the perceptions of the client.

The first question posed to the respondents referred to the reasons why clients stayed at their particular bank. Clients were asked why they stay at their main bank and the bank contact-personnel were asked why they think clients stay at their bank.

Table 6.50 provides the responses for the client respondent group regarding their perceptions as to why they stay at their bank. The clients strongly disagree with three specific items, namely, 89, 88, and 91. The item they most strongly disagree with is that parents opened an account at the bank when they were younger and don't feel the need to move. This is followed by clients feeling contractually bound by the debt they have, and thirdly, that client's feel it is too much effort to move to another bank. In terms of agreement, the two highest rankings explaining why they stay at their bank is that the products and services address their needs (93) and the service they receive is excellent (92).

TABLE 6.50

PERCENTAGE TABLE OF CLIENT RESPONDENT GROUP FOR REASONS WHY THEY STAY AT THEIR BANK

ITEM	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
88	0.91	75.82	3.27	3.45	3.27	4.18	4.00	5.09
89	0.73	78.00	2.55	1.45	1.45	2.55	4.00	9.27
90	2.00	15.27	4.18	3.09	4.91	8.00	24.55	[illegible]
91	1.27	[illegible]	7.09	5.82	7.82	7.45	16.36	20.73
92	0.00	2.73	0.91	2.36	6.00	10.73	22.55	[illegible]
93	0.36	2.36	0.91	1.82	3.27	7.64	[illegible]	[illegible]
94	8.00	6.36	2.73	4.36	6.00	13.45	25.27	[illegible]
95	2.91	7.09	3.27	3.09	5.27	10.55	25.09	[illegible]

Table 6.51 provides the percentage table for the responses provided by the bank contact-personnel. The table indicates that all the contact-personnel agree in most

part with the options provided, but relatively speaking, least so with item 12 – that is, they feel that clients stay with their main bank because they feel contractually bound due to the debt they have at their main bank. The item with the highest percentage of respondents in the strongly agree category was 17 – the products and services address the needs of the clients. In order of preference based on the total percentage of respondents choosing both to agree and strongly agree, the three most important criteria why contact-personnel feel clients stay with their main bank are 17, 19, and 16 (in order of preference). In other words, the products and services address the needs of clients, they have a good relationship with the staff at the branch, and the service at the bank is excellent. The main difference indicated on the percentage tables for the two respondent groups is that clients feel in particular that the contractual obligations and family relationships do not contribute to them staying at the bank. The likely explanation for this is the fact that the data for the client respondent group comprises mostly of retired people who, as can be expected, do not feel the urge to move due to having long established bank-client relationships and are too old to have had their existing accounts be the same as those opened by their parents.

TABLE 6.51

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR REASONS WHY THEY THINK CLIENTS STAY AT THEIR MAIN BANK

ITEM	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
12	1.43	3.94	10.91	8.59	16.10	20.21	27.91	10.91
13	1.61	1.43	4.65	4.29	13.95	17.53	[illegible]	16.28
14	1.25	1.07	2.50	1.97	13.60	14.31	[illegible]	21.65
15	2.33	3.76	8.59	6.62	17.53	16.64	29.87	14.67
16	1.43	1.61	0.54	1.97	10.38	16.46	[illegible]	29.87
17	1.97	0.18	0.54	0.54	10.20	11.99	[illegible]	[illegible]
18	1.61	1.97	1.79	4.11	11.63	14.85	[illegible]	23.43
19	1.07	0.36	0.54	0.72	9.84	13.60	[illegible]	28.09

The means and standard deviations for both the bank and client respondent groups are provided in table 6.52. Of note is that the mean scores for, in particular the first two items (12 and 88 for the first item and 13 and 89 for the second item) are significantly different.

TABLE 6.52

MEANS AND STANDARD DEVIATIONS FOR STAYING FOR CLIENT AND BANK RESPONDENT GROUP

	N	Mean	Std Dev
BANKS (12)	553	4.67	1.66
CLIENTS (88)	405	1.97	1.88
	N	Mean	Std Dev
BANKS (13)	553	5.31	1.39
CLIENTS (89)	405	1.89	1.93
	N	Mean	Std Dev
BANKS (14)	553	5.58	1.27
CLIENTS (90)	405	5.01	2.22
	N	Mean	Std Dev
BANKS (15)	553	4.86	1.66
CLIENTS (91)	405	3.92	2.45
	N	Mean	Std Dev
BANKS (16)	553	5.76	1.23
CLIENTS (92)	405	5.97	1.47
	N	Mean	Std Dev
BANKS (17)	553	5.93	1.01
CLIENTS (93)	405	6.13	1.30
	N	Mean	Std Dev
BANKS (18)	553	5.55	1.35
CLIENTS (94)	405	5.35	1.78
	N	Mean	Std Dev
BANKS (19)	553	5.88	1.03
CLIENTS (95)	405	5.50	1.89

The MANOVA table provided in table 6.53 indicates that there is a statistically significant difference between the *overall* perceptions of bank contact-personnel and clients regarding the reasons why clients stay at a bank at both the 0.01 and 0.05 per cent level.

TABLE 6.53

MANOVA TABLE FOR STAYING BETWEEN CLIENT AND BANK RESPONDENT GROUP

STATISTIC	Value	F-Value	Num DF	Den DF	Pr > F
Wilk's Lambda	0.419969	187.49	8	1086	<.0001
Hotelling-Lawley Trace	1.381131	187.49	8	1086	<.0001
Roy's Greatest Root	1.381131	187.49	8	1086	<.0001

TABLE 6.54

T-TEST TABLE FOR STAYING BETWEEN CLIENT AND BANK RESPONDENT GROUP

ITEM	Method	Variances	DF	t-Value	Pr > |t|
88/C12	Pooled	Equal	956	23.48	<.0001
89/C13	Pooled	Equal	956	31.86	<.0001
90/C14	Pooled	Equal	956	4.97	<.0001
91/C15	Pooled	Equal	956	7.07	<.0001
92/C16	Pooled	Equal	956	-2.44	0.0147
93/C17	Pooled	Equal	956	-2.63	0.0088
94/C18	Pooled	Equal	956	2.02	0.0437
95/C19	Pooled	Equal	956	4.08	<.0001

Furthermore, the t-tests results in table 6.54 indicate that in accordance with the MANOVA results that the overall responses between the total groups are statistically different, each item descriptor is found to be statistically significant at the 0.1 level. That means that there is a statistically significant difference between each of the items from the perspective of the client and that of the contact-personnel as to why clients stay at their main banks and the perceptions of contact-personnel of why clients stay at their banks.

TABLE 6.55

CLUSTER MEANS FOR CLIENTS STAYING AT THEIR MAIN BANK

Cluster	Frequency	88	89	90	91	92	93	94	95
1	207	-0.3219	-1.4869	0.2146	0.7240	0.4635	0.5544	0.1659	0.2704
2	264	1.0582	-1.7716	0.3469	-0.9016	0.8028	0.8090	0.5917	0.5791
3	70	-1.4666	0.7724	0.1834	-0.3761	0.3214	0.4319	-0.0556	0.1862

Table 6.55 provides the cluster means for the reasons clients stay at their main bank. Three clusters are identified and only the data for the client respondent group was used. Considering the table, the majority of the responses within the three clusters indicate a particular preference for items 90 and 92 to 95 (marked mostly in green), although item 94 indicates a degree of indifference from two clusters. Items 88 and 89 are indicated as unimportant relative to the other items with item 88 in particular being unimportant for all three clusters.

More specifically, the characteristics of each cluster are as follows:

- **Cluster 1**

Cluster one has 207 respondents. As with the other two clusters, being contractually bound (88) is not a reason cited as being important at all (relative to the other items) regarding why a client stays with a bank. This cluster (as with cluster two) does not regard the reason they stay at their bank relating to their parents opening an account when they were younger as important at all (89). A further notable feature of this cluster is their indifference to pricing as a reason for staying (94). In general, however, this cluster finds the remaining item as important to some degree when citing reasons they stay at their main bank.

- **Cluster 2**

Cluster two is the largest cluster of the three with 264 respondents. As with cluster one, items 88 and 89 are regarded as extremely unimportant (relative to the other items) for staying with their main bank. Furthermore, this cluster does not stay at their bank because they regard it as being too much effort to move (91). In other words, this suggests that respondents in this cluster would not move to another bank if the need arises or would not engage in multiple banking relationships. A further notable feature is that this cluster regards excellent service (92) and products and services that address their needs (93) as very important.

- **Cluster 3**

The smallest cluster has 70 respondents. As with the other two clusters, this cluster does not regard being contractually bound to the bank as important at all (relative to the other items). Rather, this cluster is largely indifferent (as indicated by items 90, 94, and 95), although they do not consider moving to another bank as being a likely reason to move (91). The most important reason, however, and contrary to the other clusters, is that they stay with their main bank because their parents opened a bank account with the bank and they do not feel the need to move (89). This item score is slightly below the 0.8 threshold to being very important.

The colour codes in table 6.55 indicate that being contractually bound and staying at the main bank because of a family relationship are not important reasons for staying at a main bank. Conversely, the service at the bank (92) and products and services that address client needs (93) are found to be important for each cluster. Again, the age composition of the client respondent group reflects the importance that the elderly place on service quality, applicable and relevant products and services, and good relationships with branch staff.

The cross-tabulation tables for the client respondent group with selected biographical variables are provided in annexure 7 as tables A7.13 to A7.18. The chi-square results for these tables are provided in table 6.56.

TABLE 6.56

CHI-SQUARES OF BIOGRAPHICAL VARIABLES BY CLUSTER FOR REASONS FOR STAYING

BIOGRAPHICAL VARIABLE	DF	Value	Prob
Gender	2	0.5671	0.7531
Age	8	41.624	<.0001
Race	4	1.6112	0.8068
Income	6	9.5289	0.1459
Main bank	6	10.9074	0.0913
Location	8	4.5093	0.8085

The results indicate that four of the six biographical variables are not statistically significant at the 0.1 level. These are gender, race, income and location. These four biographical variables are therefore not statistically related to the three identified clusters. Of note is that only age is pertinently statistically significant, where the main bank of the clients would not be statistically significant at the 0.05 level. Therefore if a 0.05 level of significance was used, only age would be significant meaning that only age would be considered to have a significant relationship with the three identified clusters.

The second question posed to the client respondents was why they regard their main bank as their main bank. The bank contact-personnel were asked why they think clients would choose their specific bank as their main bank. The purpose of this question was to try and establish what criteria clients use to *define* their main bank.

Tables 6.57 and 6.58 provide the percentage tables for respectively the client and bank respondent groups. A cursory glance at the tables reveal that the clients regard items 96 and 97 as least important reasons explaining the reason for their main bank. That is, they do not define their main bank according to where their cheque or home loan account is. This is contrary to the perceptions of bank contact-personnel who regard these two criteria as likely reasons defining their particular bank as a client's main bank.

TABLE 6.57

PERCENTAGE TABLE OF CLIENT RESPONDENT GROUP FOR REASONS WHY THEY REGARD A BANK AS THEIR MAIN BANK

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
96	2.55	[illegible]	1.09	1.27	2.36	1.09	8.55	47.45
97	3.82	[illegible]	1.09	0.55	1.45	1.45	4.73	18.73
98	0.73	3.45	1.45	1.09	3.82	5.45	15.27	68.73
99	0.73	1.64	0.55	1.64	3.27	8.18	21.27	62.73
100	1.09	3.82	0.36	0.18	0.55	1.27	16.00	76.73
101	4.18	3.64	2.73	1.82	5.27	9.27	22.55	50.55

TABLE 6.58

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR REASONS WHY THEY THINK CLIENTS WOULD REGARD THEIR BANK AS THEIR MAIN BANK

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
C20	1.79	1.25	3.04	2.33	7.16	14.49	44.90	25.04
C21	2.33	1.07	2.86	4.65	8.94	16.99	39.53	23.61
C22	2.68	0.72	1.25	2.15	4.11	13.42	42.75	32.92
C23	2.68	0.54	1.07	1.79	7.87	14.49	40.79	30.77
C24	2.33	1.07	1.43	1.07	5.19	12.70	45.44	30.77
C25	2.15	0.72	0.36	0.89	10.02	12.88	41.66	31.31

Item 100 is cited as the most important defining reason for clients – the bank where their respondent's salary or pension is deposited into. Given the age distribution of the sample, the pension is the most likely reason for this, although the respondents may use savings transmission accounts rather than cheque accounts as the account where their salaries are paid into.

To establish whether a statistically significant difference exists between the perceptions of the client and bank respondent groups, the means, standard deviations, MANOVA and t-tests are provided in respectively tables 6.59, 6.60, and 6.61. Item 97 (and C21 for the bank respondent group) provides the biggest difference in the average mean size of all the items measuring this construct. Furthermore, MANOVA indicates that the overall perception between the client and bank respondent groups indicates a statistically significant difference regarding the reasons defining why clients choose a bank as their main bank at both the 0.05 and 0.01 levels.

TABLE 6.59

MEANS AND STANDARD DEVIATIONS FOR MAIN BANK FOR CLIENT AND BANK RESPONDENT GROUP

	N	Mean	Std Dev
BANKS (96)	547	5.700183	1.280189
CLIENTS (C30)	400	4.509665	2.79514
	N	Mean	Std Dev
BANKS (97)	547	5.563765	1.3308
CLIENTS (C21)	400	2.576305	2.524902
	N	Mean	Std Dev
BANKS (98)	547	5.958733	1.109997
CLIENTS (C22)	400	6.300103	1.41242
	N	Mean	Std Dev
BANKS (99)	547	5.879706	1.119756
CLIENTS (C23)	400	6.2525	1.246044
	N	Mean	Std Dev
BANKS (100)	547	5.928902	1.124885
CLIENTS (C24)	400	6.492554	1.33679
	N	Mean	Std Dev
BANKS (101)	547	5.902072	1.085667
CLIENTS (C25)	400	5.907449	1.553276

TABLE 6.60

MANOVA TABLE FOR MAIN BANK BETWEEN CLIENT AND BANK RESPONDENT GROUP

STATISTIC	Value	F-Value	Num DF	Den DF	Pr > F
Wilk's Lambda	0.5341974	136.61	6	940	<.0001
Hotelling-Lawley Trace	0.8719671	136.61	6	940	<.0001
Roy's Greatest Root	0.8719671	136.61	6	940	<.0001

TABLE 6.61

T-TEST TABLE FOR MAIN BANK BETWEEN CLIENT AND BANK RESPONDENT GROUP

ITEM	Method	Variances	DF	t-Value	Pr > |t|
96/C20	Pooled	Equal	945	8.78	<.0001
97/C21	Pooled	Equal	945	23.56	<.0001
98/C22	Pooled	Equal	945	-4.16	<.0001
99/C23	Pooled	Equal	945	-4.82	<.0001
100/C24	Pooled	Equal	945	-7.03	<.0001
101/C25	Pooled	Equal	945	-0.06	0.95

Although the overall perceptions of the clients and bank contact-personnel are statistically significant as indicated in the MANOVA table, the t-test results reveal that item 101 is not statistically significant at the 0.1 level. This item refers to the relationship between the client and the staff within the branch. Therefore, the only reason explaining why clients choose a particular bank as their main bank that both clients and bank contact-personnel agree on refers to having a good relationship with contact-personnel in the branch. The importance of this relationship is therefore deemed important for both parties *vis-à-vis* the client's choice as main bank.

The cluster means analysis is provided in table 6.62. Once again, the cluster analysis was conducted on only the client respondent group.

TABLE 6.62

CLUSTER MEANS FOR MAIN BANK

Cluster	Frequency	96	97	98	99	100	101
1	202	0.5169	[illegible]	0.3560	0.3628	0.4180	0.1982
2	210	-1.2201	-1.0482	0.5091	0.6571	0.6521	0.5080
3	66	0.3625	0.4423	0.4643	-0.6564	0.3816	[illegible]

Three distinct clusters are identified. These are:

- **Cluster 1**

Cluster one includes 202 respondents. All the possible reasons provided explaining the reason for the main bank are considered important, except item 97 – that is, where the client's home loan is. This cluster appears not to have a distinct reason explaining why they choose their main bank as such, except that it is not defined by where their home loan would be.

- **Cluster 2**

Cluster two is the largest of the three clusters with 210 respondents. This cluster regards the cheque and home loan as extremely unimportant reasons relative to the other items that explain their choice of main bank. Other than that, they regard the remaining reasons as important.

- **Cluster 3**

Cluster three is the smallest of the three with only 66 respondents. This cluster does not regard in particular relationship (101) and to a slightly lesser extent service (99) as important reasons relative to the other items explaining their choice of the main bank. The bank-client relationship in particular is not regarded as an important factor.

An overall impression of the colour coding of table 6.62 indicates that in general clients appear to not have a distinct reason that explains why they choose a particular bank as their main bank. Rather, two of the three clusters do indicate emphatically that it is not where their home loan is. Items 98 and 100 are considered important by all three clusters. Item 98 refers to where most the accounts of the client are and item 100 refers to the account where the salary or pension is deposited into. Therefore, and considering that only these two items appear as important for all three clusters, clients regard the reason they regard a bank as their main bank according to where they have most of their accounts and where their salaries or pensions are paid into.

The cross-tabulation tables are provided in annexure 7 and labelled tables A7.19 to A7.24. As indicated in table 6.63, five of the six biographical variables are statistically significant at the 0.1 level. The exception is the choice of their main bank (p-value of 0.1387). Put differently, given the choice of the main banks of the clients, there is no relationship between the clusters and the choice of the main bank. The choice of the main bank and the three clusters therefore has no relationship.

TABLE 6.63

CHI-SQUARES OF BIOGRAPHICAL VARIABLES BY CLUSTER FOR CHOICE OF MAIN BANK

BIOGRAPHICAL VARIABLE	DF	Value	Prob
Gender	2	12.4206	0.002
Age	8	38.4039	<.0001
Race	4	77.5936	<.0001
Income	6	78.5671	<.0001
Main bank	6	9.683	0.1387
Location	8	23.2093	0.0031

Given the chi-square tests in table 6.63, gender, age, race, income and location indicate a statistically significant relationship with the three clusters at a 0.1 level. This indicates that there is a significant relationship between each of these biographical variables and the three clusters.

The third and final question required the clients to rank the importance of having a relationship with a selected number of contact-personnel in the branch. Clients were asked to rank the importance of each member of the contact-personnel and the bank contact-personnel were asked to rank according to their perceptions of what clients regard as the most important relationship for clients.

The percentage tables for the most important relationship in a branch for respectively the client and bank respondent groups are provided in tables 6.64 and 6.65. The bank contact-personnel regard all the provided persons as either important or very important. In contrast, the clients regard the least important (in order of least importance first) contact-personnel in the branch as no-one specific (in other words, a relationship with someone, but not anyone specific is important), the branch manager, and a personal banker. In other words, the majority of clients regard it important to have a relationship with someone specific, but, given the percentages, not necessarily the branch manager or the personal banker. The contact-personnel on the other hand regard the most important relationship for the clients to be the personal banker who deals directly with their accounts.

TABLE 6.64

PERCENTAGE TABLE OF CLIENT RESPONDENT GROUP FOR WHICH RELATIONSHIP THEY THINK CLIENTS FIND MOST IMPORTANT IN A BRANCH

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
102	3.27	20.91	4.18	3.64	4.73	10.55	20.00	32.73
103	0.55	19.82	5.45	4.91	7.09	10.91	23.45	27.82
104	5.09	21.27	6.91	5.82	5.45	8.91	19.64	26.91
105	0.73	13.64	5.64	3.45	6.91	10.00	23.27	36.36
106	6.18	18.36	6.73	4.36	10.18	13.09	20.00	21.09
107	11.27	35.45	7.27	3.27	6.91	7.27	15.45	13.09

TABLE 6.65

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR RELATIONSHIP WITH BRANCH STAFF

	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
C26	3.40	1.07	0.36	1.25	6.08	9.48	28.09	50.27
C27	2.15	1.97	1.43	3.76	12.34	16.82	32.74	28.80
C28	2.68	2.33	1.07	3.22	11.45	13.60	27.91	37.75
C29	2.68	1.43	1.25	2.68	12.70	14.85	34.17	30.23
C30	2.50	6.26	5.72	8.59	14.49	16.99	24.87	20.57
C31	6.08	6.44	5.01	5.01	15.38	13.95	28.09	20.04

The means, standard deviations, MANOVA and t-tests are provided in respectively tables 6.66, 6.67, and 6.68 below. In general the mean scores are reasonably close to each other with the exception of items 102 (C26) and 107 (31) referring respectively to a personal banker or anyone but no-one specific in the branch. The contact-personnel rank both of these options higher than the client respondents.

All three tests according to MANOVA indicate that there is a statistically significant difference at the 0.1 level between the overall perceptions of clients and bank contact-personnel regarding the most important relationships viewed by clients in branches. In other words, clients and contact-personnel do not regard the same relationship as important for the client.

TABLE 6.66

MEANS AND STANDARD DEVIATIONS FOR PERSON AT CLIENT AND BANK RESPONDENT GROUP

	N	Mean	Std Dev
BANKS (102)	542	6.1817	1.1298
CLIENTS (C26)	387	4.7070	2.3812
	N	Mean	Std Dev
BANKS (103)	542	5.5984	1.3776
CLIENTS (C27)	387	4.5481	2.2626
	N	Mean	Std Dev
BANKS (104)	542	5.7502	1.4167
CLIENTS (C28)	387	4.4837	2.3717
	N	Mean	Std Dev
BANKS (105)	542	5.6871	1.3071
CLIENTS (C29)	387	4.9931	2.1677
	N	Mean	Std Dev
BANKS (106)	542	4.9173	1.7718
CLIENTS (C30)	387	4.4591	2.1745
	N	Mean	Std Dev
BANKS (107)	542	5.0273	1.7442
CLIENTS (C31)	387	3.4611	2.3482

TABLE 6.67

MANOVA TABLE FOR PERSON AT BETWEEN CLIENT AND BANK RESPONDENT GROUP

STATISTIC	Value	F-Value	Num DF	Den DF	Pr > F
Wilk's Lambda	0.7379092	54.58	6	922	<.0001
Hotelling-Lawley Trace	0.3551803	54.58	6	922	<.0001
Roy's Greatest Root	0.3551803	54.58	6	922	<.0001

TABLE 6.68

T-TEST TABLE FOR PERSON BETWEEN CLIENT AND BANK RESPONDENT GROUP

ITEM	Method	Variances	DF	t-Value	Pr > |t|
102/C26	Pooled	Equal	927	12.57	<.0001
103/C27	Pooled	Equal	927	8.77	<.0001
104/C28	Pooled	Equal	927	10.15	<.0001
105/C29	Pooled	Equal	927	6.07	<.0001
106/C30	Pooled	Equal	927	3.53	0.0004
107C31	Pooled	Equal	927	11.66	<.0001

Similar to the MANOVA, all items regarding the choice of contact-personnel are found to be statistically significant at the 0.1 level (see table 6.68). This indicates that there is a statistically significant difference between the perceptions of clients and bank contact-personnel regarding the client's choice of the most important relationship within the branch. This difference is for each of the contact-personnel listed in the questionnaire.

Table 6.69 provides the results for the cluster analysis conducted on the data of the client respondent group. Three distinct clusters were identified and each cluster attaches a specific person as being either an extremely important or extremely unimportant relationship for the client in the branch. As could be expected, back-office staff (106) is considered neither important nor unimportant by the clients in all three clusters and so too (although to a lesser extent) the tellers (103).

TABLE 6.69

CLUSTER MEANS FOR PERSON IN BRANCH

Cluster	Frequency	102	103	104	105	106	107
1	121	0.2725	0.3317	-1.0985	0.5060	0.0660	-0.4400
2	111	-1.0404	-0.0989	0.6291	0.3224	0.0223	0.1685
3	191	0.5740	-0.0002	0.4095	0.1031	-0.0934	-1.2930

The three clusters identified are as follows:

- **Cluster 1**

Relative to the other items, cluster one does not regard the relationship with the branch manager (104) as important at all and so too, although to a lesser extent, a relationship with anyone in the branch (107). They do however regard the relationship with the enquiries or information clerk (105) as being important. Given that a personal banker (102) and tellers (103) also rank as important, this cluster appears to be focused on the functional aspect of banking – that is, doing their banking at the branch is their main priority.

- **Cluster 2**

Cluster two regards the relationship with their personal banker (102) as being extremely unimportant relative to the other items. They regard the most important relationship that with the branch manager (104) and appear rather indifferent regarding the other contact-personnel in the branch.

- **Cluster 3**

The most important relationship relative to the other items for cluster three is the personal banker that deals with their accounts. Given that respondents in this cluster also rank item 107 as being extremely unimportant, this indicates a relationship with a specific individual is important for respondents in this cluster. Further evidence supporting this is that the branch manager is also considered an important relationship. This cluster appears indifferent with regards to the remaining contact-personnel in the branch.

Considering the colour codes in table 6.69, no clear pattern exists regarding a preferred relationship, although the personal banker (item 102) and branch manager (item 104) do invoke the strongest reaction, whether positive or negative. However, what is apparent is that a relationship with a specific person is considered important as indicated by the negative response to item 107. Therefore, although clients appear not to necessarily have a specific individual in mind *vis-à-vis* a relationship in the branch, the results do indicate that they regard a relationship with a specific person as important.

Tables A7.25 to A7.30 in annexure 7 provide the cross-tabulations of the clusters with the six biographical variables namely gender, age, race, income, main bank and location. Table 6.70 provides the chi-square values for the cross-tabulations.

TABLE 6.70

CHI-SQUARES OF BIOGRAPHICAL VARIABLES BY CLUSTER FOR PERSON IN BRANCH

BIOGRAPHICAL VARIABLE	DF	Value	Prob
Gender	2	3.5485	0.1696
Age	8	12.2833	0.139
Race	4	25.7984	<.0001
Income	6	13.9152	0.0306
Main bank	6	6.5644	0.363
Location	8	16.1236	0.0406

The chi-squares of the biographical variables by cluster indicate that gender, age, and main bank are statistically insignificant at the 0.1 level. This indicates that race, income and location have a relationship with the three identified clusters. For the remaining biographical variables, no relationship exists between them and the identified clusters.

6.3.7Client-centricity

Section D of the bank respondent group questionnaire dealt specifically with client-centricity. Closed- and open-ended questions were asked in this section. The open-ended questions are used to support the results during the discussion below.

The percentage tables for the bank respondent group for items D1 to D9 and D11 are provided below in table 6.71. These items reflect the aspects of client-centricity that the bankers experience within their working environment within their branches. The bankers agree or strongly agree with all the provided statements relating to client-centricity. Of the items, and considering only agree and strongly agree, most contact-personnel regard D3, D5, and D8 as the three most important aspects of client-centricity evident in their working environment. D3 refers to the emphasis management places on service delivery in the branch; D5 refers to the emphasis management places on identifying the needs of clients; and D8 refers to the products and services offered by the bank addressing the needs of clients.

Bank contact-personnel therefore acknowledge that the most important aspects of client-centricity is the clear emphasis management places on service quality, the needs of clients and products and services that address the needs of clients. Items D9 and D11 indicate that although the contact-personnel regard the expectations of clients regarding service and products and services to be realistic, these expectations are not as realistic to the extent that they strongly agree. This is particularly so regarding the expectations clients have about the products and services offered by the bank of the respective contact-personnel.

TABLE 6.71

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR CLIENT-CENTRICITY

ITEM NUMBER	No response	Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree
D1	2.33	1.25	1.43	2.33	6.26	11.63	[illegible]	[illegible]
D2	2.15	0.89	1.43	2.50	5.72	13.95	[illegible]	[illegible]
D3	1.79	0.89	0.54	1.07	5.55	9.84	[illegible]	[illegible]
D4	1.61	1.25	0.89	2.15	7.87	12.16	[illegible]	[illegible]
D5	1.97	0.54	0.18	1.43	5.72	11.45	[illegible]	[illegible]
D6	2.33	1.07	0.54	2.15	7.69	13.24	[illegible]	[illegible]
D7	1.97	0.36	0.89	3.58	10.73	17.71	[illegible]	27.55
D8	2.15	0.36	0.36	1.25	7.16	12.34	[illegible]	[illegible]
D9	3.76	1.07	0.36	2.68	10.55	16.64	[illegible]	26.48
D11	5.72	3.40	1.97	3.58	11.63	18.96	[illegible]	17.53

Item D10 required contact-personnel to rank possible reasons explaining what creates the expectations of their clients regarding service (see tables 6.72 and 6.73). The most important reasons are the advertising and marketing campaigns of the respective bank, followed closely by the focus on service quality by the banking industry and word-of-mouth. The contact-personnel therefore acknowledge that marketing, an explicit focus on service quality and word-of-mouth contribute to the service expectations of clients. Reasons cited when option five was chosen include "world class service", "focus on customer care", and "good service". These correspond closely to all three options one, two, and three.

TABLE 6.72

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR SERVICE EXPECTATIONS

ITEM NUMBER	0	1	2	3	4	5
D10	28.44	21.47	19.32	19.68	10.55	0.54

TABLE 6.73

LEGEND FOR TABLE 6.72

0	NO RESPONSE
1	[The bank] through its advertising and marketing campaigns
2	Word-of-mouth by existing clients
3	The focus on service by the banking industry
4	Clients are not loyal and good service keeps them at [the bank]
5	Other

Table 6.74 indicates that the majority (69.23 per cent) of bank contact-personnel acknowledge that other banks do not address the needs of clients better than their respective banks. Of the respondents who indicated 'no', item D13 indicated that they indicate which bank they feel best addresses the needs of clients. Bank A and Bank B were ranked the highest. Item D14 asked the respondents to clarify why they chose "this bank". Given the responses provided, several indicate that the contact-personnel misinterpreted the question to refer to *their specific bank* and *not* the other bank implied in item D13. As such, responses such as "because my mom banks here" and "I work here" suggest this to be the case. For this reason, the reasons provided in item D14 are therefore considered to not reflect an accurate reflection of what was being asked. In retrospect, the statement in D14 should have read "Can you provide any reasons why you chose this bank in D13?" in order to avoid the misinterpretation.

TABLE 6.74

PERCENTAGE TABLE OF BANK RESPONDENT GROUP FOR ABILITY OF OTHER BANKS TO ADDRESS CLIENT NEEDS

	NO RESPONSE	YES	NO
D12	13.42	17.35	69.23

The contact-personnel were asked to rank the importance of several "tools or mechanisms" that promote client-centricity. The results are provided in table 6.75.

TABLE 6.75

PERCENTAGE TABLE OF BANK RESPONDENT GROUP TOOLS TO ADDRESS NEEDS OF CLIENTS

ITEM NUMBER	No response	Not important at all	Not important	Slightly not important	Neutral opinion	Slightly important	Important	Extremely important
D15	2.68	0.54	1.43	2.15	10.55	10.91	25.22	46.51
D16	2.50	1.25	1.43	1.97	8.77	12.88	30.41	40.79
D17	2.86	2.33	1.43	4.11	12.52	14.49	30.95	31.31
D18	2.86	1.07	1.25	2.68	9.30	12.88	31.13	38.82
D19	3.58	1.97	0.89	4.29	11.81	18.43	30.95	28.09
D20	4.47	0.54	1.79	1.97	10.73	16.99	37.39	26.12
D21	3.94	2.33	1.79	1.79	8.05	15.92	33.45	32.74
D22	4.65	1.07	0.72	2.68	9.12	15.21	33.63	32.92
D23	5.37	5.37	2.50	3.76	12.16	15.92	27.73	27.19

All the tools were mostly regarded as being important and extremely important. The three highest rankings within these two scores were respectively for items D15, D16 and D18. D15 refers to the computer systems and programmes that better assist to help clients; item D16 refers to support from the line manager; and item D18 refers to support from support or back-office staff members. The importance of these three items reflects the dependence of contact-personnel on support systems to perform their duties to service and address the needs of clients. Up-to-date client information was considered the fourth most important tool. Although still important, an assistant to help the contact-personnel with the paper work and general administration was considered the least important. Item D24 required the contact-personnel to provide further tools they feel important that was not listed. Reasons cited include "more training", "regular software updates", "standard forms", "less bank processes", "quicker turnaround time for approvals", "more open-mindedness in credit departments", "televisions for more information", "no temporary staff", "information overload", and "everyone wants the branch to just do with no assistance". These reasons indicate the frustrations of contact-personnel. However, care should be taken that the frustrations do not misrepresent the actual situation. A bank by definition has many processes and policies in place and issues such as improving training, fewer processes, and 'open-minded' credit departments in particular may not bode well in the larger scheme of the risk management functions of banks. The banks may need to consider streamlining and improving processes rather than reduce them as such. Standardising documentation and ensuring that staff are suitably trained are two such possible improvements.

Tables 6.76 and 6.77 provide the cluster means for respectively the aspects or drivers of client-centricity within the bank and the tools of client-centricity used within the bank. A three-way cluster solution is provided for each of the two cluster mean analyses.

TABLE 6.76

CLUSTER MEANS FOR ASPECTS OF CLIENT-CENTRICITY

Cluster	Frequency	D1	D2	D3	D4	D5	D6	D7	D8	D9	D11
1	145	-0.4327	-0.4057	0.3229	-0.3509	-0.0033	-0.3178	0.1145	0.3896	0.3856	0.2978
2	153	0.2587	0.2850	0.3332	0.2033	0.3347	0.3997	0.3414	0.3856	-0.3133	[illegible]
3	153	0.4977	0.3544	0.4756	0.4229	0.4659	0.1198	[illegible]	[illegible]	-0.6132	-0.3417

The three-way cluster solution for the aspects of client-centricity is as follows:

- **Cluster 1**

Cluster 1 is characterised by a general feeling amongst contact-personnel that their banks do not train and empower them to be able to identify and address the needs of their clients (D1, D2, and D4). They also feel that their banks do not encourage them to be innovative to improve service delivery in the branch set-up (D4). This cluster is therefore characterised by their relatively negative feelings towards their banks *vis-à-vis* the empowerment by management to do their jobs effectively.

- **Cluster 2**

Relatively speaking, the respondents in cluster 2 are in general satisfied that their banks empower them to be client-centric (D1 to D8). However, they feel that given this generally positive view, their clients do not have realistic expectations of service and banking products and services offered by the bank (D9 and D11).

- **Cluster 3**

The contact-personnel within cluster 3 indicate that they are satisfied with the ability and awareness of service-related issues that their bank provides them with (items D1 to D6). Rather and relative to the other items, this cluster is defined along client terms – they regard the information of clients are not up-to-date and the products and services offered to clients do not address the needs of clients (D7 and D8). This is a particular feeling amongst respondents in this cluster. Coupled with this, the contact-personnel feel that the expectations clients have with regards to service and the products and services that the bank offers are unrealistic. Therefore, although bank contact-personnel feel that they are suitably trained and empowered to address the needs of their clients, they feel that the bank does not provide up-to-date information about clients and create high expectations amongst clients. These attributes suggest that this cluster has the strongest relationship focus of the three clusters due to the item descriptors they regard negatively (D7, D8, D9, and D11) all emanating from close bank-client relationships.

The colour codes of table 6.76 indicate that the only aspect of client-centricity identified by all clusters as important is the importance management place on contact-personnel to improve the service delivery process in the branches. A further notable feature of the colour codes is the feeling (except for cluster one) that the expectations of clients are unrealistic regarding service and the products and services offered by the bank.

The chi-square of selected biographical data by the three clusters for aspects of client-centricity is provided in table 6.77.[12] Only job title is found to be statistically significant at the 0.1 level. This means that the jobs of the specific contact-personnel do have a relationship with the three clusters identified. Therefore, when the three clusters are used as a method to identify whether the banks are client-centric or not, the specific jobs of the contact-personnel must be taken into account. Due to the data pertaining to the entire bank respondent group, this is applicable to all three banks participating in the survey.

TABLE 6.77

CHI-SQUARES OF BIOGRAPHICAL VARIABLES BY CLUSTER FOR ASPECTS OF CLIENT-CENTRICITY

BIOGRAPHICAL VARIABLE	DF	Value	Prob
Job title	8	15.7304	0.0464
Location	8	4.8419	0.7743
Bank	4	1.3438	0.8539
Years at the bank	8	8.0132	0.4322
Years in job position	8	3.5227	0.8974

[12] For the corresponding cross-tabulation tables associated with these chi-square results, see tables A7.31 to A7.35.

Table 6.78 provides the cluster means for the tools to address the needs of the clients within a client-centric context.

TABLE 6.78

CLUSTER MEANS FOR TOOLS TO ADDRESS CLIENT NEEDS

Cluster	Frequency	D15	D16	D17	D18	D19	D20	D21	D22	D23
1	191	0.6631	0.6451	0.2772	0.4920	-0.0591	-0.0777	-0.4116	-0.1891	[illegible]
2	119	-0.3199	0.3597	0.2462	0.4939	-1.0279	-0.4700	0.0481	0.2402	0.4297
3	122	0.4121	-0.4776	-1.0364	-0.5321	0.1872	0.2187	0.6056	0.3582	0.2663

Three clusters are identified. These are:

- **Cluster 1**

Cluster one is the largest of the three and is distinctly characterised by the unimportance of item D23 in particular and to a lesser extent item D21 relative to the other items. This cluster does not regard support staff in the sales process as important. They do regard computer systems, line manager support, regional manager support, and back-office support as important (D15 to D18). This suggests that these contact-personnel are empowered individuals and would want the bank to offer them the tools to be client-centric orientated.

- **Cluster 2**

Respondents in cluster two do not regard computer systems (D15), well-defined internal processes (D20), and in particular realistic key performance indicators/targets (D19) as important tools relative to the other items when being client-centric. This cluster appears to have a dissociation with technology and process-related aspects of client-centricity. Given the positive mean scores for all the remaining items, this cluster appears to prefer a more hands-on approach to being client-centric.

- **Cluster 3**

The results for cluster three indicate a negative feeling towards management of any kind as defining client-centric tools when compared to the other items provided. In particular, this cluster does not regard support from their regional manager as important at all as a tool to address client needs. Indeed, the tools this cluster does deem as important (items D15, D20, D21, D22, and D23) all relate to increasing staff count and client information and self empowerment.

Considering the colour codes of table 6.77, only one tool is considered by all three clusters to be important to some degree (although for cluster one it is considered indifferent with a score of –0.1891) is up-to-date client information (D22). This is one of the most important drivers of client-centricity identified in chapter two (see section 2.3.2). Indeed, the concerns of cluster one to be more empowered and so too the hands-on approach evident of cluster two all indicate an important requirement of client-centric banks to enable empowerment and know more about their clients. These characteristics identified in section 2.3.2 are evident in the findings of particular these three clusters.

Table 6.79 provides the chi-square results for selected biographical variables by cluster for the tools used to promote client-centricity. The results indicate that only the number of years a bank employee has worked in a specific position has any statistically significant relationship with the three clusters. In other words, when the three clusters are used as a method to identify distinct "groupings" within the bank respondent group, the number of years a contact-personnel member has worked in a particular position does show to influence those cluster groups. Once again, these results pertain to the entire bank respondent group, and thus, all three banks.

TABLE 6.79

CHI-SQUARES OF BIOGRAPHICAL VARIABLES BY CLUSTER FOR TOOLS OF CLIENT-CENTRICITY

BIOGRAPHICAL VARIABLE	DF	Value	Prob
Job title	8	2.1607	0.9757
Location	8	10.4492	0.2349
Bank	4	6.2934	0.1783
Years at the bank	8	11.2382	0.1886
Years in job position	8	14.5805	0.0678

6.4 DISCUSSION OF THE FINDINGS

The following section provides a discussion of the data analysis conducted on the six constructs.

6.4.1Bank selection criteria

Bank selection criteria was analysed using all the client and bank respondent group data. This was done in order to 'generalise' the findings for the entire client respondent group as to what their ideas were regarding the reasons they choose a bank for the first time. Based on the percentage tables, both the bank and client respondent groups agreed that most (if not all) selection criteria provided were in some way or another used to select a bank for the first time. However, clients ranked specific criteria related to trust and recommendations as not being important to select a bank for the first time. Given the composition of the client respondent group being mostly over 51 years old and established at their banks for many years, recommendations would most likely rank quite low.

Given a four-way factor solution through EFA, the results indicate that the clients group selection criteria into four groups called

- Service and image.
- Relationship and recommendations.
- Convenience and accessibility.
- Pricing and products.

Of particular interest is that service and image items are grouped together. The clients therefore regard the image and reputation of a bank as being part of the same construct. Banks should therefore keep in mind that the image and reputation it portrays goes hand-in-hand with the perceptions of service quality provided by the bank. For this reason, the aggressive advertising campaigns banks use to publicise their nationally ranked service ratings and also their internal drive to reduce poor service levels, is justified. Based on the findings, the reputation and image a bank has regarding service quality encourages clients to select their bank as their possible main bank.

The clients also group relationship and recommendations together. Based on the separate criteria for both relationship and recommendations, a personal relationship with another person is central to them both as is a degree of trust between the parties. In addition to the pricing group including the items of pricing, products and services, it also includes the knowledge of the contact-personnel of the products and services they offer at the bank. The complexity of banking products and services and the ability of the contact-personnel to reduce this perceived complexity is a possible reason explaining this. The bank-client is also seen as a vital component of the pricing group. The convenience and accessibility grouping reflects the need for clients to have both physical (branches and ATMs) and electronic (Internet banking) distribution channels to provide their products and services. This grouping also indicates that these distribution channels need to be near the homes of the clients. Given that the study was conducted in relatively small cities and towns in central South Africa, these findings indicate the importance they place on being near their banks from their homes.

The bank selection criteria cluster solutions for the client respondent group provides a four-way cluster solution.[13] The first two clusters are similar in that they regard the relationship and pricing grouping as very unimportant relative to the other groups. This is their distinct feature, although one group considers service-, image- and convenience-related as being most important and the second considers service quality and image as important. In contrast, the third cluster regards only service quality and image as important criteria when choosing a bank for the first time. Cluster four regards only service quality and accessibility selection criteria as important.

This cluster grouping indicates a noticeable feature: although relationships and recommendations are important bank selection criteria, the cluster groupings indicate that they are *not* distinctly used to make a decision to select a bank for the first time. The only factor that is important for all four clusters is service quality and image. This indicates that when banks want to attract new clients, the service quality they provide

[13] Once again, keep in mind that the assertions made here and for all the discussions on cluster analysis are relative to the responses of the other items in the cluster groups.

and the image and reputation associated with their bank is the most important indicator of acquiring possible clients. This however does not mean that the other selection criteria are not important.[14] It should be borne in mind that although the cluster solutions indicate that relationship and pricing factors are not important for clients, the EFA results indicate that relationships and recommendations are central in some form or another to the service quality and image, relationships and recommendations, and pricing groupings. Building mutually beneficial bank-client relationships in some form or another is therefore important for a client's consideration when choosing a bank, but, for explicitly marketing purposes this is manifested as being superior service quality, image and reputation.

In contrast, the bank respondent group was asked what bank selection criteria they think clients regard as important when choosing their bank for the first time. The contact-personnel clusters are also defined by distinct features. Cluster one regards only pricing as important; cluster two regards service quality and image as very important and convenience and accessibility as very unimportant; cluster three regards accessibility as very important and relationship as very unimportant; and cluster four pricing as very unimportant, and relationship and accessibility as important. A comparison of the cluster solutions of the bank and client respondent groups indicates one important difference: the clients place a lower premium on relationship, recommendation and pricing criteria than what contact-personnel perceive clients to do. These results indicate that service quality, image, and reputation are the most important criteria clients use when selecting a bank for the first time.

To further enrich the client data findings, cross-tabulations were done on the clusters based on several biographical variables. No significant relationships were found with any of the biographical variables on the four identified clusters. This means that no biographical variable can be said to relate or influence the four clusters. Put simply, not gender, age, race, income, main bank, or location play a significant role in the decision for clients to choose a bank for the first time.

[14] Keep in mind that the cluster solutions do not imply that a particular item or dimension is not important or unimportent *per se*. Rather, it is important or unimportant *relative* to the other responses identifying that particular cluster grouping. For this reason, it is useful to compare the results of the cluster solutions with the results in the percentage tables.

6.4.2Service quality

The service quality construct was dealt with next. In general, the client and bank respondent groups indicate that they agree or strongly agree with (mostly) all of the service quality items in the questionnaires. The MANOVA results do however indicate a statistically significant difference between the overall perceptions on service quality between the clients and contact-personnel at the bank. On a construct level, only the empathy dimension is found to reflect any insignificance. This means that the perceptions of clients and the corresponding perceptions that contact-personnel have of clients regarding the six dimensions of service quality are not the same, except for items related to empathy. Although the percentage tables indicate a general similarity of the ranking of service quality between the two respondent groups, these statistical results indicate that it is the extent to which the results are similar that is different. In other words, although the clients agree that most of the service quality items are important to describe service quality as a construct, in general they experience these items to be better than what the contact-personnel perceive clients to be experiencing. This might be due to the emotional connotations that clients associate with service as well as the high importance they place on service quality when selecting a bank for the first time (see previous section). Service quality is therefore very important to clients, and based on the results, they are experiencing a higher level of service quality than what contact-personnel in branches perceive them to be.

The three-way cluster solution indicates three distinct client clusters according to the six service quality dimensions used in the study. The first cluster has a strong aversion to relationship indicators and appears to be indifferent on the remaining dimensions; cluster two is the largest cluster and indicate a very strong preference for the tangibles dimension; and cluster three places a premium on relationship, responsiveness and empathy indicators. The third cluster exhibits the characteristics most aligned to mutually beneficial bank-client relationships. It should be borne in mind that the demographic composition of the client data is biased towards retired female clients. These results indicate the importance this age group places on having a relationship with contact-personnel in branches. Overall, however, the tangibles dimension appears to be the most important dimension reflecting *perceived* service quality by the client respondent group. Therefore, it seems as if banks are doing a god job ensuring that the interior aesthetics of the branch reflect a professional and efficient environment. This is a major contributor to service quality experienced by clients in this study. Furthermore, the reliability dimension is also regarded as an important determinant of perceived service quality for the clients.

The cross-tabulations indicate that age, race, and locations have a relationship with the three clusters identified. In other words, if the clusters are used by banks as market segments and marketing campaigns are used to target each respective segment (cluster), they must do so keeping in mind the age, race, and location of the client respondent groups. Given that the majority of the clients are elderly retired women that stay at home, the marketing campaigns might not be effective due to these clients in all likelihood not exhibiting a tendency to switch banks. Race also needs to be a central consideration in these campaigns, especially in view of the different cultural contexts that are reflected in the racial context in South Africa. Furthermore, the marketing campaigns for each separate location also need to be different especially when comparing, for example, the strategy adopted in a city such as Bloemfontein and that in a smaller rural-type town such as Bethlehem.

6.4.3Client satisfaction

The results for client satisfaction indicate that both the clients and contact-personnel agree with the statements provided in the questionnaires. However, as with the service quality results, the clients indicate a preference for 'strongly agree' rather than 'agree' as indicated by the contact-personnel at the banks. The difference in the extent to which the results differ is provided in the MANOVA analysis where the overall perceptions of each group are found to be statistically significant. Furthermore, each item (statement) is found to be statistically significant. Therefore, the overall perceptions of clients and the perceptions of contact-personnel of clients *vis-à-vis* client satisfaction are different as a whole and for each of the items that define the client satisfaction construct. Once again, however, the difference is not indicative of a difference on whether the two respondent groups agree or not. Rather, the difference is defined according to the *extent* of perceived client satisfaction. The data indicates that clients are in general more satisfied with their banks than what contact-personnel perceive them to be.

6.4.4Client loyalty

The most noticeable difference in the percentage tables of the two respondent groups is that the clients exhibit stronger loyalty tendencies than what the contact-personnel perceive the clients to have. In particular, the clients indicate clearly that they have not taken or thought of taking steps in the past year to move their accounts to another bank. These results are supported by the MANOVA and t-test results indicating that there is both an overall difference and difference in each item defining the loyalty descriptors. Therefore, in terms of loyalty, the clients are more loyal to their main banks than what contact-personnel perceive them to be. In fact, the results on the percentage and means analysis tables indicate this to be one of the most dramatic differences in the perceptions of the bank and client respondent groups in the entire study.

6.4.5Nature of the relationship

The nature of the relationship construct was divided into three main questions. The first question asks why clients stay at their main bank. The second question asks which factors define why a client regards a bank as the main bank, and the third question asks which contact-personnel member in the branch is considered by clients to be their most important relationship. Clients were asked to provide their particular views and contact-personnel were asked to provide their perceptions of the clients that bank at their particular branch.

For the first question, the banks in general indicated that all the options provided possible reasons why clients would stay at their main bank. However, clients indicated that they perceive three items in particular to not indicate reasons why they stay. All three factors relate to the willingness to switch banks based on whether the parents of clients opened their accounts, the clients being contractually bound to the bank, and the clients feeling that it is too much effort to move to another bank. The clients feel that they will *not* use these reasons to explain why they stay at their main bank. The most likely reason for this that the majority of clients are retired, explaining their seeming unwillingness to switch at this stage in their lives. Although these reasons do not explain why they stay at their main bank, banks must not underemphasise the importance of having family relationship accounts. Cross-selling additional products and services to members of a family implies that the clients become more contractually bound. By increasing the amount of accounts, a disincentive is created to move to another bank due to the effort associated to move all these accounts. This is especially important to banks to take note of given that the majority of clients in the study have had an account at their main bank for longer than 20 years. Therefore, in addition to generating additional revenue for the bank, cross-selling can also be used as a strategy to increase the likelihood for clients to stay at their main bank for a long period of time.

The overall and individual item perceptions of clients and contact-personnel are also found to be statistically significant. Therefore, the perceptions of clients and the perceptions of contact-personnel regarding clients' perceptions of reasons to stay at their main banks is found to be different. Furthermore, the three-way cluster solutions provided indicate the following: cluster one is primarily defined by not finding a family relationship and being contractually bound as reasons they stay. They are found to be indifferent of the remaining reasons. Cluster two is characterised by the unwillingness of clients to move, the effort associated with moving, and also regard service quality, and products and services as very important. Cluster three is defined by the general indifference to the factors proposed although they do regard family relationship as being relatively important. Only age and the main bank of the client are found to be statistically significant from a chi-squared perspective. In other words, when the three clusters are taken into account, the age and main bank of the client respondent group must be a consideration for the market segmentation as they are found to have a relationship with the clusters.

The second question was asked in order to determine which factors clients use when defining a bank as their main bank. The percentage tables indicate that the major difference between the bank and client respondent groups is that clients do not regard the cheque account or home loan as defining why a bank is their main bank. Rather, the account where the client's salary or pension is paid into is regarded as their main account. Given the demographic composition of the client respondent group, the most likely explanation for this is that the elderly and retired pensions' are paid into savings accounts and not cheque accounts. Cheque accounts are usually offered with overdraft facilities attached to them. Assuming that the elderly do not use overdraft facilities as much as young adults would due to them requiring contingency and liquid credit lines, the results are reflective of the retired and less credit-dependant client respondent group. This finding indicates that clients do not necessarily define their main bank according to a specific account, but rather according to the account where their monthly income is paid into.

The overall perceptions of clients and the perceptions of contact-personnel of clients regarding the reason they define their main bank as such is found to be statistically significant. In other words, there is a difference between the perceptions of clients and the perceptions that contact-personnel have of client perceptions. Regarding the specific items, the only reason the clients and contact-personnel agree to explaining why clients define a main bank as such is the relationship they have with the contact-personnel in the branch. Therefore, this indicates that the contact-personnel understand the importance of having a relationship with clients. The clusters also reflect distinct defining features: cluster one finds all the factors important except for where the home loan is kept; cluster two regards the cheque account and home loan as unimportant and all the remaining reasons as important; and cluster three regards a relationship with contact-personnel and service quality as unimportant and all the remaining factors as important.

Given these clusters, however, only two factors are considered important by all three clusters – that is, the account where the salary or pension is paid into and the bank where most of the clients' accounts are held. Furthermore, all the biographical variables except the main bank are found to be statistically significant in the cross-tabulations. In other words, only the bank considered by clients to be their main bank has no relationship with these three clusters. This implies that when banks conduct market segmentation according to these clusters, they do not have to take into account the choice of their main bank of the clients. All the remaining biographical variables however do have a relationship and should be considered important in the market segmentation.

The final question referred to identifying which member of the contact-personnel clients regard as the most important to have a relationship with in the branch. The percentage tables indicate that the two respondent groups regard all the contact-personnel as important except that more clients regard the relationship with the personal banker and branch manager as less unimportant. Note that is does not imply at all that the manager or personal banker is not an important relationship for the clients. Indeed, the personal banker has the second highest ranking of the entire option list when considering the 'strongly agree' ranking. A possible explanation for this is that the client respondent group primarily comprise of retail banking clients that do not have dedicated 'private' bankers. This is based primarily on the lower levels of wealth and income that retail client have when compared to private (or high-net worth) banking clients. Retail clients therefore place less emphasis on the relationship with their banker not because they are not important as such, but because the banker plays less of a role in the day-to-day banking requirements of typical retail clients. They also indicate that a relationship with someone in the branch is important. Given that the contact-personnel found this to be important, the functional aspects of banking at a branch are highlighted (i.e., basic transactions and not necessarily including advice-related services). Given that the elderly and retired would most probably have established bank accounts and relationships with the bank, they would most likely not need to interact very often with their personal bank or even the manager. Indeed, anecdotal evidence by branch managers in several of the smaller towns suggest that meeting with the branch manager is said to be on par with meeting the local church minister. Anecdotal evidence in particularly smaller towns suggests that the manager is perceived to be inaccessible or an unnecessary relationship unless special circumstances require the meeting. Although this is the case with the clients, the perceptions of contact-personnel indicate that clients do regard the manager as an important relationship. Bridging this perception gap might be an important solution to improving the overall service experience of the clients.

Furthermore, the overall perceptions of clients and the contact-personnel are found to be statistically significant, as are the respective items that reflect the various contact-personnel. This indicates that the perceptions of clients and contact-personnel are different regarding the most important relationship in the branch for clients.

The three-way cluster solution provides distinct reasons explaining each cluster. These are: cluster one is explained by their functional approach to the relationships they have. In other words, the information clerk, tellers, and personal bankers are the most important and the manager the least important; cluster two is characterised by the importance they place on the manager and unimportance they place on the personal banker; and cluster three is defined by the importance they place on the relationship with their personal banker. These findings indicate that although no clear clarification exists as to what the most important relationship is for clients, it is apparent that a relationship with someone in the branch is important.

Furthermore, these results do indicate that the contact-personnel attracting the strongest reactions from clients are the personal banker and manager. Client respondents regard these two members of the contact-personnel as either very important or very unimportant. Needless to say, of all the contact-personnel, managers and personal bankers are in general regarded as the most important relationship by clients. The cross-tabulation results indicate gender, age, and choice of main bank all have a relationship with the three clusters. This indicates that when the three clusters are used as market segments, the gender, age, and choice of main banks need to be considered when segmenting. Given that the majority of the client respondents are over the age of 51, are retired and have a relationship with their main bank for over 20 years, these biographical variables indicate the relationship associated with the demographic composition of the client respondent group.

6.4.6Client-centricity

The final construct to be analysed was client-centricity and the results pertain specifically to the bank respondent group. The contact-personnel agreed or strongly agreed with all the options provided indicating that they feel in general that the management empowers them to be client-centric. They also feel that the expectations of clients regarding the service and banking products and services are realistic. The contact-personnel also regard the most important reasons explaining the expectations of clients regarding service to be the marketing campaigns of banks, word-of-mouth, and the banking industry's focus on service. The majority of contact-personnel feel that other banks do not address the needs of clients better than their specific bank does. These aspects of client-centricity indicate that the contact-personnel feel that their banks do in general apply client-centric principles and do empower them to address the needs of clients.

However, when a three-way cluster solution is provided for the aspects of client-centricity, cluster one is defined by its negative perceptions of their banks to empower them to be client-centric. On the other hand, cluster two is positive that the banks do empower them, but that the expectations of clients regarding the service and products and services of the bank are unrealistic. Finally, cluster three exhibits strong bank-client relationship features. The only aspect of client-centricity that is important for all three clusters is the emphasis that bank management places on improving the service delivery process in branches. There is therefore a strong awareness within the retail management structures that service delivery is very important.

However, based on the clusters identified, the problem is that the contact-personnel in the specific clusters feel that they are not necessarily empowered to be client-centric and the expectations of clients regarding service and the products and services are unrealistic. Given that the contact-personnel feel that the marketing and advertising campaigns of the bank are the biggest driver of client expectations, the marketing department must ensure that the contact-personnel in branches are able to match the demands that are placed on them based on the advertising that is conveyed to the public. Anecdotal evidence at one bank in particular indicated that on several occasions a marketing campaign would be launched through the national media over a weekend only for the branch to be formally informed of the campaign the following Monday morning. This was said to be particularly the case in the smaller branches in the smaller towns. As can be expected, only the job title was found to have any relationship with the three-way cluster solutions. This implies that the specific jobs done by the contact-personnel do have a relationship with the identified clusters. This is expected due to the contact-personnel being the direct link between the bank and clients. The expectations of clients therefore impact directly on the contact-personnel and if they are not empowered to meet these expectations, clients experience dissatisfaction due to service delivery not matching their expectations.

The contact-personnel were also asked to rank the importance of several tools that are considered to contribute to client-centricity. The percentage tables indicate that all the tools were regarded as being important to some degree. The cluster solutions indicate that cluster one appears to be a group that is autonomous in their working environment and rely on the ability of the bank to empower them; cluster two is defined according to the lack of importance they place on technology to empower them. They also appear to be more hands-on in their work environment; and cluster three is defined according to their negative feelings of management in general. The only tool considered important by two of the three clusters is that the information of clients needs to be up-to-date. These results indicate that the contact-personnel realise that the information they have on their clients is very important to provide superior service and be client-centric. Given that only the number of years that contact-personnel members that worked in their respective position is found to have a relationship with the three clusters, it is evident that the contact-personnel have been working in their jobs for enough time to realise that client information is important. The results of the percentage tables do however indicate that the contact-personnel in general feel that all the tools provided are important to be client-centric.

6.5 SUMMARY AND CONCLUSIONS

This chapter provided a descriptive analysis of the data collected from the bank and client respondent groups. The biographical data collected for the two respondent groups reflects the characteristics of the two groups [see section 6.3.1(d)]. Of particular note is the bias towards white retired females older than 51 years of age in the client respondent group. Given that the five locations used in the study are not in the larger metropolitan areas of South Africa, and that landline telephones were used to collect the data, this is a feature that is not surprising. Nevertheless, it is believed that the very nature of these clients will shed valuable information on the dynamics of bank-client relationships that has not been documented in central South Africa.

The findings for the bank selection criteria indicate that the most important selection criteria for clients are related to service quality, the image of the bank, and the reputation of the bank. The reputation and image of the bank is seen to play an important role in the perception of service quality prior to starting a relationship with a bank. The EFA results also group these criteria together. A further finding is that the relationship-based criteria are regarded as more important by the contact-personnel than the clients. In other words, bank contact-personnel perceive the explicit bank-client relationship to be more important to clients when choosing a bank than what it actually is for clients. Indeed, as a construct on its own, relationship criteria is not considered important at all for clients when choosing a bank for the first time.

However, although relationship criteria are not explicitly considered to be as important for the clients as the service quality and image criteria are, the EFA groups several relationship criteria in both the relationship and recommendation, and convenience and accessibility groupings. This indicates that aspects of the bank-client relationship are in some way part of each group of selection criteria identified. Relationship as such is therefore not regarded as explicitly important for clients when choosing a bank for the first time, but rather implicitly important and part of the entire offering of the bank. Nevertheless, the most important criteria for clients when choosing a bank for the first time is perceived service quality, and the image and reputation of the bank.

The service quality analysis indicates that the overall perceptions of clients and the perceptions of contact-personnel *vis-à-vis* the determinants of service quality area are statistically different. However, the one dimension of service quality that the two respondent groups do agree on is empathy. This means that the clients and contact-personnel agree that the caring nature of perceived service quality is more explicitly experienced than what the contact-personnel understand this to be. Furthermore, on an overall level, the dimension that is found to be experienced the most distinctly by clients when they deal with their branches is the tangibles dimension of service quality. In other words, the physical layout of the branch is considered to be contributing mostly to the perceptions of the client respondent group *vis-à-vis* perceived service quality. The contact-personnel in the branch are also perceived to be reliable. Banks must therefore ensure that the branch environment is kept professional, clean and neat and reflects the corporate image of the brand of the respective bank. Contact-personnel also need to be reliable and deliver on the promises they make to clients. Ensuring this implies that contact-personnel must be empowered to deliver on these promises. The reliability of contact-personnel is therefore acutely related to the extent that contact-personnel are empowered to perform the tasks that are expected from them. Having said this, relative to the tangibles and reliability dimensions, the remaining dimensions of service quality are not being perceived as explicitly. Keep in mind though that the cluster analysis considers the relative importance of the dimensions and not whether they are important or not important as such.

As indicated in the literature, when a client is satisfied this subsequently results in loyalty to the bank. This is indicated in the results for these two constructs. For both the client satisfaction and client loyalty constructs, both respondent groups indicate perceptions of satisfaction and loyalty by clients. However, the major difference is the extent of perceived satisfaction and loyalty of the clients. Contact-personnel were found to noticeably understate the extent of satisfaction and loyalty of clients to their main bank. In fact, the difference in perceptions of client loyalty is considered much lower than what it actually is. Clients are therefore significantly more loyal than what contact-personnel in the branch perceive them to be. Given the demographic composition of the client respondent group, the willingness to move by the elderly and mostly retired clients is considered to be low.

The nature of the relationship identified three specific aspects of the bank-client relationship deemed to be important for a bank to improve the relationship. Firstly, regarding why clients stay at their main banks, the biggest difference between the perceptions of the clients and the contact-personnel refers to the family relationship, the contractual obligations pertaining to the products the client is committed towards, and the effort associated with moving to another bank. Of importance is that the clients do not regard these factors as being important reasons why they stay at their main banks. Contact-personnel do however feel that clients regard these reasons as being important reasons to stay. The difference in this perception implies that contact-personnel must not necessarily promote cross-selling initiatives to the elderly if they want these clients to stay at their bank. Rather, the evidence indicates that the retired rely more heavily on perceived service quality, and products and services that address their particular needs as reasons explaining why they stay at their main bank. When a cross-selling approach is adopted for the retired elderly, care must be taken to provide products and services that explicitly address their needs. The results might also suggest that contact-personnel commit resources to servicing the product and services needs of the retired elderly to such an extent, that they neglect clients who would be more inclined to stay if they were contractually bound and who are more inclined to open bank accounts for their family. This is a revenue-generating opportunity that must not be neglected. Further research to explain if the importance the elderly place on products and services addressing their specific needs is more so than for example the younger working-class would provide valuable insight to ascertain whether a 'product needs analysis' is more important for the retired elderly or for the younger working-class. Nevertheless, contact-personnel must be encouraged to open accounts for the children of existing clients. This would contribute to the long-term bank-client fsmily relationship the bank seeks.

Secondly, the most important factor clients use to define their main bank is according to the account where their salary or pension is deposited into and also the bank where most of their accounts are at. Again this finding supports a strategy of cross-selling by contact-personnel as this would not only encourage clients to stay at their bank, but also reduce the intention to engage in multiple banking relationships. Such an approach is revenue generating over a prolonged period of time.

Thirdly, the most important relationship based on the cluster analysis in the branch for the client respondent group is found to be the manager and the personal banker dealing with their accounts. But, these two members of contact-personnel also incite high levels of unimportance from the client respondent group. Indeed, the cluster analysis indicates that they are in one particular cluster a very unimportant relationship. However, the percentage tables do indicate that the information clerk is also important. The results do once again reflect the demographic composition of the client respondent group. The spread between the importance and unimportance for the manager and personal banker does indicate that there is perhaps an emotional connotation to these relationships. That is, they are either very important or very unimportant. It could also indicate that in particular the manager is inaccessible to the clients. Anecdotal evidence suggests that this might be a likely explanation.

In terms of the analysis of the client-centricity construct, the findings indicate that contact-personnel do in general feel that their banks empower them to be client-centric. More than two-thirds of the contact-personnel also feel that their bank addresses the needs of clients better than other banks would. In certain instances, however, it is felt that the expectations of clients are unrealistic and that this emanates from firstly, banks hiking expectations through marketing and advertising campaigns, and secondly, not informing branches of current campaigns and having clients approach the branches with expectations that cannot be met. The findings do indicate that small branches especially in smaller towns normally bear the brunt of this lack of communication from top management. Senior management should therefore keep in mind that in order to address the needs of clients and be client-centric requires that the branches are not only empowered within the branches, but also constantly aware of the strategy of the bank as this creates expectations amongst clients that the branches have to match and service. The fact that up-to-date information of clients is regarded as the most important tool within the cluster analysis further indicates the need for constant and reciprocated information flow not only between the client and contact-personnel in the branches, but also between the branches and senior management. Therefore, smaller branches must not be marginalised according their geographical location or contribution to regional or provincial revenue. Anecdotal evidence did suggest this might be the case in certain smaller and rural-based branches.

The findings of this chapter reveal that the bank-client relationship is multi-dimensional in nature. By using the stages of the relationship marketing process to acquire, satisfy, retain, and enhance the relationship, the six constructs reflect a portion of each stage. As such, the findings indicate that there is an overall difference between the perceptions of clients and the perceptions that contact-personnel have of clients for each of the constructs where the responses of the two respondent groups were compared to each other. These constructs were also analysed independently of one another and conclusions were made of each respective construct. The following chapter uses a structural equation model to analyse the relationships between the constructs. However, all the constructs are not used in the model. Instead, a simple model is proposed whereby the relationship dimension in the service quality construct is modelled on its effect on client satisfaction and loyalty.

CHAPTER SEVEN

DATA ANALYSIS AND FINDINGS: STRUCTURAL EQUATION MODELLING

7.1 INTRODUCTION

The purpose of this chapter is to conduct a statistical analysis using a Structural Equation Model (SEM) in order to investigate the relationships between the constructs *relationship*,[1] *client satisfaction*, and *client loyalty* collected from the client respondent group.[2] SEM is a widely used methodology used to establish whether relationships exist between constructs based on a prior theoretical framework. The findings to this chapter complement the results of chapter six due to it providing a better understanding about the behavioural intentions of clients which are useful for banks to better understanding the relationships they have with clients.

The SEM literature and methodology used throughout the chapter is predominantly based on the highly cited procedures of Hair *et al.* (2010). In particular, they propose a six stage process to conduct SEM. However, before the six stage procedure is conducted, a theoretical overview of SEM is provided. Following this the six stages are used to establish any relationships between the *relationship*, *client satisfaction*, and *client loyalty* constructs based only on the data collected from the client respondent group.

[1] Please note that although *relationship* is referred to here as a 'construct', strictly speaking it is measured as a 'dimension' or 'sub-construct' of service quality in this study. *Relationship* could therefore be referred to as either a construct within the larger over-arching service quality construct or alternatively as a dimension of service quality. These two alternatives are referred to interchangeably throughout this chapter.
[2] In order to avoid confusion and promote ease of reading, all references made to constructs in this chapter will be italicised.

7.2 ANALYSIS OF DATA: BACKGROUND TO STRUCTURAL EQUATION MODELLING

7.2.1 Defining structural equation modelling

SEM is a statistical method that tries to "explain the relationships among multiple variables" (Hair *et al.*, 2010: 634). Kline (2005: 9) refers to SEM being a statistical technique that uses "a family of related procedures". Kline (2005: 9-16) highlights several important aspects of SEM that must be considered in any study using this procedure. These are:

- Although SEM is *a priori* [that is, it reflects the researchers' hypotheses based on literature/theory (Kline, 2005: 10)], it should not be viewed as only confirmatory. In other words, although a confirmatory factor analysis (CFA) is conducted in the process to provide an indication of whether the data fits the hypotheses, if the model does not fit the data it may be modified. This results in the model being altered to "discover" a model that must have two properties, namely it must make theoretical sense and its "statistical correspondence to the data is reasonable". Therefore, SEM has aspects of both confirmatory and exploratory analysis.

- SEM makes use of both observed and latent variables which enables a wide variety of hypotheses to be tested. This is contrary to analyses such as ANOVA and multiple regressions which respectively deal with means and the intercorrelations amongst observed variables. As Kline indicates (2005: 11), regression analysis and ANOVA have no direct way to represent certain specialised hypotheses relating to latent variables which SEM is able to do.

- SEM deals primarily with covariance, but also with means. As such, the two main goals provided by Kline (2005: 13) of using SEM as analysis is to, firstly, identify and understand the correlations amongst the variables specified in the model, and secondly, to explain the variance in these variables as much as possible with the specified model.

- SEM can be applied to both experimental and non-experimental data. SEM therefore is a flexible tool to analyse data.

- SEM includes many standard statistical procedures such as multiple regression analysis, canonical correlation and ANOVA.

- SEM is a large sample technique. The size of the sample is however very difficult to ascertain specifically and general guidelines are usually provided (Hair *et al*., 2010: 661; Kline, 2005: 14). For purposes of this study, the sample size is discussed below in section 7.2.3.

- The *overall* results of statistical analysis is often less important in SEM than traditional techniques. Kline (2005: 15) provides two reasons for this. First, due to SEM analysing *entire* models, it brings a higher level of analysis than traditional statistical analysis. Second, SEM requires larger samples in the analysis, where with most statistical tests statistically significant results can occur with rather trivial sample sizes.

SEM is therefore a multivariate statistical technique that offers more flexibility than multiple regression and more importantly for this study, enables the researcher to analyse an *entire* model based on *a priori* and pre-determined hypotheses.

7.2.2 The importance of theory in SEM analysis

A thorough theoretical grounding as a basis for SEM analysis is vitally important as SEM provides a "conceptually appealing way to test theory" hence it being referred to as a confirmatory analysis (Hair *et al.*, 2010: 642, 653). Cooper and Schindler (2003: 624) indicate that SEM can be used as either strictly confirmatory, to test various competing models, or to develop a model. Nevertheless, before any SEM procedure can be followed, it should be based on a theoretical framework. A theoretical foundation should therefore be applied to even the simplest of models (Hair *et al.*, 2010: 647). According to Hair *et al.* (2010: 642-643), theory plays an important role for SEM due to it specifying relationships defined in the model, it enables causal inference, and it facilitates the development of a modelling strategy. These three roles of theory in SEM analysis are discussed below.

(a) Theory as a basis to specify relationships

SEM analysis requires that all the relationships within the model must be specified based on the theory (Hair *et al.*, 2010: 642). This is important due to the SEM being a confirmatory analysis. In other words, SEM enables the researcher a method for "testing and potentially confirming theory" (Hair *et al.*, 2010: 642). The SEM analysis should therefore be guided more by the theory than by empirical results. CFA is therefore the opposite of EFA – CFA lets multivariate techniques confirm (or not) the *a priori* relationships, whereas EFA lets the technique and data identify or define any relationships (Hair *et al.*, 2010: 631).

A path diagram is usually used to depict the relationships between exogenous and endogenous variables in the analysis. Exogenous (or independent) variables (or constructs) are defined as those determined by factors outside of the model (Hair *et al.*, 2010: 634). Kline (2005: 67) refers to exogenous variables as "causes of other variables". Conversely, endogenous (dependent) variables (or constructs) are those represented by a "*variate* of dependent variables" (Hair *et al.*, 2010: 631).[3] Endogenous variables are theoretically determined by factors within the model (Hair *et al.*, 2010: 637).

(b) Theory as a basis to establish causation

A further important role of theory in SEM analysis is the ability to make a causal inference about the "hypothesized cause-and-effect relationship" (Hair *et al.*, 2010: 643). Hair *et al.* (2010: 644) however indicates that usage of the term causality should be used carefully within SEM analysis. Indeed four conditions of causality must be present in order to make causal inferences using SEM (Hair *et al.*, 2010: 643-646). The first is covariation. As put by Hair *et al.* (2010: 644), the "systematic covariance (correlation) between the cause and effect is necessary, but not sufficient, to establish causality". Second, the sequencing of the cause-and-effect relationship must be clear and supported theoretically. Third, the addition of a further variable in the model must not affect the size and nature of the cause-and-effect relationship by resulting in spurious results or collinearity. Finally, theoretical support is crucial to support the cause-and-effect relationship, especially for cross-sectional data. Therefore, although SEM enables causality inferences to be made, the four conditions of causality must be met. It should be noted, however, that causality is not the intention of this study.

(c) Theory as a basis to develop a modelling strategy

The third role that theory plays in SEM analysis is to develop the modelling strategy. Put simply, this role reflects whether SEM is sued to *confirm* an underlying model, *compare* models, or *develop* a model (Hair *et al.*, 2010: 646-647). For purposes of this study, SEM is used to confirm the *a priori* through initially CFA followed by testing the structural model. This reflects the six stage process of SEM dealt with next.

[3] Italics in original.

7.3 THE STAGES OF SEM: THEORETICAL BACKGROUND AND APPLICATION TO THE STUDY

The six stage process for SEM provided by Hair *et al.* (2010: 654) was used as the basis for the SEM procedure in this study. In each of the following sections the six stages are discussed followed by their application on the client respondent group data. The six stages are divided into two parts. Part one deals with confirmatory factor analysis (CFA) and part two with SEM. CFA is confirmatory in nature. In other words, CFA requires both the number of factors that exist for a given set of variables and which factor each variable will load on to be specified before the analysis can be done. As such, CFA confirms an *a priori*. This is in contrast to the EFA conducted in chapter six which explores how many factors exist and how many items belong with each factor through the usage of statistical software (Hair *et al.*, 2010: 693).

Before the six stages could be applied, the data was prepared through four basic steps. In step one, item 85 on the client questionnaire was recoded into a binary variable. This was done due to the question implying a definitive 'yes' or 'no'. In step two records with a high number of missing values were removed. A high number was considered to be more than 25 per cent of values missing within a section. As a result, the total number of records in the three constructs reduced the records from 550 to 518.[4] Step three involved imputing missing values through cluster imputation in each separate construct. Due to removing records with a high number of missing values the imputed missing values do not affect the results too drastically. Cluster imputation therefore first groups the observations into clusters according to a set of items where after the missing values are replaced with the specific item's mean within each cluster. For this reason, cluster imputation was used. The fourth and final step was to round off the imputed values for question 85 to either 0 or 1. The data was now considered ready for the SEM stages to be performed. Only the data from the client respondent group was used in the SEM analysis.

[4] The amount of 518 was reached as follows: ten records were removed from the relationship construct; two records from the client loyalty construct, and 20 records from the client satisfaction construct.

7.3.1 Part 1: Confirmatory factor analysis

(a) Stage 1: Define the individual constructs

Stage one requires a sound theoretical underpinning to identify the underlying constructs. This study identified the constructs to be studied in chapter five (see diagram 5.1). Chapter six provides a descriptive analysis of the data collected and in particular the difference between the responses for the bank and client respondent group was provided. However, for purposes of the SEM all the constructs are not used. Only the *relationship* dimension (see table 5.2) as part of the original service quality construct and the *client satisfaction* and *client loyalty* constructs (see table 5.3) were used.

Furthermore, only the client respondent group data is used in the SEM analysis due to the fact that the findings will provide insight into the relationship between these constructs for clients and the benefit this holds for banks. Therefore, the constructs to be used in the SEM analysis are *relationship*, *client satisfaction* and *client loyalty.* Based on the data collected from the six constructs, bank selection criteria refer to reasons why clients would choose their *next* bank, whereas service quality, client satisfaction, and client loyalty refer to the *current* bank of the client. Furthermore, the nature of the relationship construct measures how clients *define* their relationship and the client-centricity construct refers specifically to *only* the contact-personnel in the branches. For these reasons and given the topic of this study referring specifically to the bank-client relationship, it makes logical sense to use only these three constructs *relationship*, *client satisfaction*, and *client loyalty* in the SEM analysis. For ease of reading, the items (or indicators) used to define these constructs are provided in table 7.1.

The three constructs *relationship*, *client satisfaction*, and *client loyalty* are listed with their respective items defining the construct. All three constructs are based on the researcher's assessment of the literature dealt with chapters three and four. This literature is used as the basis for the theoretical model to be tested in the SEM analysis. A 7-point Likert scale was used in the client questionnaire and the necessary pre-testing was conducted to test the content validity of the questionnaire (see section 5.6). As mentioned above, item 85 was recoded into a binary variable due to the question requiring a definite "yes" or "no".

TABLE 7.1

CONSTRUCTS AND THEIR ITEMS USED FOR THE STRUCTURAL EQUATION MODELLING

ITEM NUMBER	ITEM STATEMENTS
RELATIONSHIP CONSTRUCT **Definition:** The relationship with bank contact-personnel that addresses the banking needs of clients to promote mutual benefit between the bank and client.	
45	You trust the staff members who personally deal with your accounts.
47	The bank addresses your credit [or lending] needs.
51	Staff provides you with good advice on your accounts.
55	Branch staff is always accessible to you, especially when you need them most.
60	You trust your bank.
61	Staff communicates with you in a manner that you understand.
67	Decisions are made quickly and efficiently.
CLIENT SATISFACTION CONSTRUCT **Definition:** The ability of the product or service of a bank to meet the needs and expectations of the client.	
79	You would choose your current main bank again if you could do it all over again.
80	You would go out of your way to keep a good relationship with your main bank.
81	You tell people about positive experiences at your main bank.
82	You tell people about negative experiences at your main bank.
83	You are satisfied with the way you are treated at your main bank.
85	Do you have an account(s) at another bank(s) that you don't want your main bank to know about?
CLIENT LOYALTY CONSTRUCT **Definition:** The client chooses a particular bank over another and engages in repeat purchases at this bank.	
77	You have taken active steps [eg. visited an alternative bank, found out about other banks, compared fees etc.] in the past year to move your accounts to another bank.
78	You have thought of, but not taken active steps to move your accounts to another bank in the past year.
84	You consider yourself to be loyal to your main bank.

As such, the underlying *a priori* based on the usage of the three constructs is as follows:

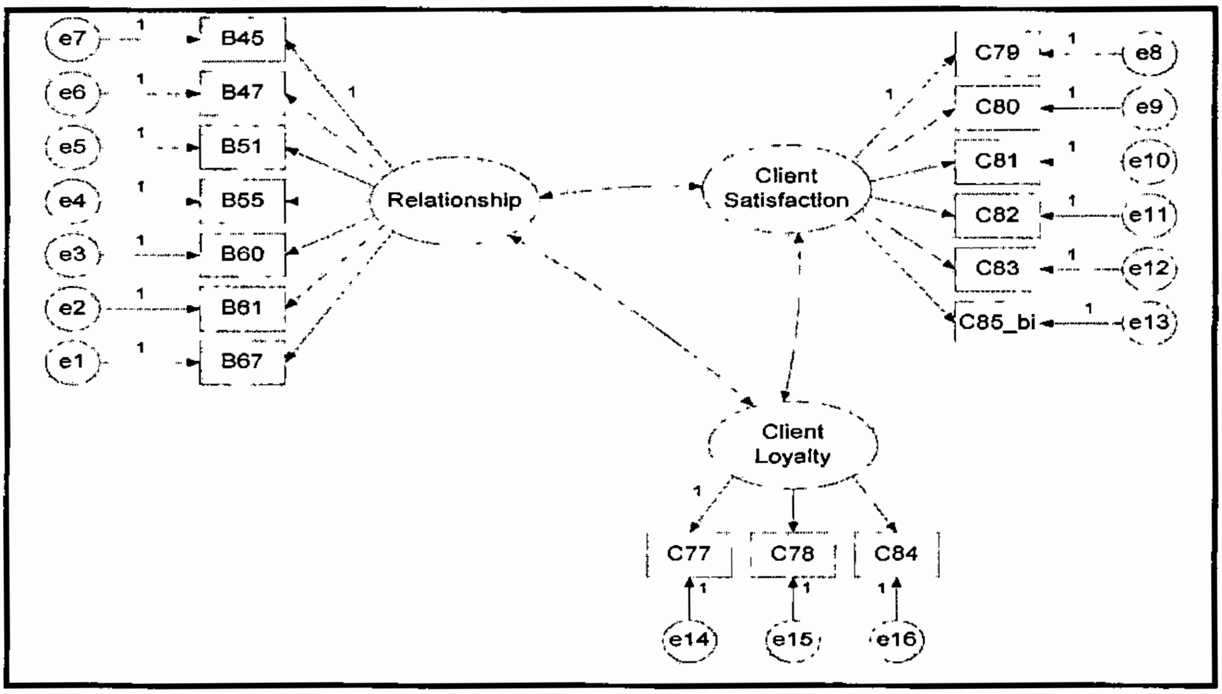
The bank-client relationship is defined along several items, with trust central to this. Based on the expectation that the better the relationship a bank has with its clients, the more satisfied they will be and subsequently improve their loyalty to the bank. By being more loyal, the bank is able to increase its share-of-wallet of the client which improves the revenue generation from the client. Non-monetary benefits of this loyalty include positive word-of-mouth promotion of the bank. Needless to say, increased loyalty leads to behavioural intentions from the client that are positive and in favour of the bank from both a monetary and non-monetary perspective.

(b) Stage 2: Develop and specify the overall measurement model

Stage two requires the specification of the measurement model by identifying the latent variables in the model and the items assigned to those variables (Hair *et al.*, 2010: 656). This is done either through equations or a visual path diagram. Diagram 7.1 below provides the path diagram reflecting the measurement model used in this study.[5]

DIAGRAM 7.1

THE MEASUREMENT MODEL (1)



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[5] The path diagrams and SEM models reflected as in diagram 7.1 are taken directly from the AMOS output.

Diagram 7.1 reflects 16 measured item variables and three latent variables, namely *relationship*, *client satisfaction*, and *client loyalty*. These constructs are unidimensional measures because the items reflected in table 7.1 are each explained by one underlying construct, in this case *relationship*, *client satisfaction* and *client loyalty* respectively (Hair *et al.*, 2010: 696). As such, the *relationship* construct is indicated by seven items, *client satisfaction* by six items, and *client loyalty* by three items.

(c) Stage 3: Design a study to produce the empirical results

Once the model has been specified, research design and model estimation follows (Hair *et al.*, 2010: 657). Several issues need to be considered in the research design. First, the decision must be made whether metric or non-metric data must be used to measure the variables in the study. For purposes of this study, the seven-point Likert rating scale was used, therefore resulting in metric data of an interval nature.

A further issue in research design is the decision to use either covariances or correlations in the SEM analysis. Hair *et al.* (2010: 658) recommend the use of covariances due to it having a distinct advantage over correlations regarding its statistical properties and flexibility due to providing information-rich results. The software package AMOS enables the user to switch between the output results for standardised (obtained by using correlations) and non-standardised (obtained by using covariances) estimates. Both are provided in the tables below.

Furthermore, dealing with missing data in the sample is another issue of research design. The extent and pattern of the missing data and how to remedy this are important considerations when the appropriate missing data procedure is selected (Hair *et al.*, 2010: 659-660) (see the introduction of section 7.3 above).

The sample size required when conducting SEM is an additional issue regarding the research design. The minimum sample size required to conduct SEM is a hotly debated issue amongst researchers in the field (Hair *et al.*, 2010: 661; Kline, 2005: 15). Hair *et al.* (2010: 662) provides several guidelines based on model complexity and the measurement model: A minimum sample size of 100 is suggested when there are five or fewer constructs with more than three items and high item communalities[6] of 0.6 or higher; a minimum sample size of 150 is suggested with seven or less constructs and modest item communalities of 0.5 and no underidentified[7] constructs; for models with seven or fewer constructs and low item communalities and less then three item identified constructs, a minimum sample of 300 is suggested; finally, a minimum sample size of 500 is suggested for models with a large number of constructs where some have low item communalities and less than three measured items. Hair *et al.* (2010: 662) further suggest that sample sizes must be representative of the population of the study and be increased if the multivariate normality of the data is not achieved, if sample-intensive estimation techniques are used or if the missing data exceeds ten per cent. As mentioned above, only the client respondent group data was used for the SEM. As such, the initial sample size was 550. After missing records were deleted for each respective construct, a final sample size of 518 was used (see footnote 1 in this chapter).

Regarding model estimation, it must be decided whether the parameters must be free or fixed – that is, either determined by the model or specified by the researcher (Hair *et al.*, 2010: 663). The estimation technique must also be decided. Options include ordinary least squares (OLS), maximum likelihood estimation (MLE), weighted least squares (WLS), generalised least squares (GLE), asymptotically distribution free (ADF) (Hair *et al.*, 2010: 663). Although MLE is sensitive to the non-normality of data, it is still the most widely used technique in SEM analysis (Hair *et al.*, 2010: 663). For this reason, and given the larger sample size (Hair *et al.*, 2010: 719), the MLE technique was used. Lastly, the AMOS computer software package was used for the SEM analysis.

[6] Communalities refer to the total amount of variance (measured between 0 and 1) the measured variable has in common with the construct which it loads onto (Hair *et al.*, 2010: 692). The communality must preferably be as high as possible.
[7] According to Hair *et al.* (2010: 692), an underidentified model or construct means that there are "more parameters to be estimated than there are item variances and covariances".

(d) Stage 4: Assess the measurement model validity

Stage four assesses whether the measurement model provided in stage two is valid. Two important considerations are part of this (Hair *et al*, 2010: 664): first, the measurement model must be acceptable in terms of goodness of fit (GOF) measures, and second, the constructs must have convergent, discriminant, and nomological validity (Hair *et al.*, 2010: 708-711, 721). Construct validity refers to whether the constructs actually reflect the "theoretical latent construct those items are designed to measure" (Hair *et al.*, 2010: 708).

Hair *et al.* (2010: 664) define GOF as "how well the specified model reproduces the observed covariance matrix among the indicator items (i.e., the similarity of the observed [reality] and estimated [theory] covariance matrices)". Three categories of GOF indices are identified by Hair *et al.* (2010: 666-669). These are:

- **Absolute fit indices**

As defined by Hair *et al.* (2010: 666), absolute fit indices are the most basic type of indices that assess whether the "researcher's theory fits the sample data". Absolute fit indices do not compare the GOF of an estimated model to any other model. Examples of the most widely used absolute fit indices are the chi-square statistic, the goodness of fit index (GFI), the root mean square of approximation (RMSEA), the root mean square residual (RMR), standardised root mean residual (SRMR) and normed chi-square.

- **Incremental fit indices**

Incremental fit indices (or comparative fit indices) compare the fit of an estimated model with an "alternative baseline model". The most widely used incremental fit indices are the normed fit index (NFI), Tucker-Lewis index (TLI), comparative fit index (CFI), and relative non-centrality index (RNI). Hair *et al.* (2010: 668) indicate that the TLI and CFI are the most used incremental indices.

- **Parsimony fit indices**

Parsimony fit indices measure the overall best GOF of a model amongst a set of competing models "considering its fit relative to its complexity". The most widely used parsimony fit indices are the adjusted goodness of fit index (AGFI) and the parsimony normed fit index (PNFI).

It should be noted that the issue of GOF is a widely debated topic in the SEM literature. The most important issues relate to firstly, choosing the best GOF indices and secondly, choosing the cut-off values for the GOF indices that best indicate good model fit. The best GOF indices are not an easy decision and although the chi-square statistic is probably the most widely used, it should be complemented by using other GOF measures. The chi-square statistic is also very sensitive to large sample sizes, which hampers its effectiveness to determine the overall validity of studies with large samples (Hair *et al.*, 2010: 666-667). This is clearly not a positive feature of the chi-square test especially due to it penalising studies that have large sample sizes such as this study.

Furthermore, a specific cut-off value for GOF indices is not clear. Although consensus generally exists that the value should be greater than 0.90 and specifically 0.95, several indices should be used especially in view of the nature of the research being done (Hair *et al.*, 2010: 670). Table 7.2 provides the GOF used as well as the suggested cut-off values according to Hair *et al.* (2010: 672) that are used in this study.

TABLE 7.2

GOODNESS OF FIT CUT-OFF VALUES USED IN THE STUDY

Chi-square DF P-value	Insignificant p-value
Chi-square / DF	Lower than 3:1
GFI AGFI CFI	Greater than 0.9 but greater than 0.95 recommended
RMSEA RMSEA lower 95% CI RMSEA upper 95% CI	Less than 0.7 with a corresponding CFI of 0.97 or higher

A further issue regarding model fit relates to the pursuit of good model fit at the expense of the theory. Care should be taken to avoid respecification of the model to such an extent that the theory underlying the model is compromised. Reducing the number of items per construct or reducing the sample size are examples of this (Hair *et al.*, 2010: 671). The underlying *a priori* should therefore receive precedence over any model respecification to achieve GOF. As such, Hair *et al.* (2010: 672-673) suggest four guidelines for acceptable fit. First, the researcher must use several indices of differing types; second, the index cut-off values must be adjusted according the characteristics of the model; third, models must be compared with each other to determine which one is "better" than the other; fourth, better fit should not be pursued at the expense of testing a true model. If the measurement model is found to not be reliable and valid according to these GOF measures, stages five and six cannot be done (Hair *et al.*, 2010: 675).

The constructs should also be valid. That is, they must exhibit convergent, discriminant, and nomological validity. According to Hair *et al.* (2010: 689), convergent validity refers to the "extent to which indicators [items] of a specific construct converge or share a high proportion of variance in common". Discriminant validity refers to the extent a particular construct is distinct from another construct and nomological validity refers to whether the "correlations between the constructs in the measurement theory make sense" (Hair *et al.*, 2010: 689, 691). For purposes of this study, convergent and discriminant validity is assessed.

Given the importance of model fit and validity assessment, the covariance matrix for the three constructs in the first measurement model is provided in table 7.3. The results indicate that the covariance matrix is not positive-definite. This indicates an invalid solution and is commonly referred to as the "Heywood case" (Hair *et al.*, 2010: 690). A possible reason for this is the lack of discriminant validity indicated by the extremely high correlation between *client satisfaction* and *client loyalty* of -0.998.

TABLE 7.3

CONSTRUCT COVARIANCE MATRIX (1)

	Client loyalty	Client satisfaction	Relationship
Client loyalty	0.195		
Client satisfaction	-0.544	1.52	
Relationship	--0.336	0.883	0.95

The GOF measures are provided in table 7.4. The chi-square result is bad and the remaining measures all indicate poor fit. The model therefore needs to be re-specified.

TABLE 7.4

THE CFA GOODNESS OF FIT RESULTS (1)

Chi-square	456.999	Bad fit
DF	101	
P-value	0	
Chi-square / DF	4.525	Bad fit
GFI	0.903	Bad fit
AGFI	0.869	Bad fit
CFI	0.877	Bad fit
RMSEA	0.083	Bad fit
RMSEA lower 95% CI	0.075	
RMSEA upper 95% CI	0.09	

Although it is acknowledged that SEM is a confirmatory technique, Kline (2005: 10-11) indicates that exploratory techniques such as EFA may be used when the data is "inconsistent with the model". As stated by Kline (2005: 11), "readers should not interpret the terms "confirmatory" and "exploratory" as applied to statistical techniques – SEM or otherwise – in an absolute way". For this reason, it was decided to perform an EFA on the two constructs *client satisfaction* and *client loyalty* to regroup them. The *relationship* construct was however not regrouped through EFA due to it being the central focus of the study. MLE estimation was used and so too the VARIMAX orthogonal factor rotation method to simplify the columns and thus interpretation of the factor matrix. The VARIMAX method is regarded as the most superior of the orthogonal factor rotation methods (Hair *et al.*, 2010: 94). As such, the EFA results are provided in table 7.5.

TABLE 7.5

EFA RESULTS ON CLIENT SATISFACTION AND CLIENT LOYALTY

item	Factor1	Factor2
C83	**0.8062**	-0.2374
C84	**0.6795**	-0.1846
C80	**0.6420**	-0.1440
C79	**0.6390**	-0.2329
C81	**0.4507**	-0.0193
C77	0.0301	**0.8355**
C78	-0.1996	**0.6821**
C82	-0.0578	**0.1639**
C85_bi	0.1426	**-0.2037**

TABLE 7.6

NEW GROUPING FOR THE CLIENT SATISFACTION AND CLIENT LOYALTY CONSTRUCTS AFTER EFA

ITEM NUMBER	ITEM STATEMENTS
	CLIENT SATISFACTION AND LOYALTY
C83	You are satisfied with the way you are treated at your main bank.
C84	You consider yourself to be loyal to your main bank.
C80	You would go out of your way to keep a good relationship with your main bank.
C79	You would choose your current main bank again if you could do it all over again.
C81	You tell people about positive experiences at your main bank.
	NEGATIVE BEHAVIOURAL INTENTIONS
C77	You have taken active steps [e.g. visited an alternative bank, found out about other banks, compared fees *etc.*] in the past year to move your accounts to another bank.
C78	You have thought of, but not taken active steps to move your accounts to another bank in the past year.
C82	You tell people about negative experiences at your main bank.
C85_bi	Do you have an account(s) at another bank(s) that you don't want your main bank to know about?

The results of the EFA indicate that the constructs *client satisfaction* and *client loyalty* are re-grouped into two new groups. Given the new grouping, table 7.6 provides the new grouping with their corresponding item statements for these two constructs. The EFA regrouped several similar satisfaction and loyalty items into one group and has been renamed "*client satisfaction and loyalty*". The re-arrangement of these constructs reflects the hypothesis that client satisfaction leads to loyalty. Therefore, the measurement model 7.2 indicates that the two constructs are directly related, similar to the work of Schneider, Berent, Thomas, and Krosnick (2008) where a "net-promoter score" is used to reflect client satisfaction *and* loyalty.

As indicated in table 7.6, only five items now define this construct. The second construct has intended and actual *negative behavioural intentions* within the grouping. Items C77 and C78 suggest a possible willingness by the client to move to another bank (switching intentions), item C85 indicates multiple banking relationships, and item 82 indicates that clients would engage in negative word-of-mouth based on negative experiences at their bank. The new grouping therefore suggests an overall negative connotation to the behaviour of clients and reflects behaviours the bank would *not* want clients to engage in. For these reasons, the construct was renamed *negative behavioural intentions*. The two new constructs *client satisfaction and loyalty* and *negative behavioural intentions* are respecified and reflected on the measurement model in diagram 7.2.

Table 7.7 provides the GOF results for the re-specified measurement model in diagram 7.2. As opposed to the results in table 7.4, the results indicate acceptable fit, although the GFI, AGFI, CFI and RMSEA all fall slightly below the recommended cut-off values proposed in table 7.2.

<u>DIAGRAM 7.2</u>

THE MEASUREMENT MODEL (2)

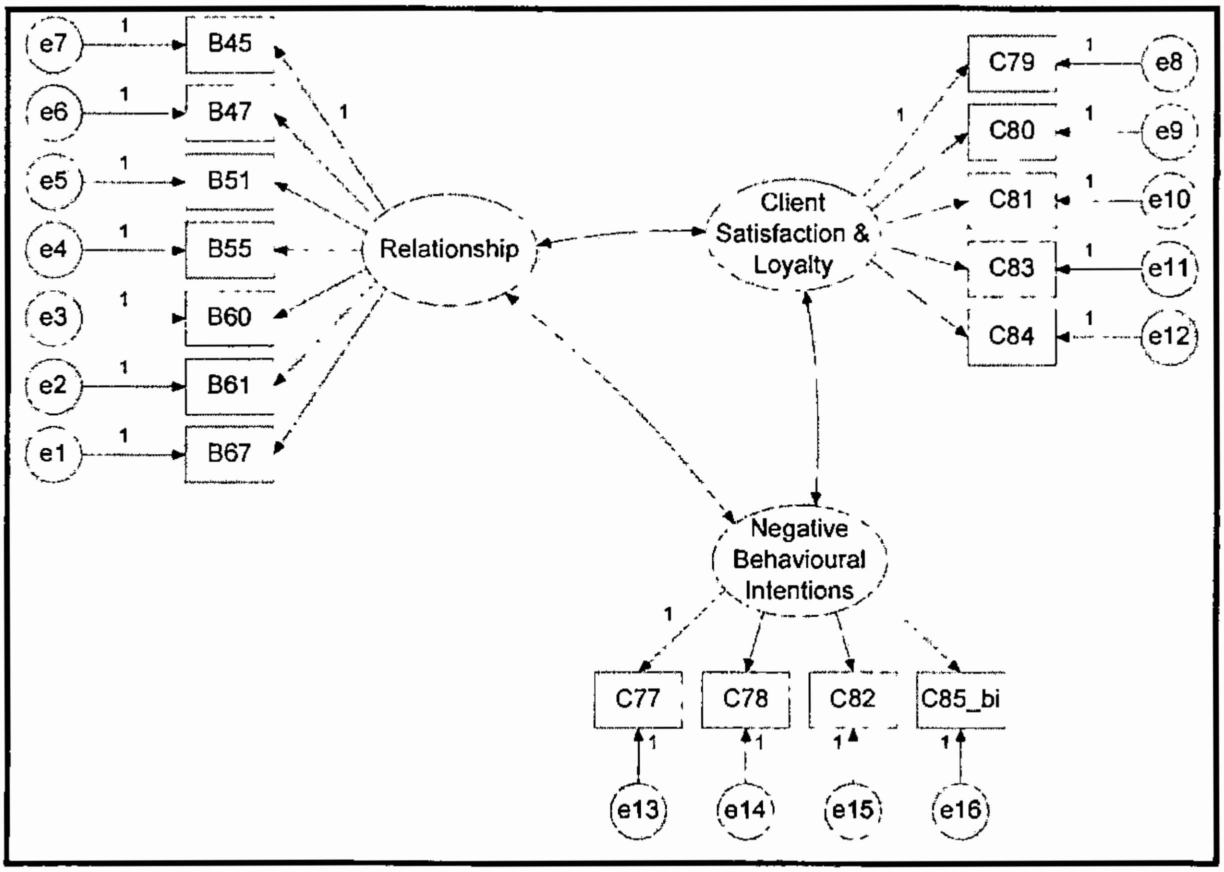


TABLE 7.7

THE CFA GOODNESS OF FIT RESULTS (2)

Chi-square	289.051	Bad fit
DF	101	
P-value	0.000	
Chi-square / DF	2.862	Good fit
GFI	0.935	Acceptable fit
AGFI	0.913	Acceptable fit
CFI	0.935	Acceptable fit
RMSEA	0.06	Acceptable fit
RMSEA lower 95% CI	0.052	
RMSEA upper 95% CI	0.068	

Before any further actions were taken to improve the model fit further, construct validity was assessed. Diagram 7.8 provides the raw data factor loadings.

TABLE 7.8

RAW FACTOR LOADINGS FOR THE MEASUREMENT MODEL (1)

Item	Construct	Factor loading	Standard error	t-value	Prob[8]
B67	Relationship	0.933	0.064	14.67	***
B61	Relationship	0.866	0.057	15.318	***
B60	Relationship	0.921	0.056	16.451	***
B55	Relationship	0.969	0.058	16.649	***
B51	Relationship	1.167	0.074	15.856	***
B47	Relationship	0.735	0.09	8.204	***
B45	Relationship	1			
C79	Client satisfaction and loyalty	1			
C80	Client satisfaction and loyalty	0.707	0.056	12.683	***
C81	Client satisfaction and loyalty	0.633	0.072	8.781	***
C83	Client satisfaction and loyalty	0.741	0.047	15.736	***
C84	Client satisfaction and loyalty	0.6	0.043	13.936	***
C82	Negative behavioural intentions	0.272	0.101	2.692	0.007
C78	Negative behavioural intentions	1.707	0.216	7.913	***
C77	Negative behavioural intentions	1			
C85_bi	Negative behavioural intentions	-0.059	0.015	-3.971	***

[8] *** denotes statistically significant at the 0.001 level.

As is evident from table 7.8, all factor loadings are statistically significant and in the expected direction. The standardised factor loadings (measured between 0 and 1) in table 7.9 also indicate loadings in the expected direction. Furthermore, several factor loadings are below the preferred value of 0.7.[9] As Hair *et al.* (2010: 722) indicate, a loading above 0.5 is a more suitable (although low) cut-off value. Table 7.10 indicates the average variance extracted (AVE) values for the constructs. The AVE is "the average percentage of variation explained...among the items of a construct" (Hair *et al.*, 2010: 688) and is used to determine convergent and discriminant validity. Due to the values being lower than the 50 per cent rule of thumb (Hair *et al.*, 2010: 722) for all constructs, doubtful convergent validity exists between the constructs.

TABLE 7.9

STANDARDISED FACTOR LOADINGS FOR THE MEASUREMENT MODEL (1)

Item	Construct	Standardised factor loadings
B67	Relationship	0.692
B61	Relationship	0.715
B60	Relationship	0.760
B55	Relationship	0.781
B51	Relationship	0.737
B47	Relationship	0.383
B45	Relationship	0.719
C79	Client satisfaction and loyalty	0.670
C80	Client satisfaction and loyalty	0.639
C81	Client satisfaction and loyalty	0.428
C83	Client satisfaction and loyalty	0.853
C84	Client satisfaction and loyalty	0.712
C82	Negative behavioural intentions	0.134
C78	Negative behavioural intentions	0.878
C77	Negative behavioural intentions	0.641
C85_bi	Negative behavioural intentions	-0.200

[9] A factor loading that is higher is preferred as it reflects construct reliability (Hair *et al.*, 2010: 722).

TABLE 7.10

THE AVE FOR EACH CONSTRUCT (1)

Construct	AVE
Relationship	0.484
Client satisfaction and loyalty	0.455
Negative behavioural intentions	0.31

Given these findings and in an attempt to improve GOF further and also ensure construct validity, items with small factor loadings were removed. This resulted in removing four items B47, C81, C82, C85_bi. Fixed loadings were moved to items with the highest standardised loadings. Cronbach Alpha coefficients were used to determine if removing the items (B47, C81, C82, C85_bi) would improve the construct and to determine if any further items should be removed. Cronbach Alpha is a measure of reliability and should be greater than 0.7 in order to be regarded as being acceptable (Hair *et al.*, 2010: 92). Tables 7.11 and 7.12 provide the Cronbach Alpha coefficients before and after removing the four items respectively.

TABLE 7.11

THE CRONBACH ALPHA COEFFICIENTS BEFORE REMOVING THE FOUR ITEMS

	Relationship	Client satisfaction and loyalty	Negative behavioural intentions
ITEMS	CRONBACH ALPHA COEFFICIENTS		
Raw	0.8414	0.7621	0.4578
Standardised	0.8590	0.7976	0.4977

TABLE 7.12

THE CRONBACH ALPHA COEFFICIENTS AFTER REMOVING THE FOUR ITEMS

	Relationship	Client satisfaction and loyalty	Negative behavioural intentions
ITEMS	CRONBACH ALPHA COEFFICIENTS		
Raw	0.8715	0.7775	0.7122
Standardised	0.8749	0.8078	0.7231

As is evident from tables 7.11 and 7.12, the Cronbach Alpha values improve for all three constructs after removing the four items and in particular for the *client satisfaction and loyalty* and *negative behavioural intentions* constructs. This is so for both the raw and standardised data. Therefore, removing the four items improves the constructs. 'The measurement model without the four items was once again re-specified and is reflected in diagram 7.3.

As is evident on diagram 7.3, the number of items for each of the three constructs has been reduced. *Relationship* now has six items, *client satisfaction and loyalty* four, and *negative behavioural intentions* has two. The re-specified model was run on AMOS and returned the GOF results in table 7.13.

DIAGRAM 7.3

THE MEASUREMENT MODEL (3)

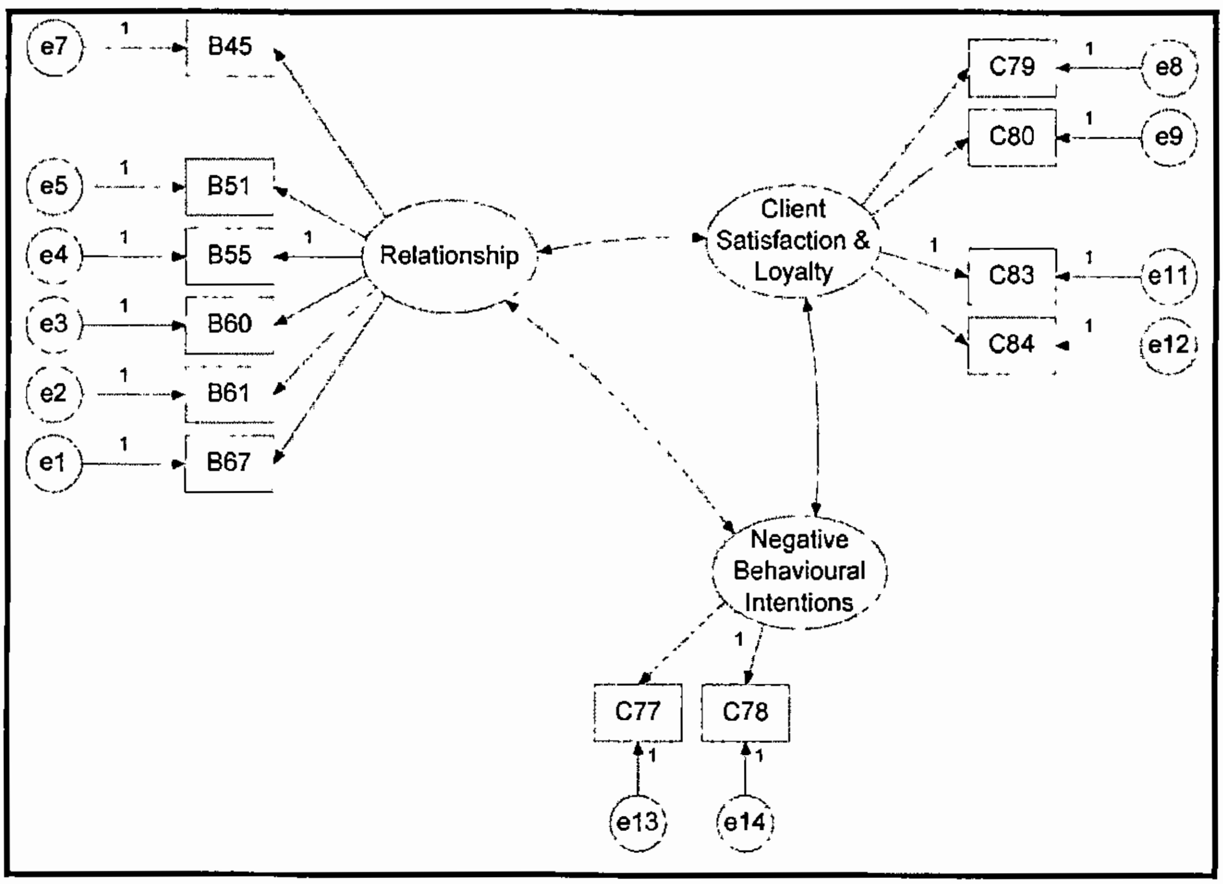


TABLE 7.13

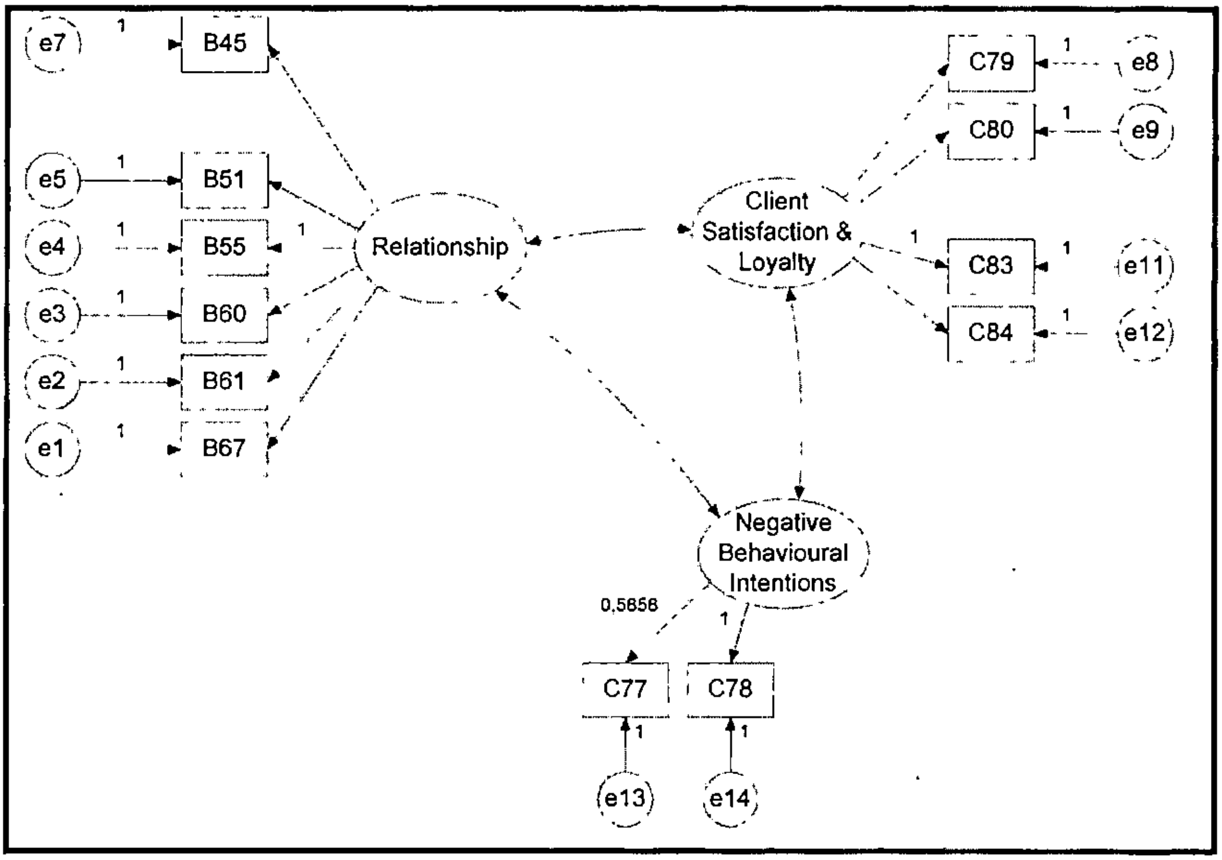
THE CFA GOODNESS OF FIT RESULTS (3)

Chi-square	141.844	Bad fit
DF	51	
P-value	0.000	
Chi-square / DF	2.781	Good fit
GFI	0.958	Good fit
AGFI	0.935	Acceptable fit
CFI	0.965	Good fit
RMSEA	0.059	Acceptable fit
RMSEA lower 95% CI	0.047	
RMSEA upper 95% CI	0.07	

A concern from the results is that the residual *e14* returned a negative variance of -0.188. The measurement model is therefore invalid. A possible explanation for this is that there are only two items on the *negative behavioural intentions* construct. This can cause problems with model identification. Therefore, in order to provide a valid model solution, the factor loadings on *negative behavioural intentions* were fixed to the previous valid estimates as reflected in table 7.8. The loadings for items C78 and C77 were respectively 1.707 and 1. For consistency the strongest relationship is fixed to 1 and the other to a value below 1. Therefore, the value of C78 is transformed to equal 1. This is done by dividing both estimates by 1.707. The result is therefore that the loading for C78 is 1 and the loading for C77 is 0.5858. The re-specified measurement model is provided in diagram 7.4 with these loadings stipulated.

DIAGRAM 7.4

THE MEASUREMENT MODEL (4)



Following the re-specified model, the GOF results are provided in table 7.14.

TABLE 7.14

THE CFA GOODNESS OF FIT RESULTS (4)

Chi-square	145.028	Bad fit
DF	52	
P-value	0.000	
Chi-square / DF	2.789	Good fit
GFI	0.957	Good fit
AGFI	0.935	Acceptable fit
CFI	0.965	Good fit
RMSEA	0.059	Good fit
RMSEA lower 95% CI	0.048	
RMSEA upper 95% CI	0.07	

All the measures (albeit the AGFI is below 0.95, it is still above the accepted norm of 0.9) indicate good fit as per the suggested cut-off values. This measurement model therefore has good fit. In order to assess the construct validity, the raw factor loadings are provided in table 7.15. All the factor loadings are statistically significant and in the expected direction.

In addition, all the standardised factor loadings are greater than the minimum of 0.5 as indicated in table 7.16. The AVE for all three constructs provided in table 7.17 is also above the rule of thumb of 0.5. These results indicate that the constructs have convergent validity.

TABLE 7.15

RAW FACTOR LOADINGS FOR THE MEASUREMENT MODEL (2)

Item	Construct	Factor loading	Standard error	t-value	Prob
B67	Relationship	0.966	0.06	16.041	***
B61	Relationship	0.899	0.055	16.476	***
B60	Relationship	0.964	0.055	17.636	***
B55	Relationship	1			
B51	Relationship	1.197	0.07	17.056	***
B45	Relationship	1.038	0.063	16.577	***
C79	Client satisfaction and loyalty	1.33	0.085	15.592	***
C80	Client satisfaction and loyalty	0.918	0.063	14.534	***
C83	Client satisfaction and loyalty	1			
C84	Client satisfaction and loyalty	0.798	0.047	16.803	***
C78	Negative behavioural intentions	1			
C77	Negative behavioural intentions	0.586			

TABLE 7.16

STANDARDISED FACTOR LOADINGS FOR THE MEASUREMENT MODEL (2)

Item	Construct	Standardised factor loadings
B67	Relationship	0.692
B61	Relationship	0.717
B60	Relationship	0.767
B55	Relationship	0.778
B51	Relationship	0.73
B45	Relationship	0.721
C79	Client satisfaction and loyalty	0.668
C80	Client satisfaction and loyalty	0.622
C83	Client satisfaction and loyalty	0.863
C84	Client satisfaction and loyalty	0.711
C78	Negative behavioural intentions	0.898
C77	Negative behavioural intentions	0.643

TABLE 7.17

THE AVE FOR EACH CONSTRUCT (2)

Construct	AVE
Relationship	0.54
Client satisfaction and loyalty	0.521
Negative behavioural intentions	0.61

In order to test for discriminant validity, the squared inter-construct correlations should be smaller than the corresponding AVE's. This data is provided in table 7.18. This test holds except for the *relationship <--> client satisfaction and loyalty* correlation.

TABLE 7.18

CONSTRUCT CORRELATION AND SQUARED CORRELATION (1)

Constructs	Correlation	Squared correlation
Relationship <--> Client satisfaction and loyalty	0.742***	0.551
Client satisfaction and loyalty <--> Negative behavioural intentions	-0.408***	0.166
Relationship <--> Negative behavioural intentions	-0.344***	0.118

Based on these results, a chi-square difference test was performed to test whether or not combining the two constructs (*relationship* and *client satisfaction and loyalty*) would reduce model fit significantly. If the test is found to be significant, discriminant validity is supported – that is, the two constructs *relationship* and *client satisfaction and loyalty* can be presented as being separate. As such, the two constructs were combined to determine whether or not the combined construct would reduce model fit significantly. The model is reflected in diagram 7.5. The GOF results for the combined construct measurement model are provided in table 7.19. As indicated, the GOF measures all indicate bad fit.

DIAGRAM 7.5

THE COMBINED CONSTRUCT MEASUREMENT MODEL (5)

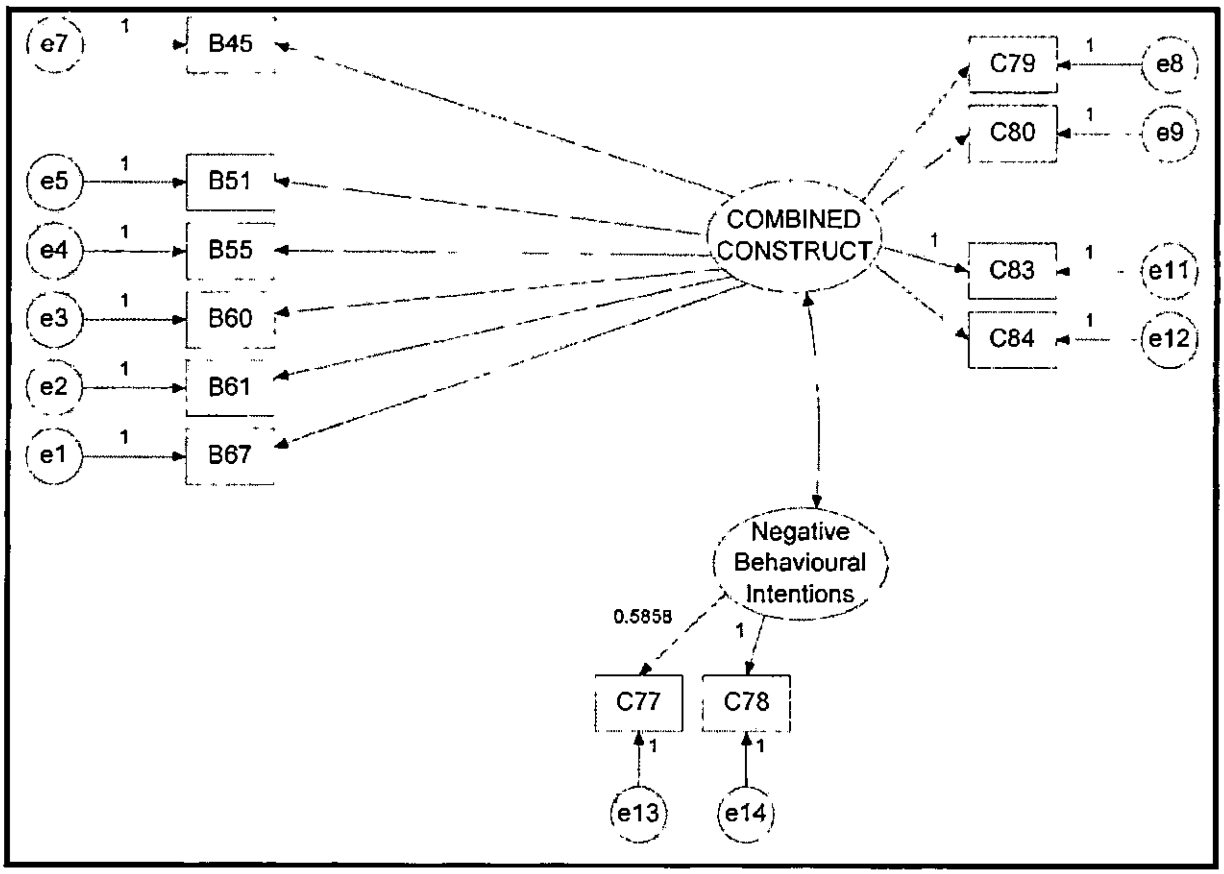


TABLE 7.19

THE CFA GOODNESS OF FIT RESULTS (5)

Chi-square	367.601	Bad fit
DF	54	
P-value	0.000	
Chi-square / DF	6.807	Bad fit
GFI	0.874	Bad fit
AGFI	0.818	Bad fit
CFI	0.881	Bad fit
RMSEA	0.106	Bad fit
RMSEA lower 95% CI	0.096	
RMSEA upper 95% CI	0.116	

TABLE 7.20

THE CHI-SQUARE DIFFERENCE TEST

	Separate constructs	Combined constructs	Results
Difference in chi-square:	367.601	145.028	222.573
Difference in DF:	54	52	2
p-value:			0.000

Furthermore, the chi-square difference test is used to test whether or not this model fits significantly worse than the model with the two separate constructs as indicated in diagram 7.4. The results of this are provided in table 7.20. When the chi-squares provided in tables 7.14 and 7.19 are subtracted from each other, the result is a chi-square difference of 222.573, which is statistically significant. Therefore, the combined construct model fits significantly worse than the model with two constructs. This implies that discriminant validity is supported. In other words, the two constructs *relationship*, and *client satisfaction and loyalty* can be presented separately.

Given that the GOF results indicate good fit and that construct validity is evident, the CFA part of the analysis is complete. The results at this stage indicate that the three constructs reflect unidimensionality. The next part of the analysis refers to the SEM part.

7.3.2 Part 2: Structural equation modelling

(e) Stage 5: Specify the structural model

Stage five requires specifying the structural model by assigning the relationships between the constructs based on the *a priori*. This requires establishing hypotheses for the specified relationships. A path diagram is then drawn reflecting the relationships. As Hair *et al.* (2010: 675) put it, "[the path diagram] becomes the test of the overall theory, including both the measurement relationships of indicators to constructs as well as the hypothesized structural relationships among constructs". As such, the structural model to be tested, and based on the CFA analysis conducted in part 1, consists of the constructs and items provided in table 7.21.

The theory unpinning the structural model is as follows:[10]

The relationship a client builds with the contact-personnel in the branch of a bank leads to increased levels of client satisfaction and loyalty. This in turn leads to the bank being able to engage in cross-selling initiatives to increase the share-of-wallet and thus revenue generation of the client. The relationship the client has with the bank is defined along several aspects, but fundamentally based on trust and the ability of the contact-personnel to offer sound advice, communicate effectively, and provide prompt feedback on pending decisions. When satisfaction and loyalty levels increase, the client is less likely to engage in negative behavioural intentions that specifically result in the client switching accounts to another bank. This follows that if this switching intention of the client is realised and acted upon, the bank loses the revenue due to the client switching to another bank. As a result, the bank would want to minimise the negative behavioural intentions and specifically switching behavioural intentions in order to avoid revenue losses.

[10] The literature used as the basis for this structural model hypothesis is based on the work covered in chapters' two, three, and four. See also the model proposed in diagram 5.1 and the explanantion thereof in chapter five.

TABLE 7.21

CONSTRUCTS AND THEIR ITEMS USED FOR THE STRUCTURAL EQUATION MODELLING

ITEM NUMBER	ITEM STATEMENTS
	RELATIONSHIP CONSTRUCT
45	You trust the staff members who personally deal with your accounts.
51	Staff provides you with good advice on your accounts.
55	Branch staff is always accessible to you, especially when you need them most.
60	You trust your bank.
61	Staff communicates with you in a manner that you understand.
67	Decisions are made quickly and efficiently.
	CLIENT SATISFACTION AND LOYALTY CONSTRUCT
79	You would choose your current main bank again if you could do it all over again.
80	You would go out of your way to keep a good relationship with your main bank.
83	You are satisfied with the way you are treated at your main bank.
84	You consider yourself to be loyal to your main bank.
	NEGATIVE BEHAVIOURAL INTENTIONS CONSTRUCT
77	You have taken active steps [e.g. visited an alternative bank, found out about other banks, compared fees etc.] in the past year to move your accounts to another bank.
78	You have thought of, but not taken active steps to move your accounts to another bank in the past year.

As such, the following hypotheses are proposed to be tested through SEM:

H_1: *Relationship* has a positive relationship with *client satisfaction and loyalty.*

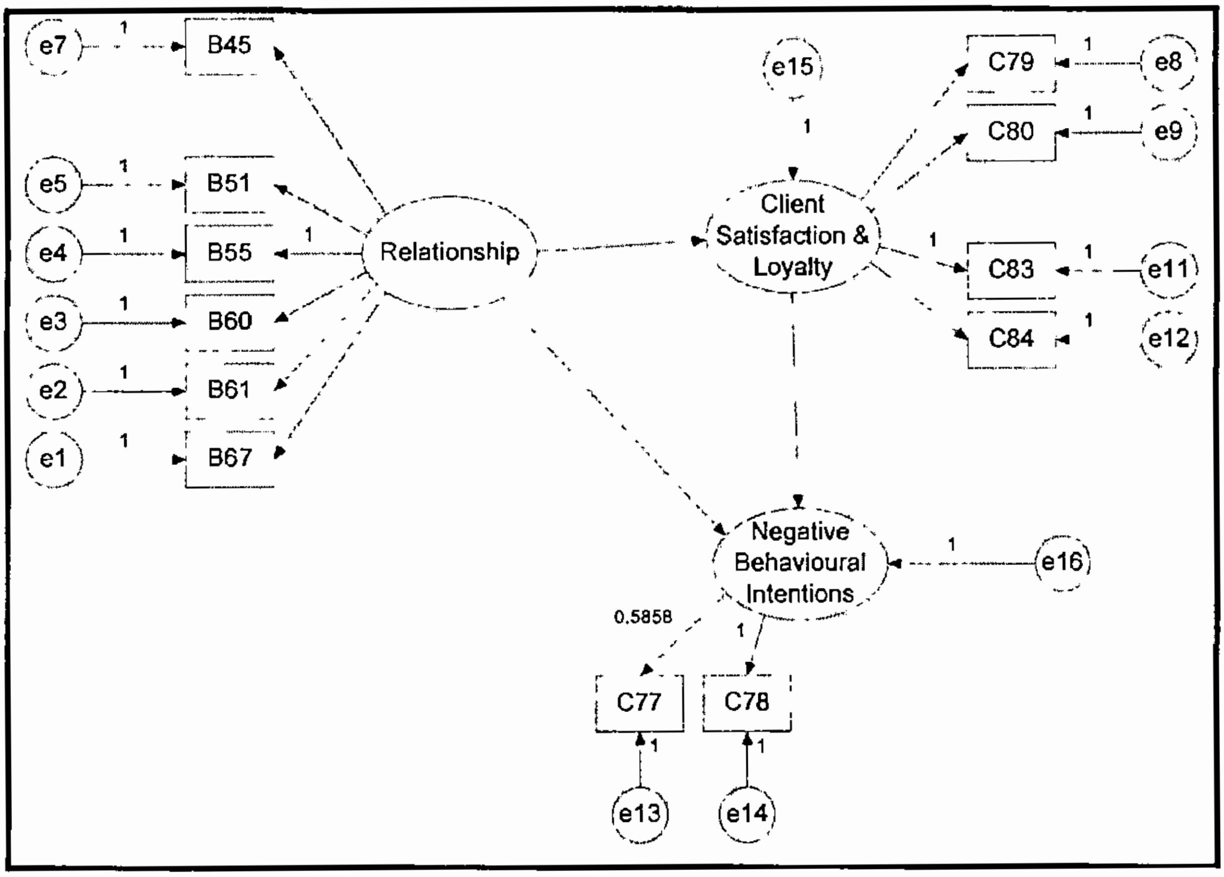
H_2: *Relationship* has a negative relationship with *negative behavioural intentions.*

H_3: *Client satisfaction and loyalty* has a negative relationship with *negative behavioural intentions.*

Therefore, the structural model to be tested is provided visually in diagram 7.6.

DIAGRAM 7.6

THE RELATIONSHIP STRUCTURAL MODEL (1)



Now that the structural model has been specified, step six assesses the validity of the structural model.

(f) Stage 6: Assess structural model validity

Stage six tests the validity of the structural model as well as the hypothesised relationships established in stage five. Importantly, only if the measurement model in stage four is found to be valid and achieve acceptable levels of GOF can stage six be performed by using the same GOF indices. Due to the structural model assuming that some relationships between the constructs are zero as compared to the measurement model which assumes all the constructs are correlated with each other, the chi-square statistic for the structural model is higher than the measurement model. Furthermore, the closer the GOF results of the structural model are to that of the measurement model, the better the structural models' fit is considered to be (Hair *et al.*, 2010: 675).

Besides assessing overall model fit, the individual parameter estimates representing each hypothesis should also be examined. As such, Hair *et al.* (2010: 677) state that the validity of a theoretical model occurs when the parameter estimates are "statistically significant and in the predicted direction" and are "non-trivial". Regarding the former, the parameters must be greater than zero for a positive relationship and less than zero for a negative relationship.

As such, the model specified in diagram 7.6 is a saturated structural model. That is, there are just as many structural relationships as construct correlations in the measurement model. Therefore, the model fit is exactly the same as the CFA (measurement model) model presented in diagram 7.4 and the GOF results provided in table 7.14.

As evidenced in table 7.22, the structural relationship model factor loadings show a significant relationship between *relationship* and *client satisfaction and loyalty* and between *client satisfaction and loyalty* and *negative behavioural intentions*. However, the relationship between *negative behavioural intentions* and *relationship* is non-significant.

TABLE 7.22

RAW FACTOR LOADINGS FOR THE STRUCTURAL RELATIONSHIP MODEL (1)

Item	Construct	Factor loading	Standard error	t-value	Prob
Customer satisfaction <-> Relationship		0.727	0.049	14.698	***
Negative behavioural intentions <-> Relationship		-0.196	0.183	-1.075	0.282
Negative behavioural intentions <-> Customer satisfaction		-0.755	0.191	-3.952	***
B67	Relationship	0.966	0.06	16.041	***
B61	Relationship	0.899	0.055	16.476	***
B60	Relationship	0.964	0.055	17.636	***
B55	Relationship	1			
B51	Relationship	1.197	0.07	17.056	***
B45	Relationship	1.038	0.063	16.577	***
C79	Customer satisfaction and loyalty	1.33	0.085	15.592	***
C80	Customer satisfaction and loyalty	0.918	0.063	14.534	***
C83	Customer satisfaction and loyalty	1			
C84	Customer satisfaction and loyalty	0.798	0.047	16.803	***
C78	Negative behavioural intentions	1			
C77	Negative behavioural intentions	0.586			

Given that all three constructs in measurement model have significant correlations (relationships) with each other (refer to table 7.18) and the structural path from *relationship* to *negative behavioural intentions* is non-significant, the relationship between *relationship* and *negative behavioural intentions* can be seen as being mediated through *client satisfaction and loyalty.* This is known as the mediating effect (Hair *et al.*, 2010: 766). Based on this, hypothesis H_2 is reformulated to reflect both a direct and indirect relationship between the *relationship* and *negative behavioural intentions* constructs.

The reformulated hypotheses to be tested are therefore as follows:

H_1: *Relationship* has a positive relationship with *client satisfaction and loyalty.*

$H_{2(a)}$: *Relationship* has a direct negative relationship with *negative behavioural intentions.*

$H_{2(b)}$: *Relationship* has an indirect negative relationship with *negative behavioural intentions* mediated through *client satisfaction and loyalty.*

H_3: *Client satisfaction and loyalty* has a negative relationship with *negative behavioural intentions.*

As such, the model was re-specified without the structural path between the *relationship* and *negative behavioural intentions* constructs. The re-specified model is presented in diagram 7.7. The GOF results for the re-specified relationship structural model are presented in table 7.23. All the GOF measures provide good fit results (although the AGFI is below the recommended 0.95, it is above the minimum 0.9 cut-off value).

DIAGRAM 7.7

THE RELATIONSHIP STRUCTURAL MODEL (2)

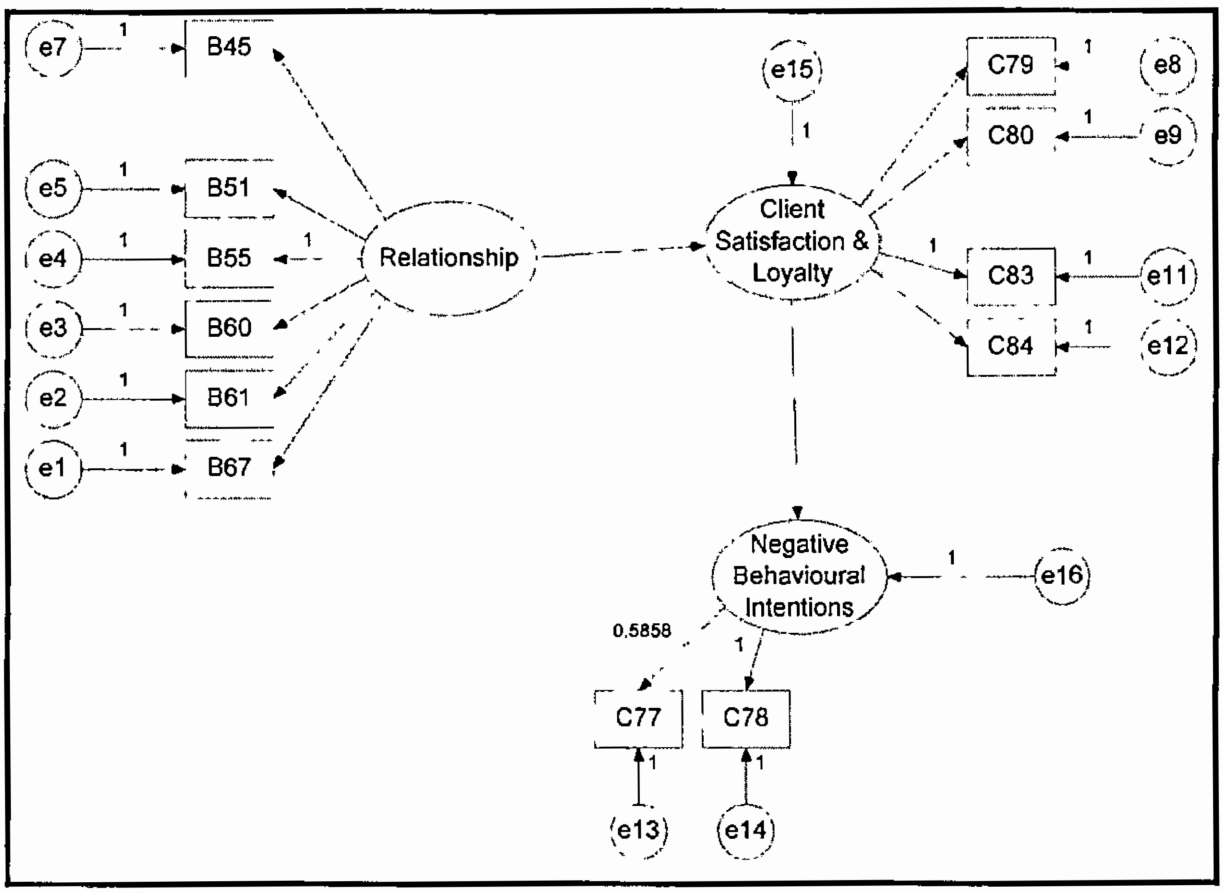


TABLE 7.23

THE GOODNESS OF FIT RESULTS (6)

Chi-square	146.172	Bad fit
DF	53	
P-value	0.000	
Chi-square / DF	2.758	Good fit
GFI	0.956	Good fit
AGFI	0.936	Acceptable fit
CFI	0.965	Good fit
RMSEA	0.058	Good fit
RMSEA lower 95% CI	0.047	
RMSEA upper 95% CI	0.07	

Next the chi-square difference test was calculated in order to assess whether any significant difference exists between the structural model (diagram 7.7) and the measurement model (diagram 7.4). The chi-square difference test is provided in table 7.24. The results indicate that no significant difference exists between the model fit of the structural and the measurement models respectively.

TABLE 7.24

THE CHI-SQUARE DIFFERENCE TEST

	Structural model	Measurement Model	Results
Difference in chi-square:	146.172	145.028	1.144
Difference in DF:	53	52	1
p-value:			0.284808

TABLE 7.25

RAW FACTOR LOADINGS FOR THE RELATIONSHIP STRUCTURAL MODEL (2)

Item	Construct	Factor loading	Standard error	t-value	Prob
	Relationship --> Client satisfaction and loyalty	0.729	0.049	14.775	***
	Client satisfaction and loyalty --> Negative behavioural intentions	-0.923	0.111	-8.286	***
B67	Relationship	0.966	0.06	16.021	***
B61	Relationship	0.902	0.055	16.504	***
B60	Relationship	0.965	0.055	17.641	***
B55	Relationship	1			
B51	Relationship	1.198	0.07	17.04	***
B45	Relationship	1.037	0.063	16.547	***
C79	Client satisfaction and loyalty	1.332	0.085	15.636	***
C80	Client satisfaction and loyalty	0.919	0.063	14.541	***
C83	Client satisfaction and loyalty	1			
C84	Client satisfaction and loyalty	0.798	0.047	16.839	***
C78	Negative behavioural intentions	1			
C77	Negative behavioural intentions	0.586			

TABLE 7.26

STANDARDISED FACTOR LOADINGS FOR THE STRUCTURAL MODEL (2)

Item	Construct	Standardised factor loadings
	Relationship --> Client satisfaction and loyalty	0.746
	Client satisfaction and loyalty --> Negative behavioural intentions	-0.417
B67	Relationship	0.692
B61	Relationship	0.718
B60	Relationship	0.767
B55	Relationship	0.778
B51	Relationship	0.729
B45	Relationship	0.72
C79	Client satisfaction and loyalty	0.669
C80	Client satisfaction and loyalty	0.622
C83	Client satisfaction and loyalty	0.862
C84	Client satisfaction and loyalty	0.71
C78	Negative behavioural intentions	0.898
C77	Negative behavioural intentions	0.643

Tables 7.25 and 7.26 reflect the factor loadings for respectively the raw and standardised data of the re-specified *relationship* structural model. All the factor loadings are found to be statistically significant, in the expected direction, and above 0.5. In addition, the values of the standardised loadings do not reflect large differences when compared to the loadings of the measurement model indicated in table 7.16. These results indicate that the structural model is acceptable (Hair *et al.*, 2010: 677). The results also indicate construct validity for the relationship structural model.

Given the results, the hypotheses can be addressed.

- Due to the loadings of *relationship* on *client satisfaction and loyalty* in tables 7.25 and 7.26 being positive and statistically significant, H_1 is *accepted.* There is therefore a positive relationship between *relationship* and *client satisfaction and loyalty.*

- Due to the non-significant structural path between *relationship* and *negative behavioural intentions* H_{2a} is *rejected. Relationship* does not have a direct negative relationship with *negative behavioural intentions.*

- Due to the significant correlation between *relationship* and *negative behavioural intentions* in the measurement model, there is a relationship between these two constructs. However, because the direct relationship between the two constructs is non-significant when *client satisfaction and loyalty* is included in the model, it means that the relationship that exists (according to correlation) is indirect and mediated through *client satisfaction and loyalty.* Therefore, H_{2b} is *accepted* which means that *relationship* has an indirect relationship on *negative behavioural intentions* through *client satisfaction and loyalty.*

- Due to the loadings of *client satisfaction and loyalty* on *negative behavioural intentions* in tables 7.25 and 7.26 being negative and statistically significant, H_3 is *accepted.* There is therefore a negative relationship between *client satisfaction and loyalty* and *negative behavioural intentions.*

These findings indicate that *relationship* does have a direct positive relationship with *client satisfaction and loyalty* which when increased in turn does lead to reduced *negative behavioural intentions.*

7.4 SUMMARY AND CONCLUSIONS

This chapter dealt with the SEM analysis. The first part of the chapter dealt with the fundamentals of SEM and following this, a six stage process was followed to facilitate the SEM on the data collected from the client respondent group. The three constructs used in the SEM analysis was *relationship*, *client satisfaction*, and *client loyalty*. After several re-specifications due to poor model fit, construct validity, and invalid solutions, the items of the *client satisfaction* and *client loyalty* constructs were regrouped through EFA to form two new constructs entitled *client satisfaction and loyalty* and *negative behavioural intentions.* The final structural model was therefore based on the relationships between the *relationship*, *client satisfaction and loyalty*, and *negative behavioural intentions* constructs.

The *relationship* construct used in the structural model comprises of the relationship descriptors related to trust, effective communication, accessibility, advice, and efficient decision-making of particularly contact-personnel in the branch (see table 7.21). These items reflect aspects of the relationship that are hypothesised to be important for a client in its relationship with a bank. After the EFA, items pertaining to both satisfaction and loyalty were grouped together. In particular, *client satisfaction and loyalty* comprises the willingness of the clients to choose their current bank again, keep a good relationship with its current bank, and whether or not they are satisfied and loyal to their current bank (see table 7.21). Lastly, the *negative behavioural intentions* refer specifically to the behavioural intentions of clients to mentally think of or actively switch their accounts to another bank (see table 7.21). These behavioural intentions therefore imply intentions banks would not want its clients to engage in, hence the name of the construct being *negative behavioural intentions*.

The results indicate that the construct *relationship* has a positive relationship on the *client satisfaction and loyalty* construct and an indirect negative relationship with the *negative behavioural intentions* construct. These findings indicate that if the contact-personnel within a branch are accessible, offer sound advice, communicate effectively, and are able to make speedy decisions, client satisfaction and loyalty is improved. Central to this bank-client relationship is an inherent trust for the bank and the contact-personnel dealing with the accounts of the respective client. This finding bodes well for banks who have an explicit client-centric focus due to client-centricity driving effective communication and the empowerment of especially contact-personnel. If these client-centric principles are in place and contact-personnel are empowered to meet the needs of clients, a relationship is promoted that improves the level of satisfaction and loyalty. Furthermore, due to the SEM results finding that *relationship* has an indirect negative relationship with *negative behavioural intentions*, the relationship built up by the client does not directly result in reduced switching intentions. Rather, a better is found to result in satisfaction and loyalty and *due to this* result in the likelihood of switching being reduced. It therefore suffices to say that improving the bank-client relationship (through the items defining the construct) improves client satisfaction and loyalty which in turn reduces the intention of clients to switch banks.

Furthermore, because the *client satisfaction and loyalty* construct was found to have a negative relationship with the negative behavioural intentions construct, if satisfaction and loyalty improves, the less likely a client will consider switching to another bank. The switching behaviour implies a loss in the revenue for the bank. Avoiding such defection (switching) has been shown by the seminal research of Reicheld and Sasser (1990) to have a dramatic effect on organisational profits. The seminal work of Heskett *et al.* (1994) also indicates that client loyalty improves organisational profitability, but that this so-called "service profit chain" is dependent on the satisfaction (and empowerment) of staff. By implication, if contact-personnel are empowered to make speedy decisions pertinent to the client's banking requirements, and they are trained better, they will be able to provide more sound advice and communicate better. Establishing this also promotes trust between the contact-personnel and clients. Of course, the onus is also on the bank to have contact-personnel who are personally driven to be more client-centric because accessibility and effective communication are not always the responsibility of the bank as such. Nevertheless, the findings of this study support the notion that empowered contact-personnel do contribute to improving the bank-client relationship, which in turn is found to positively influence client satisfaction and loyalty and reduce behavioural intentions that, in this case, lead to clients switching banks and the bank losing revenue.

CHAPTER EIGHT

RECOMMENDATIONS AND CONCLUSION

8.1 INTRODUCTION

This study has dealt with the bank-client relationship and focused on specific aspects of the relationship including bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and specific aspects of client-centricity. This was done in a retail banking context and considered the perceptions of both clients and contact-personnel in retail bank branches in the Free State and Northern Cape.

The cornerstone of a successful bank-client relationship is that it must be mutually beneficial. Each party must benefit from the relationship. By offering both banking and insurance products banks have expanded their product and service offerings through the bancassurance model. This has enabled them to offer a more diverse banking and insurance solution to clients and in so doing increase both interest and non-interest (or fee) income. The mutual benefit to the bank-client relationship is that the banking and insurance needs of clients are addressed, while the bank increases revenue.

However, the relationship is not static. It is multidimensional and depends largely on the bank to consistently identify and adapt to the changing needs and consumer behaviour of the client. The flow of information must therefore be reciprocal between the bank and the client. The central role of a bank to collect, store, and disseminate information facilitates information reciprocity and this information collection is facilitated through the multiple interactions between the client and the contact-personnel within the branch. By collecting client information and being sensitive to the specific needs of clients, banks are able to adopt a strategy known as client-centricity. This enables a bank to be proactive rather than reactive to identify revenue generating possibilities.

The bank-client relationship is however not only based on reciprocal information flow. The quality of the service offered to the client plays an important role to improve client satisfaction and loyalty towards the bank. Studies have shown that by improving service quality, client satisfaction and loyalty also improves. In addition to this, behavioural intentions such as repeat purchases and positive word-of-mouth also improve the profitability, reputation and image of the bank. A client-centric approach therefore enables banks to be aligned to the needs of clients.

With this in mind, the following section provides a discussion and recommendations of the major findings.

8.2 DISCUSSION OF THE MAJOR FINDINGS

The primary objective of the study is to provide insight into the nature of the retail bank-client relationship in a client-centric approach. This study is conducted in central South Africa where no previous study of this kind has been done. Previous studies of this kind conducted in South Africa either focus on only high net worth clients (see Abratt and Russell, 1999), a specific aspect of the relationship such as value (see Bick *et al.*, 2004), from only one perspective of the relationship such as contact-personnel (see Bick *et al.*, 2008) or on the implementation of CRM in a retail context (see Berndt et al., 2004). This study is more comprehensive as it investigates the retail bank-client relationship by considering six constructs that are explicit to the relationship itself.[1] These are bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and client-centricity. The major contribution of the study therefore lies in addressing the *retail* bank-client relationship and delves deeply into specific aspects of the relationship starting from the initiation of the relationship through to the loyalty of clients. Furthermore, and perhaps more important, no study of this kind has been done in central South Africa. Given this overarching contribution, the following discussion deals with a discussion of the constructs.

[1] As indicated previously in chapter seven, only three of the six constructs are used for the SEM analysis.

8.2.1 Bank selection criteria

Bank selection criteria are used by clients to initiate the bank-client relationship. The results of the study indicate that all the selection criteria provided are used by clients for selecting a bank for the first time (Kugyte and Sliburyte, 2005). Through an EFA analysis, clients group bank selection criteria into four distinct categories, namely service and image (and reputation), relationship and recommendations, convenience and accessibility, and products and pricing. These groupings indicate that bank selection criteria for clients encapsulate four distinct functions of the retail bank related to respectively improving service quality and image, building mutually beneficial bank-client relationships, providing an accessible distribution network, and providing a product and service offering that is well-priced. These four functions are integrated into retail bank strategy and as the results indicate, form the basis from which the clients group their bank selection criteria.

All four the bank selection criteria groupings are regarded as important for clients when choosing a bank, albeit the degree of importance differs. More specifically, clients regard the image and service-related criteria as the most important selection criteria when selecting a bank for the first time. The image, reputation, and perceptions of service quality that a bank portrays are therefore the most important criteria that clients use when selecting a bank for the first time. Banks must ensure that they maintain an image that promotes a good reputation. This finding is consistent with the conclusions made by Devlin and Gerrard (2004) and Zineldin (1995) that word-of-mouth promotion is a major reason for selecting a bank.

This follows that banks must promote and advertise their service-related awards and accolades in order to promote the image and reputation of the bank. Advertising and word-of-mouth promotion is also highlighted as being a very important reason cited by contact-personnel that formulate the expectations of clients (see table 6.72). By doing so, the bank promotes the acquisition of new clients. Service quality, image and reputation should not be seen by banks as being independent of one another for clients who are considering selecting a bank for the first time. Reputational pressures such as those posed by the publishing of disputes between clients and banks by the Ombudsman for Banking Services can aggravate the reputation and image of a bank. Dispute and conflict resolution especially when it enters the public domain (through, for example, Internet-based portals such as 'Hellopeter' and 'Getclosure!') should be seen to be resolved quickly and efficiently by the bank. Banks should at all costs promote the integrity of their operations through best practices and this should be clearly evident to the public.

Furthermore, given that banks are adopting a client-centric approach and clients are placing more emphasis on receiving a complete one-stop banking solution, it remains important that a bank is seen to offer a wide array of banking products and services and provide consistently superior levels of service. Vanniarajan and Kannan (2008) similarly found service-related criteria such as speed of service, quality of service and personnel efficiency as the most important selection criteria. Also, Lee and Marlowe (2003) provide evidence that poor service quality is a major reason for the switching behaviour of clients. Therefore, superior service quality levels must be pursued with both existing clients and clients banking with other banks who enter the branch for whatever reason. This contributes to encouraging clients from other banks to switch banks. Service quality should be monitored and the usage of a 'mystery shopper' is encouraged to ensure that service levels are maintained by all contact-personnel to all types of clients in the branch.

Although the findings indicate that contact-personnel perceive clients to place more importance (relative to the other selection criteria) on relationship- and pricing-related criteria than what clients actually do when selecting a bank for the first time, care should be taken that these or any other selection criteria are not downplayed by contact-personnel when attracting new clients. The fact that the majority of the clients are retired and older than 51 indicates that their willingness to switch banks is less likely due to the relationship they have with their banks being well-established.[2] Nevertheless, a well-established bank-client relationship does reduce switching costs (Beckett *et al.*, 2000) and a possible explanation for the intention to stay with the bank (see the SEM results) could be based on the loyalty of the client

[2] For an in-depth overview of the biographical profile of both the client and bank respondent groups, refer to section 6.3.1 (d).

respondent group (see response to item 84 in tables 6.45 and 6.47). Further research in locations with an age distribution favouring younger respondents, especially in financial and urban areas, may indicate a specific preference for, for example, pricing-related criteria. This might be particularly prevalent in urban metropolitan areas where clients rely more heavily on electronic-based channels to do their banking. This is a venue for further research.

Referring to specific bank selection criteria, the major difference between the client and bank respondent groups is that the clients regard trust and recommendations as less important than what contact-personnel perceive clients to do. A possible explanation for this is the composition of the client respondent group being mostly over the age of 51 and retired, suggesting that they would most likely not be looking to switch to another bank and recommendations not being important. Although this finding does not imply that clients do not regard trust and recommendations as important *per se*, but rather less important compared to the contact-personnel, the studies by Babakus *et al.*, (2004) and Zineldin (1995) indicate that trust is a vital criteria used for the purchase of financial services. So, although trust is perceived to be *relatively* less important for clients than for contact-personnel, the fact that a large part of the client respondent group are loyal *and* long-standing clients with the bank reflects the trust for their banks.

Nevertheless, the results do indicate that clients regard a relationship with someone in the branch as important when they consider selecting a bank. Contact-personnel must therefore ensure that they are accessible to clients and the notion of building a 'relationship' with clients must not be restricted to only the personal banker (or account managers). All contact-personnel must be proactively involved to build a relationship as this provides the platform to identify cross-selling opportunities. If a client forms a relationship with a contact-personnel member other than the personal banker who opens and manages the account of the client, sales 'leads' must be communicated to the personal banker in order to capitalise on additional product or service sales. The personal banker responsible to manage a particular client's portfolio must be seen as the final port-of-call *vis-à-vis* the cross-selling of banking products and services. Clearly, however, in order to fully maximise this, the co-operation between all contact-personnel must occur in order to ensure that all sales opportunities are not only identified, but also capitalised upon.

8.2.2 Service quality

Although the two respondent groups mostly agree that all the dimensions of service quality are important, the *extent* of the importance differs. A statistical analysis indicates that there is a significant difference (see the MANOVA results in table 6.36) between the overall perceptions of service quality between the two respondent groups. Clients perceive overall service quality to be better than what bank contact-personnel perceive clients to perceive. This indicates that the contact-personnel are underestimating the quality of their service delivery in the branches.

When the specific dimensions of service quality are considered, *only* the empathy dimension does not reflect any statistical significance. In other words, contact-personnel feel they are providing personalised care and attention for clients and in turn, clients perceive this to be the case. All this is a positive finding for banks, the remaining dimensions of service quality indicate a statistical significant difference between the perceptions of clients and contact-personnel. Based on the items measuring the empathy dimension, bank contact-personnel are therefore caring and provide personalised attention to clients. These findings are similar to those of Nielsen *et al.* (1998) and Avkiran (1994, 1999) who specifically highlight the "interpersonal relationship" between the client and contact-personnel as determining high levels of service quality in banks.

Conversely, these findings are the opposite of Yavas (2007) who concludes that contact-personnel are not in "touch" with clients. Personalised attention enables contact-personnel the opportunity to identify specific needs of clients and thus identify cross-selling opportunities. It also enables information reciprocity between the contact-personnel member and client. By being empathetic and providing personalised attention to clients, the bank collects client information that not only identifies cross-selling opportunities, but also possible behavioural intentions by the client. Therefore, this has the potential to mitigate risk *and* identify revenue generating possibilities (as suggested by the model proposed in diagram 4.3).

In view of the importance clients place on the tangibles dimension of service quality in the cluster analysis, the physical branch environment must be conducive to not only attract new clients, but to empowering the contact-personnel to address the needs of clients. Contact-personnel are not external marketers as such – that is, they do not proactively seek business outside the branch environment. Rather, they are able to collect client information based solely on the relationship they build with walk-in clients who enter the branch. Therefore, the branches must be appealing and inviting as this promotes professionalism and efficiency within the branch environment. Promotional material must also be present and the branch must be neat and tidy at all times. By ensuring that the physical branch environment is presentable and professional, trust is encouraged. These findings support the conclusions of Ndubisi (2007), Martin-Consuegra and Esteban (2007), and Avkiran (1994, 1999), and are vital for a mutually beneficial bank-client relationship especially in the provision of highly complex and perceived to be risky purchase of financial services (Babakus *et al.*, 2004).

However, a smooth functioning physical branch environment is not possible if the processes and policies that the back-office support personnel provide are not conducive to prompt service delivery for contact-personnel. If contact-personnel receive the necessary support from back-office, the perceived reliability and responsiveness of contact-personnel will be enhanced and higher levels of perceived service quality, client satisfaction, and client loyalty will be promoted. Bank management must ensure that there is a good working relationship between sales-and-service-driven contact-personnel and process-and-administration-driven back-office personnel. If contact-personnel have more confidence in the back-office process that they depend on to deliver services to clients, they will become more reliable and responsive to the needs of the clients. Service-level agreements between the sales and support departments within branches must be conducive to quick turnaround time so that clients perceive the bank to be efficient. If the turnaround time is not communicated to the client, processes must be in place ensuring that the client is informed about the delay. Constant communication between the contact-personnel and client is essential to ensuring that perceived service quality is maintained. Constant communication is also important due to the complex nature of banking services and processes. This follows that promises made to clients must be kept at all times. The necessary support through either an administrative assistant or a more client-focused process is central to achieving this.

Contact-personnel must be empowered through the necessary support [such as for example technology, administrative support or efficient processes (see Avkiran, 1999)] to address the needs of clients because word-of-mouth (and thus image and reputation of the bank) drives client expectations of service quality. Failure to do this will promote negative behavioural intentions such as unfavourable word-of-mouth from clients that will adversely affect the image and reputation of a bank. As indicated above, perceptions *vis-à-vis* the image and reputation of the bank has been found to be an important factor clients use when selecting a bank for the first time. Any negativity relating to this could hamper new client acquisitions.

Furthermore, service delivery must be as predictable and consistent as possible (see Frei, 1999). This study finds that clients are satisfied and loyal to their main bank (see table 6.42, item 83 and table 6.47, item 84) and also highly satisfied that the bank performs the service they claim to (see item 69 in table 6.33). Given the nature of services this is difficult to achieve and provides more reason why contact-personnel must be empowered to address the needs of clients. The complex nature of financial services implies that if the service delivery is predictable, more certainty is created with the interaction process and workings of the bank products and services (see Gustaffson *et al.*, 2005; Yavas *et al*, 1997).

The challenge for banks is allowing enough flexibility to address client needs, whilst ensuring that the processes and policies encapsulating the delivery of those services are well-defined. This further supports the notion that the service delivery process must be customised to meet the changing needs of clients, yet be predictable enough to avoid frustration and negative behavioural intentions from clients (see the conclusions on client-centricity in chapter two). Over 85 per cent of contact-personnel feel that their bank does empower them to address the needs of clients (see table 6.71). The empowerment of contact-personnel is imperative to achieving this as they offer the point of contact and interaction with the clients and are able to collect client information. Customisation builds predictability and consistency into the service delivery process which is particularly important when multiple interactions occur between bank contact-personnel and clients.

Besides focusing on the dimensions of service quality as such, contact-personnel must place emphasis on building family relationships with their clients as this encourages clients to stay at their main bank. Therefore, contact-personnel must encourage clients to open and cross-sell accounts for their immediate families and strive to keep these accounts at the bank. The immediate family of the clients also provides an ideal platform from which to cross-sell and improve overall revenue generated from the family.

8.2.3 The nature of the relationship and client-centricity

Banks should not underemphasise the importance of the family as an entity as opposed to the individual client when dealing with clients because the family unit provides an opportunity to cross-sell. It should be kept in mind that the importance of the family relationship within the context of a study as this might be due to the fact that in the smaller rural-based towns such as Bethlehem and Kroonstad there is not an abundance of choice when it comes to competitor banks and branches of their main bank. In other words, when a family opens a bank account at, say, Nedbank in Bethlehem, there is only one Nedbank branch and only one branch for each of the competing other three banks of the Big Four. A bank is more likely to acquire family relationship-based accounts in smaller rural towns than in bigger urban cities due to a lack of choice, not only of other banks, but also of other branches of the bank the client banks with. This is supported by the fact that clients in the study are loyal and most of them have bank accounts at their main bank for longer than 20 years (see table 6.19). This situation warrants further research, especially if client loyalty is associated with a specific brand or, alternatively, with the contact-personnel in the branch.

A further aspect of the bank-client relationship evident from the findings is that clients would stay at their main bank due to their contractual obligations to, for example, credit agreements, and also the effort associated with moving to another bank (see tables 6.51, 6.52 and 6.54). Contact-personnel must ensure that they capitalise on this opportunity to retain clients and increase the revenue per client over a period of time. As the literature and findings of this study indicate, service quality must be integral to keeping clients at a bank and cross-selling must be encouraged to create barriers for the clients to not switch banks (see Singhal and Vij, 2006; Staikouras, 2006; Bergendahl, 1995). However, banks must ensure that they create a service environment that promotes client satisfaction and loyalty whilst at the same time cross-selling additional products and services. Due to the high resistance to switch as indicated in the study, the loyalty of the clients may result in them not switching, but be unsatisfied due to the service quality not being of a high standard. A possible side-effect of this is negative word-of-mouth and with competitor banks advertising that they move client accounts at their own expense and effort, switching banks may be encouraged. This is a common strategy banks use to attract new clients and encourages clients to switch, because the effort associated with switching is made by the bank trying to acquire the client. As a result, the client's willingness to switch to another bank might increase due to the less effort. Again, however, cognisance is taken of the composition of the majority of client respondents being older than 51 years of age and retired. It would be expected that this client segment would exhibit a reluctance to switch banks given an established relationship with their existing bank. Further research to verify this is needed.

A further tactic to encourage family relationships is to target the account where the salary (or pension) of clients is paid into. This account was indicated by most of the clients as the one used to define a particular bank as their main bank (see table 6.58). Care should be taken not to necessarily regard a specific account as being the reason why clients regard a bank as their main bank, but rather the account where their salary is paid into. From a practical point of view, contact-personnel must adopt a strategy where the breadwinner(s) of a household is (are) targeted. By doing this, it not only creates an incentive to attract the entire family, but also increases cross-selling opportunities (see Lee and Marlowe, 2003; Mester *et al.*, 1998). The findings of Bauman *et al.* (2007) conclude that a satisfied retail client not only improves the likelihood to recommend a bank, but also to stay with the bank for long periods of time. By acquiring new clients and keeping them satisfied, word-of-mouth recommendations increase and so too does loyalty.

The personal banker and manager of the branch are considered the most important relationship in the branch. They must therefore be accessible, or at least (in the case of the manager) be accessible upon appointment. Also, the manager must be seen to be actively involved in situations where unresolved queries are escalated to management. This recommendation is proposed in order to improve the reliability and accessibility of both the personal banker and manager.[3] This follows that contact-personnel must in general be accessible. If they are not, it must be communicated to clients what the expected waiting time to be assisted is likely to be. A floor manager who monitors client activities in the branch is a possible solution to this. The floor manager is particularly useful during busy times of the month when the branches are congested. Contact-personnel must be empowered to do their jobs quickly and efficiently in order to fully service the requests of clients. This follows that contact-personnel and in particular sales personnel (personal bankers) must not be overburdened with administrative (paperwork) responsibilities that detract from addressing the needs and requests of clients. This hinders contact-personnel from identifying cross-selling opportunities.

From a management perspective, the study found that communication from senior management[4] to branch management is not always aligned. In particular, smaller rural-based branches feel that senior management do not always communicate with them in the same way that larger urban branches are communicated with. Granted that different branches attract different types and volumes of assets or liabilities and thus have different 'micro' strategies in their particular area, the over-arching strategy

[3] Given the demographic composition of the client sample, functional contact-personnel (such as tellers and information clerks) were also considered important relationships.
[4] That is, management that is not in the branch that drives decision-making and strategy of the bank.

driving each branch is however the same. Smaller branches that contribute less to overall bank revenue must not be sidelined and be treated differently to larger, more profitable branches. Senior management must therefore communicate with *all* branches and the expectations for each branch must be clear.

8.2.4 Relationships, client satisfaction, and client loyalty

The SEM found that the relationship dimension of service quality has a positive relationship with client satisfaction and loyalty. A similar study by Lee and Hwan (2005) finds similar results and a further study by Ndubisi (2006) finds that relationship-based factors does lead to satisfied clients based on factors such as trust, communication, and service satisfaction. The findings of this study complement these findings. In other words, given that the relationship dimension in this study measures aspects of the bank-client relationship such as trust, effective communication, accessibility, advice, and efficient decision-making of contact-personnel in specific banking activities, if these aspects are present the client will become more satisfied and loyal to the bank. These findings add to these findings and further indicate that if clients are both satisfied and loyal, their likelihood to engage in negative behavioural intentions diminishes. Put differently, the SEM found that if client satisfaction and loyalty increases, clients will be *less likely* to engage in negative behavioural intentions associated with switching to another bank. Therefore, if bank clients are satisfied and in turn loyal, they will less likely consider switching, which implies that the client remains on the book of the bank and enables the bank to engage in cross-selling opportunities. This supports the seminal work of Heskett *et al.* (1994) that the satisfaction and loyalty of clients positively influence profitability, in this case, increasing cross-selling initiatives.

Furthermore, the relationship dimension was also found to have a moderating effect on negative behavioural intentions through client satisfaction and loyalty. In other words, if the relationship aspects are present (as measured by the items within the relationship dimension), due to clients being satisfied and loyal, they will less likely engage in negative behavioural intentions associated with considering or actively switching banks. Building mutually beneficial bank-client relationships are therefore found to improve client satisfaction and loyalty and reduce the willingness of clients to switch banks. These findings provide more support that contact-personnel must be empowered to provide these aspects of the relationship identified by the relationship dimension.

Given the above discussion, the primary of objective of the study was to investigate the nature and dynamics of the retail bank-client relationship in central South Africa. The major findings on the six constructs are discussed above. More specifically, the secondary findings related to the secondary objectives of the study are as follows:

TABLE 8.1

THE MAJOR FINDINGS ADDRESSING THE OBJECTIVES OF THE STUDY

To provide an overview of the changing nature of banks to become more client-centric in nature.	• Clients are more demanding and hands-on in the bank-client relationship. • Banks have become more comprehensive financial services providers. • Cross-selling of banking and insurance-related products and services addresses the financial services needs of retail clients and increases revenue for a bank.
To provide an overview of the importance of service quality in the bank-client relationship.	• Service quality is the most important aspect of the bank-client relationship as seen by the clients and the contact-personnel of banks. • Service quality along with the image and reputation of the bank is the most important reason retail clients would select a bank for the first time. • The quality of the service provided by the banks in central South Africa is high.
To compare the perceptions of clients with contact-personnel of bank selection criteria, service quality, client satisfaction, client loyalty, and the nature of the bank-client relationship.	• Retail clients regard service quality, image and reputation as the most important bank selection criteria, whereas contact-personnel regard recommendations, relationships, and pricing as the most important. • The perceptions of clients and contact-personnel differ on all the dimensions of service quality except empathy; that is, both groups only agree that contact-personnel are caring and empathetic to the needs of clients. On all other dimensions the perceptions of service quality of clients are better than those of contact-personnel. • The clients are more satisfied and loyal with their main bank than contact-personnel perceive them to be. • Clients will not stay at their main bank due to their parents opening an account

	for them, being contractually bound, or due to the effort associated with switching banks. • The main bank account for a client is the account where their salary or pension is deposited into. • Clients regard a relationship with contact-personnel in the branch as important.
To identify the most important aspects of client-centricity identified by contact-personnel in retail bank branches to determine whether or not they are empowered to be client-centric.	• Contact-personnel feel that the advertising and marketing campaigns of the bank is the major driver of the service expectations of clients. • Contact-personnel must have the support of management and back-office administrative personnel to ensure they are client-centric. • Contact-personnel acknowledge the importance of service quality and the explicit requirement to address the needs of clients in a client-centric driven strategy.
To identify tools or problem areas to improve and empower the ability of contact-personnel to be more client-centric in retail bank branches.	• Contact-personnel feel that management does in general empower them to be client-centric. • The most important tools regarded by contact-personnel to be client-centric is that client information systems must be up-to-date, there must be support from the back-office, and management must support the contact-personnel in the service delivery process.
To identify whether or not a relationship (through SEM) exists between a bank's relationship with clients, the satisfaction of these clients, and their intention to be loyal to the bank.	• Trust, effective communication, accessibility, advice, and efficient decision-making of contact-personnel in specific banking activities, all result in retail clients becoming more satisfied with their main bank. • If retail clients are more satisfied with their main bank, they are more loyal to their main bank. • If the retail clients are more loyal to their main bank, they will be less likely to switch to alternative banks and will also be less likely to engage in behaviours that indicate the likelihood of switching to other banks.
To critically analyse the overall perceptions of clients and the perceptions of bank contact-personnel of clients *vis-à-vis* the bank-client relationship.	• The perceptions of the retail clients are statistically different to those of the bank contact-personnel. • The perceptions of clients are statistically better *vis-à-vis* the relationship in general when compared to the perceptions of contact-personnel.

To critically analyse whether or not South African banks are effective in their claim to be client-centric.	• The three banks included in this study all offer levels of service quality that is better than what they perceive clients to experience. • The banks also have clients that are more satisfied and loyal than what they perceive clients to be. • Contact-personnel feel they are empowered to be client-centric. • The banks are therefore effective in their claim to be client-centric.

8.3 MANAGERIAL IMPLICATIONS

Given the above discussion, the following managerial implications are proposed for the retail bank management functioning in central South Africa:

- Service quality, and in particular, perceptions of service quality are crucial to acquiring new clients. The study consistently found service quality to be a very important aspect of the retail bank-client relationship and in this case, even before the relationship is initiated. Contact-personnel must ensure that service quality levels are maintained to all clients entering the branch throughout operating hours. This applies to both existing clients and those from another bank. If service quality levels are maintained, the image and reputation of the bank is enhanced and encourages clients from other banks to switch from their current bank based on improved perceptions of service quality. High levels of service quality that are predictable and customised will encourage the attraction of clients from other banks and in so doing, increase the number of clients on the books of the bank.

- Banks need to capitalise on the good work they are doing in terms of service quality. For the responsiveness, reliability, assurance, tangibles, and relationship dimensions of the service quality construct, the perceptions of clients exceed those of the bank contact-personnel. In other words, clients perceive the service quality from their specific branches as being better than what contact-personnel perceive it to be for clients. Although this is a positive result for the banks' ability to provide high levels of service quality, it implies that banks might be committing resources to improve service quality without realising that on several fronts they are doing better than what they perceive it to be. The contact-personnel must ensure that the good work they are providing in terms of service quality leads to the uptake of new products and services by clients. Cross-selling must be an explicit outcome from the high level of service quality and branch management must identify contact-personnel (and specifically personal bankers) who do not generate revenue through cross-selling. The results of the study indicate clearly that in terms of service quality, client satisfaction, and client loyalty, the bank is doing much better than what it thinks it is doing.

- It is recommended that the administrative-focused back-office in a branch must be aware of the challenges facing contact-personnel to deliver a high level of service quality. Conversely, contact-personnel must be aware of the challenges posed to back-office personnel to deliver the requests of contact-personnel. The study finds that contact-personnel feel they are in general empowered to address the needs of clients. As such, the front- and back-office personnel must not function in isolation of one another. They are mutually dependant on each other and both contribute either directly or indirectly to the perceptions of service quality generated by clients. This is especially so because clients are in most cases not aware of the administrative process required to meet their requests. For clients, contact-personnel are the 'face' of the bank and perceptions of service quality are generated by the perceived ability of these contact-personnel to address the requests of clients. Therefore, due to the inter-dependence of the two departments, a concerted effort is required from branch managers to manage the two departments in a way that promotes high levels of service quality in the branch. If this is managed effectively and the service delivery process is customised, service delivery becomes more predictable and improves the reliability and responsiveness of contact-personnel to address the needs of clients.

- The clients in the study are more satisfied and loyal than what contact-personnel perceive them to be. This creates an opportunity for contact-personnel to capitalise on this by ensuring that they cross-sell as thoroughly as possible. Long-standing clients should in particular be targeted and their product portfolios be investigated to identify further cross-selling opportunities. Family relationships must be identified to further increase cross-selling opportunities. This is possible due to banks having access to personal information of clients and in particular, access to spending patterns. For example, spending on credit at another bank can be identified due to being privy to proprietary information and the bank can create an incentive for the client to switch banks through competitive counter-offerings. This will not only further contribute to satisfaction and loyalty, but increase the revenue generated from these clients.

- The physical branch environment is an important aspect for the perception of service quality by the clients. Branches should reflect the professional context that banks try to exhibit and the branch manager must be seen to be accessible and actively involved in the daily operations of the branch. This implies that the floor plan must be clearly demarcated, signage must be visible, contact-personnel must be dressed neatly in corporate wardrobe, and the equipment used by contact-personnel must be state-of-the-art and reflect the technologically advanced service offering of the bank. Central to achieving this is the adherence to the corporate image and branding of the bank. Given that this study was conducted in central South Africa in an explicitly non-metropolitan/urban context, contact-personnel and branch infrastructure in this region must be comparable to those in metropolitan-based branches. This will not only maintain perceptions of comparability between branches anywhere in South Africa, but improve the association that clients have with the branding of a bank and improve bank reputation and profitability.[5] Given that the reputation and image (along with service quality) of the bank is regarded by clients as the most important bank selection criteria, this strategy will also encourage the acquisition of new clients.

- Although banks are providing a high level of service quality and in general empowering contact-personnel to address the needs of clients, it is proposed that the empowerment of contact-personnel must be central to being client-centric.

[5] See Laforet (2010: 230-253).

The most important tools contact-personnel regard as essential to be empowered are client-focused technology, support from line management, and back-office support. The management in a branch must ensure that technology used by clients is easy to use and instructions on usage must be readily available (supported by Krishnan *et al*, 1999). Furthermore, as recommended above, branch managers must support their contact-personnel in the sales process. This implies that contact-personnel must feel at liberty to provide feedback to management of pending and current issues or concerns they have. Communication between contact-personnel and management is essential to ensure that cognisance is taken of what is happening in the branch with regards to client interaction. Communication should therefore be upward from contact-personnel to management as well as downward from management to contact-personnel. It does not help if communication is only horizontal at branch level because the decision-making abilities affecting strategy are driven by senior management and input from contact-personnel must be mandatory to have an effective client-centric strategy. Central to the empowerment of contact-personnel is that the processes they follow must receive the necessary support from management, back-office personnel, and the processes and technology that facilitate the sales process. Open lines of communication must exist between contact-personnel and senior bank management. By empowering contact-personnel to better address the needs of clients, they will become more client-centric in focus.

- Banks cannot afford to underemphasise the importance of the relationship with retail clients as this was found to have a positive relationship with client satisfaction and loyalty. In other words, if the contact-personnel promote trust, communicate effectively with clients, offer sound advice on banking products and services, and offer speedy advice and feedback on client queries, client satisfaction and loyalty improves. This in turn results in clients being less likely to engage in behavioural intentions that promote switching to another bank. Empowering contact-personnel must be a central focal point of branch strategy and must specifically focus on the relationship descriptors identifying the relationship. By focusing on this, the clients become more satisfied and loyal and the bank is able to capitalise on cross-selling opportunities and increase the revenue generated from the client over a period of time.

The requirement to have an explicit communication channel from management (in decision-making positions) to client-facing contact-personnel (who deal directly with clients) is a major contribution of this study. Although Bick *et al.* (2008) focused on the perceptions of retail managers in South Africa, this study is unique as it has taken an explicit dyadic approach – that is, it has gathered information from both parties directly involved in the retail bank-client relationship.

Given these recommendations, the level of service quality perceived by clients is better than what the bank contact-personnel perceive clients to experience. This is a positive result for the banks from this study. This finding should however not result in banks becoming complacent. The banking sector is extremely competitive and although the results indicate that clients are more loyal than what contact-personnel perceive them to be, the level of service quality and the value added through building mutually beneficial bank-client relationships must not be underestimated. Based on the results, banks are in general providing a higher quality product and service proposition than what they believe they are offering clients in central South Africa. Given the mostly rural-based sample area for this study, a likely reason for this is that clients in these areas are more in contact with their branches when compared to larger metropolitan-based branches. This implies that the bank-client relationship in this study is highly valued by both parties due to the bank being easily accessible and multiple interactions between the two parties.

Furthermore, service quality is a vital aspect of the bank-client relationship identified throughout the findings. The focus on service quality must be integral to any relationship-based strategy adopted by the bank as the results of this study indicate that this promotes client satisfaction and loyalty. In fact, the findings indicate that the extent of this satisfaction and loyalty is underestimated by the contact-personnel of the banks.

Although the perceptions of clients and contact-personnel within branches are similar, a statistical analysis indicates that there are significant differences for all the constructs (in particular client satisfaction and client loyalty) especially regarding the extent of the perceptions between the two respondent groups. However, based on the findings of the study, the three South African banks are in general functioning better than what they perceive to be doing, especially regarding service quality, client satisfaction, and client loyalty. The contact-personnel also in general feel that they are empowered to be client-centric. With a few exceptions as discussed above, the findings of the study indicate that the banks who participated in this are able to claim that they are client-centric.

8.4 LIMITATIONS OF THE STUDY AND PROPOSALS FOR FUTURE RESEARCH

This study provides valuable insight into the bank-client relationship in a retail banking context, especially within the context of the six constructs that were analysed in central South Africa. The perceptions of the clients and contact-personnel were compared and this provided insight into the major differences between the perceptions of the two respondent groups.

There are however certain limitations to the study. Firstly, the demographic composition of the client respondent group does not reflect the age and racial distribution of the South African population in this region and for the entire South Africa for that matter. The main reason for this is that landline telephones were used to collect the client data. It is proposed that future research uses cell phone listings as the cell phone is the preferred telephonic channel of the majority of the South African population; specifically, if telephone interviews are the chosen channel for data collection as opposed to personal interviews or mailed questionnaires.

A further limitation is that the study is conducted in central South Africa and only within five cities or towns. Strictly speaking, the results cannot be generalised for the entire South Africa. There are several smaller towns in this region that were not included in the study due to the cost implications and also due to the Big Four banks not being situated in all the smaller towns. Therefore, the costs associated with collecting data in a large geographical area such as that used for this study are an important consideration. Nevertheless, the questionnaires used for data collection can be used for further studies in neighbouring provinces or cities in South Africa. A study comparing the findings of this study with similar or larger provinces can provide useful information of the bank-client relationship in different geographical contexts. However, it is suggested that these findings can provide insight into smaller and more comparable provinces such as the Eastern Cape, Northern Cape, or Mpumalanga. Indeed, a comparative study that compares regions similar to central South Africa to larger more urban and wealthy provinces such as Gauteng, Western Cape, and Kwazulu-Natal may well produce unique differences in the perceptions of clients and contact-personnel within the context of the retail bank-client relationship. Of course, cognisance must be taken of the composition of the cities and towns that are used in the data collection in order to ensure comparability, especially regarding the contribution of the respective city/town to provincial economic output, as was done in this study.

Thirdly, this study is quantitative in nature. Insight into the bank-client relationship is based on rankings and a pre-determined hypothesis of expected answers (responses) from clients. It might be argued that the nature of a relationship is not as 'mechanical' as this, especially given that the bank-client relationship is multidimensional and complex in nature. Future research could therefore consider using a qualitative approach to extract information of the relationship that a quantitative study is not able to do. This is especially possible with personal interviews and small focus groups where pertinent aspects of the relationship can be discussed in detail. Cost and time considerations would be central to using such a methodology.

Fourthly, only three of the Big Four banks were willing to participate in the study. Future research must aim to include all of the Big Four banks and even consider comparing the results with niche banks in South Africa, such as Capitec and Investec. Furthermore, future research similar to this study will contribute to identifying market segments and specific traits of the bank-client relationship within these specific market segments for personal (retail) banking at both the lower and upper end of the income scale.

Furthermore, further research should be done to ascertain whether clients perceive service to be associated with a particular person (contact-personnel member) or the 'bank' as such. In other words, when a client perceives good (or bad) service, the question remains whether it is associated with the 'bank' providing this good (or bad) service or the actual person providing the service. This insight will provide an indication of the perceptions clients have of service quality and resultantly word-of-mouth tendencies. The hypothesis could be investigated that negative service quality perceptions associated with the 'bank' are more harmful to the image and reputation of a particular bank than negative perceptions associated with a particular personnel member at the bank

Central to these recommendations is the constant pursuance of excellent service quality to result in a mutually beneficial bank-client relationship. By focusing on service quality, these recommendations will encourage clients to consider selecting a particular bank and subsequently become satisfied and remain loyal to the bank. This will improve the revenue for the bank and be beneficial to both the bank (by increasing revenue-generating sources through cross-selling initiatives) and client (due to the bank addressing the needs of the clients). Contact-personnel must be empowered to address the needs of clients by having processes and policies that are client-focused. In other words, the empowerment must promote speed of service delivery and exactly addressing client requests. Banks must however be able to deliver on the requests of clients, especially if the requests are based on claims that the bank has made which have formulated the expectations of clients. All the branches must be empowered. This is a challenge to the management of smaller rural-based branches because they do not necessarily contribute to regional profitability to the extent that larger metropolitan-based branches do. These smaller branches must not be side-lined because the perceptions of clients are formulated based on their experiences in a branch and specifically with contact-personnel whether the branch is, for example, in rural-based Kroonstad or metropolitan-based Sandton.

8.5 CONCLUSION

The nature of a bank to collect, store, and disseminate information enables it to identify the entire product and service portfolio of a particular client. In doing this, it is able to identify further revenue generating opportunities through cross-selling additional products and services to clients. The contact-personnel of the bank facilitate this process and form an integral component of the bank-client relationship.

This study has found that clients attach importance to a relationship of some form with contact-personnel in branches. And although a 'relationship' item or construct as such was not the most prominent or important in all cases, aspects of it are usually evident throughout the findings as being important. The role of contact-personnel is therefore crucial to ensuring mutually beneficial bank-client relationships. Contact-personnel must be empowered to achieve the client-centric strategy outlined by the bank. But in order for this to occur, the sales and administrative burden placed on contact-personnel must be managed effectively to ensure that they are driven to collect information that identifies the needs of clients. The question that needs to be answered for banks is whether contact-personnel are seen as proactive revenue generators by identifying cross-selling opportunities, or administrative clerks that merely conduct and carry out the needs of clients. The former must be the departure point for a client-centric strategy. Contact-personnel must be proactive and identify cross-selling opportunities. But, they must be empowered to do this through the necessary support from *both* an administrative and sales perspective. They are the first point of contact with the client and the perceptions of service quality; ultimately satisfaction and loyalty are formed through the multiple interactions with the contact-personnel. Bank management must always keep in mind that the complex nature of banking products and services implies that trust is integral to the bank-client relationship. Trust is first and foremost created by the multiple interactions made with contact-personnel. If contact-personnel are empowered and are able to focus on building a mutually beneficial bank-client relationship, the results of this study indicate that client satisfaction and loyalty improves and the willingness to switch falls. Therefore, building mutually beneficial bank-client relationships does promote a long-lasting profitable relationship with the clients of a bank. This, however, is only possible if contact-personnel are able to function within a client-centric context where they are empowered to address the needs of clients.

In general, however, the findings of this study indicate that banks are successful in driving a client-centric strategy in the retail bank-client context in central South Africa. The client respondent group also indicate a much stronger level of satisfaction and loyalty than what the contact-personnel perceive it to be. This serves as a positive result for the banks in this region. However, although the results indicate similar tendencies between the perceptions of contact-personnel and clients, there is a distinct difference when a statistical analysis is conducted. In fact, the results indicate a significant statistical difference in perceptions for most of the constructs analysed. This suggests that banks still have work to do to align the perceptions of in particular contact-personnel to those of clients. By doing this, the bank will be better equipped to address the needs of clients and in so doing become more client-centric. Such a strategy will elevate a bank from being a 'good' bank to becoming a 'great' bank. Although perhaps slightly rudimentary, the bank-client relationship can be summed up by the response of one particular client in the questionnaires: "The bank says it offers certain services. If it says it does, then it must. And it must do so, so that I stay with them not because I have to, but because I want to".[6]

[6] Adapted slightly from the original.

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ANNEXURES[1]

Annexure 1

Bank questionnaire

Annexure 2

Client questionnaire (English)

Annexure 3

Client questionnaire (Afrikaans)

Annexure 4

Ethical declaration document to the banks

Annexure 5

Language editor proof for the translation of the client questionnaire

Annexure 6

Training manual for CDS interviewers

Annexure 7

Cross-tabulation tables per biographical variable

Annexure 8

Language editor proof for the thesis

[1] Due to the page numbers not being altered on the original documents in all the annexures, there are no page numbers provided for each specific annexure. Please use the table of annexures above as a guide to a specific annexure.

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Dear bank staff member,

As a valued part of the branch at Nedbank, your role in interacting with clients is essential to ensure that the bank is able to identify and meet the needs of its clients. With this in mind, this questionnaire sets out to investigate aspects of your relationship with clients in order for you to improve service quality and client relations. If you are willing to participate in this survey, please continue reading below.

PURPOSE OF THE SURVEY

Due to the challenging demands placed on banks to provide quality service to clients and improve client relationships, this study investigates several aspects of a typical relationship between a bank (through its client-facing staff) and its clients. Amongst others, the study investigates what the most important reasons are that clients use to select a bank (in other words, begin a relationship), and what factors keep a client with a bank (in other words, factors relating to service quality, and drivers of customer satisfaction and loyalty).

Kindly complete the questionnaire attached. It must be stressed that all the information you provide will be handled as strictly confidential and only be used for research purposes. No names will be divulged and you are not required to provide your name at all in the questionnaire. Completion of the questionnaire will not take more than 20 minutes of your time and there are no "right" or "wrong" answers. Where applicable, the questions require you to provide your opinion based on what you believe clients experience. Please **answer these questions** as **if you were answering on behalf of your clients.** The instructions will be provided to you for each section. On the following page an outline of the study is provided for your convenience.

Thank you for taking the time to complete this questionnaire.

HEAD RESEARCHER	HEAD SUPERVISOR	CO-SUPERVISOR
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THE STRUCTURE OF THE QUESTIONNAIRE

Before each section these instructions will be provided again and is provided here for your to familiarise yourself with the structure of the questionnaire.

SECTION A: Requires you to provide your personal opinion on why a client would choose a bank for the first time. **Please answer these questions as if you were answering on behalf of clients <u>not</u> banking at Nedbank.**

SECTION B: Requires you to provide your personal opinion of the actual experiences of clients regarding service quality at your bank. **Please answer these questions as if <u>you were a client</u> of Nedbank.**

SECTION C: Requires you to provide your personal opinion of the reasons explaining the nature of the relationship between your bank and its clients. **Please answer these questions as if you were referring <u>to existing clients</u> of Nedbank.**

SECTION D: Requires you to provide your opinion on aspects of service delivery that directly affect your performance when dealing with your clients. **Please answer these questions in your capacity as a <u>staff member</u> of Nedbank.**

SECTION E: Requires you to provide biographical information about your job and work experience.

Please answer the questions as truthfully and fully as you can.

SECTION A

Rank each of the following statements according to your personal view why <u>you personally think a client</u> would choose to bank at Nedbank for the first time. PLEASE CIRCLE THE OPTION MOST APPLICABLE.		Very unlikely	Unlikely	Somewhat unlikely	Neutral opinion	Somewhat likely	Likely	Very likely	NOT APPLICABLE
A1	Nedbank is knowledgeable of banking and insurance products.	1	2	3	4	5	6	7	8
A2	A Nedbank branch is near the home of a client.	1	2	3	4	5	6	7	8
A3	Nedbank charges are low compared to other banks.	1	2	3	4	5	6	7	8
A4	A staff member a client trusts and has built a relationship with at another bank moves to Nedbank and the client follows him/her.	1	2	3	4	5	6	7	8
A5	The parents of the client recommend Nedbank.	1	2	3	4	5	6	7	8
A6	Nedbank branches have a reputation for excellent service.	1	2	3	4	5	6	7	8
A7	Although the client does not bank at Nedbank, when he/she visits a branch he/she is always impressed with the service.	1	2	3	4	5	6	7	8
A8	The products and services offered by Nedbank address the banking needs of the client.	1	2	3	4	5	6	7	8
A9	The interest rates charged on loans and paid on deposits by Nedbank are competitive.	1	2	3	4	5	6	7	8
A10	A client associates him/herself with the image and brand of Nedbank.	1	2	3	4	5	6	7	8
A11	A Nedbank branch is near the work of a client.	1	2	3	4	5	6	7	8
A12	A client personally knows and trusts someone working at a Nedbank branch.	1	2	3	4	5	6	7	8
A13	A work colleague recommends Nedbank to a client.	1	2	3	4	5	6	7	8
A14	Nedbank offers online banking facilities.	1	2	3	4	5	6	7	8
A15	Nedbank has ATMs that are conveniently situated for the client.	1	2	3	4	5	6	7	8
A16	Nedbank staff is friendly.	1	2	3	4	5	6	7	8
A17	A client does not have to wait long in queues at Nedbank for someone to help him/her.	1	2	3	4	5	6	7	8
A18	The media recommends Nedbank.	1	2	3	4	5	6	7	8
A19	Nedbank is recommended to a client from a trusted source.	1	2	3	4	5	6	7	8
A20	Nedbank has branches or ATMs conveniently situated.	1	2	3	4	5	6	7	8
A21	A client has a meaningful relationship with Nedbank staff members.	1	2	3	4	5	6	7	8
A22	Nedbank has competitive interest rates and bank charges.	1	2	3	4	5	6	7	8
A23	Nedbank has a good image and reputation.	1	2	3	4	5	6	7	8
A24	Nedbank provides excellent service.	1	2	3	4	5	6	7	8
A25	The products and services of Nedbank address the banking needs of a client.	1	2	3	4	5	6	7	8

SECTION B

Rank each of the following statements according to your personal view of <u>actual</u> **experiences of existing Nedbank clients when they interact with bank staff members in your branch. PLEASE CIRCLE THE OPTION MOST APPLICABLE.**		Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree	NOT APPLICABLE
B1	The branch layout **[for example teller booths, enquiries desk etc]** is clearly demarcated and easy to understand.	1	2	3	4	5	6	7	8
B2	When clients have a problem the staff show a sincere interest to help them.	1	2	3	4	5	6	7	8
B3	The staff has the knowledge and know-how of bank processes and policy to deal with the queries and concerns of clients.	1	2	3	4	5	6	7	8
B4	Clients trust the staff members who personally deal with their accounts.	1	2	3	4	5	6	7	8
B5	The staff is never too busy to respond to the requests and queries of clients.	1	2	3	4	5	6	7	8
B6	The bank addresses the credit **[or lending]** needs of clients.	1	2	3	4	5	6	7	8
B7	The staff always has the best interests of clients at heart.	1	2	3	4	5	6	7	8
B8	The staff is willing to help clients.	1	2	3	4	5	6	7	8
B9	The bank has the personal and banking information of clients up-to-date and error free.	1	2	3	4	5	6	7	8
B10	Staff provides clients with good advice on their accounts.	1	2	3	4	5	6	7	8
B11	The branch is visually appealing and clean.	1	2	3	4	5	6	7	8
B12	The staff is polite towards clients.	1	2	3	4	5	6	7	8
B13	The staff performs a service correctly the first time.	1	2	3	4	5	6	7	8
B14	Branch staff is always accessible to clients, especially when they need you most.	1	2	3	4	5	6	7	8
B15	The staff gives clients personal attention.	1	2	3	4	5	6	7	8
B16	The staff gives clients prompt and quick service.	1	2	3	4	5	6	7	8
B17	The staff understands the personal banking needs of clients.	1	2	3	4	5	6	7	8
B18	The staff constantly keeps clients informed about the progress of their queries.	1	2	3	4	5	6	7	8
B19	Clients trust Nedbank.	1	2	3	4	5	6	7	8
B20	Staff communicates with clients in a manner that they understand.	1	2	3	4	5	6	7	8
B21	The staff is neatly and professionally dressed.	1	2	3	4	5	6	7	8
B22	Staff keeps the promises they make to clients.	1	2	3	4	5	6	7	8
B23	The staff treats clients as individuals with individual needs.	1	2	3	4	5	6	7	8
B24	The bank has operating hours that are convenient to clients.	1	2	3	4	5	6	7	8
B25	The behaviour and knowledge of the staff instils confidence in clients.	1	2	3	4	5	6	7	8

SECTION B (cont.)

B26	Decisions are made quickly and efficiently.	1	2	3	4	5	6	7	8
B27	Clients feel safe and confident about the staffs' abilities to deal with their concerns.	1	2	3	4	5	6	7	8
B28	The staff performs the service they promise or claim to do.	1	2	3	4	5	6	7	8
B29	The Nedbank branch has modern equipment.	1	2	3	4	5	6	7	8
B30	The branch staff performs a service to clients as promised and accurately.	1	2	3	4	5	6	7	8
B31	The branch staff is always willing to help and provide clients with prompt service.	1	2	3	4	5	6	7	8
B32	The branch staff is knowledgeable and courteous towards clients and convey a sense of trust and confidence to them.	1	2	3	4	5	6	7	8
B33	The branch staff is caring and offer individual attention towards clients.	1	2	3	4	5	6	7	8
B34	The physical facilities, equipment, staff, and communications material of the branch are visually appealing to clients.	1	2	3	4	5	6	7	8
B35	A relationship with branch staff benefits clients.	1	2	3	4	5	6	7	8

SECTION C

Please rank the following statements referring to the relationship between you and your clients as if you were referring to existing clients of Nedbank. **PLEASE CIRCLE THE OPTION MOST APPLICABLE.**		Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree	NOT APPLICABLE
C1	In general, Nedbank clients take active steps [for example visit an alternative bank, find out about other banks, compare fees etc.] to move their accounts to another bank.	1	2	3	4	5	6	7	8
C2	In general, Nedbank clients think of but do not take active steps to move their accounts to another bank.	1	2	3	4	5	6	7	8
C3	In general, Nedbank clients would choose to bank at Nedbank again if they could do it all over again.	1	2	3	4	5	6	7	8
C4	In general, Nedbank clients go out of their way to keep a good relationship with Nedbank.	1	2	3	4	5	6	7	8
C5	Nedbank clients tell people about their positive experiences at Nedbank.	1	2	3	4	5	6	7	8
C6	Nedbank clients tell people about their negative experiences at Nedbank.	1	2	3	4	5	6	7	8
C7	In general, if clients of Nedbank have an account(s) at another bank, they do not want you to know about this account(s).	1	2	3	4	5	6	7	8
C8	Provide possible reasons for your answer to C7.	1. 2.							
C9	In general, Nedbank clients are satisfied with the way they are treated by Nedbank.	1	2	3	4	5	6	7	8
C10	In general, Nedbank clients are loyal to Nedbank.	1	2	3	4	5	6	7	8

C11	Why do you think this is so? (Please provide at least 2 reasons.)	1. 2. 3.

SECTION C (cont.)

Please read the applicable question and then rank each statement from 1 to 7 best explaining your opinion. Please answer these questions as if you were referring to **existing clients of Nedbank**. **PLEASE CIRCLE THE NUMBER MOST APPLICABLE.**		Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree	NOT APPLICABLE
	QUESTION: WHY DO YOU THINK CLIENTS CONTINUE BANKING AT NEDBANK?								
C12	They feel contractually bound due to the debt they have at Nedbank.	1	2	3	4	5	6	7	8
C13	In certain cases, their parents opened an account for them at Nedbank when they were younger and don't feel the need to move to another bank.	1	2	3	4	5	6	7	8
C14	Nedbank has helped them in the past when they needed a bank most.	1	2	3	4	5	6	7	8
C15	It is too much effort to move to another bank so they stay at Nedbank.	1	2	3	4	5	6	7	8
C16	The service at Nedbank is excellent.	1	2	3	4	5	6	7	8
C17	The products and services Nedbank offers address their needs.	1	2	3	4	5	6	7	8
C18	The pricing (bank charges and interest rates) at Nedbank is competitive	1	2	3	4	5	6	7	8
C19	They have a good relationship with the staff at the Nedbank branch.	1	2	3	4	5	6	7	8
	QUESTION: WHY DO YOU THINK CLIENTS WOULD REGARD NEDBANK AS THEIR MAIN BANK?								
C20	Their cheque account is at Nedbank.	1	2	3	4	5	6	7	8
C21	Their home loan is at Nedbank.	1	2	3	4	5	6	7	8
C22	Most of their accounts are at Nedbank.	1	2	3	4	5	6	7	8
C23	They receive good service from Nedbank.	1	2	3	4	5	6	7	8
C24	The account where their salary or pension is deposited into is at Nedbank.	1	2	3	4	5	6	7	8
C25	They have a good relationship with the staff at the Nedbank branch.	1	2	3	4	5	6	7	8
	QUESTION: RANK THE IMPORTANCE (1 BEING LEAST IMPORTANT AND 7 MOST IMPORTANT) OF HAVING A RELATIONSHIP WITH EACH OF THE FOLLOWING BRANCH STAFF MEMBERS FROM THE PERSPECTIVE OF THE CLIENT.								
C26	A personal banker who deals with their account(s)	1	2	3	4	5	6	7	8
C27	Tellers	1	2	3	4	5	6	7	8
C28	The branch manager	1	2	3	4	5	6	7	8
C29	The enquiries/information clerk	1	2	3	4	5	6	7	8
C30	Back-office staff	1	2	3	4	5	6	7	8
C31	Anyone else in the branch, but no-one specific	1	2	3	4	5	6	7	8

C32	Can you provide possible reasons for your answers to questions C26 – C31?	1. 2. 3.

SECTION D

In **your capacity as an employee of Nedbank**, please read the following questions and answer them according to what extent you agree or disagree with the statements. **PLEASE CIRCLE THE OPTION MOST APPLICABLE.**		Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree	NO T APPLICABLE
D1	Nedbank trains you well enough to **identify** the needs of your clients.	1	2	3	4	5	6	7	8
D2	Nedbank trains you well enough to **address/meet** the needs of your clients.	1	2	3	4	5	6	7	8
D3	Nedbank management emphasizes the importance of improving the service delivery process in branches.	1	2	3	4	5	6	7	8
D4	Nedbank management encourages you to make suggestions regarding innovative new ideas or improving service delivery processes in the branch.	1	2	3	4	5	6	7	8
D5	Nedbank management places emphasis on identifying the needs of your clients.	1	2	3	4	5	6	7	8
D6	Nedbank management empowers you to be able to address the needs of your clients.	1	2	3	4	5	6	7	8
D7	You have up-to-date information about your clients.	1	2	3	4	5	6	7	8
D8	The products and services offered by Nedbank address the needs of your clients.	1	2	3	4	5	6	7	8
D9	The expectations that Nedbank clients have about service is realistic.	1	2	3	4	5	6	7	8
D10	Please choose the most likely reason that in your opinion explains what creates the expectations of Nedbank clients regarding service. Circle your choice (please choose only one).	1 = Nedbank through its advertising and marketing campaigns. 2 = Word-of-mouth by existing clients. 3 = The focus on service by the banking industry. 4 = Clients are not loyal and good service keeps them at Nedbank. 5 = Other (Please specify): ____							
D11	The expectations that Nedbank clients have about their banking products are realistic.	1	2	3	4	5	6	7	8
D12	Do you feel other banks address the needs of clients better than Nedbank does?	1 = YES				2 = NO			
D13	If yes, please name a bank other than your own that you feel BEST addresses the needs of clients.	Name of bank:							
D14	Can you provide any reasons why you chose this bank?	1. 2.							
PLEASE RANK THE IMPORTANCE OF EACH OF THE FOLLOWING TOOLS OR MECHANISMS (1 BEING 'NOT IMPORTANT AT ALL' AND 7 BEING 'EXTREMELY IMPORTANT') THAT CAN BE USED TO EMPOWER YOU TO SUCCESSFULLY ADDRESS THE NEEDS OF YOUR CLIENTS.									
D15	Computer systems/programmes that better assist you to help clients.	1	2	3	4	5	6	7	8
D16	Support from your line manager.	1	2	3	4	5	6	7	8
D17	Support from your regional manager.	1	2	3	4	5	6	7	8
D18	Support from operations/administrative/back-office staff members.	1	2	3	4	5	6	7	8

SECTION D (cont.)

D19	More realistic and achievable Key Performance Indicators (KPIs) or targets on your performance appraisal.	1	2	3	4	5	6	7	8
D20	Easier to follow and/or better defined internal processes.	1	2	3	4	5	6	7	8
D21	More staff members that can assist clients.	1	2	3	4	5	6	7	8
D22	Up-to-date client information on the bank database.	1	2	3	4	5	6	7	8
D23	An assistant to help you with the paper work and general administration.	1	2	3	4	5	6	7	8
D24	Are there any further 'tools' or mechanisms you feel are important to empower you to address the needs of your clients? Please specify:	1. 2. 3. 4.							

SECTION E

	PLEASE CIRCLE THE OPTION MOST APPLICABLE TO YOU.	
E1	**JOB TITLE** (Please choose one)	1 = Manager 2 = Consultant/banker 3 = Teller 4 = Information/Enquiries clerk 5 = Teller 6 = Other (please specify): ____________
E2	**HOW LONG HAVE YOU BEEN WORKING AT THIS BANK?**	1 = Less than 1 year 2 = 1 to 2 years 3 = 2 to 5 years 4 = 5 to 10 years 5 = 10 to 15 years 6 = Longer than 15 years
E3	**HOW LONG HAVE YOU BEEN WORKING AT THIS BRANCH?**	1 = Less than 1 year 2 = 1 to 2 years 3 = 2 to 5 years 4 = 5 to 10 years 5 = 10 to 15 years 6 = Longer than 15 years
E4	**HOW LONG HAVE YOU BEEN WORKING IN YOUR CURRENT POSITION?**	1 = Less than 1 year 2 = 1 to 2 years 3 = 2 to 5 years 4 = 5 to 10 years 5 = 10 to 15 years 6 = Longer than 15 years
E5	**HAVE YOU WORKED AT ANOTHER BANK BEFORE?**	1 = YES 2 = NO
E6	**IF "YES", PLEASE PROVIDE THE NAME OF THIS BANK.** (If more than one bank, please specify the most recent only)	Name of bank:
E7	**HOW LONG DID YOU WORK AT THIS FORMER BANK?**	1 = Less than 1 year 2 = 1 to 2 years 3 = 2 to 5 years 4 = 5 to 10 years 5 = 10 to 15 years 6 = Longer than 15 years
E8	**PLEASE INDICATE WHAT DIVISION OF THE BANK YOU CURRENTLY WORK FOR.**	1 = Retail 2 = Commercial 3 = Business 4 = Corporate 5 = Wealth 6 = Other (please specify) ____________

SECTION E (cont.)

E9	**POPULATION GROUP**	1 = Black 2 = Coloured 3 = Indian	4 = Asian 5 = White	
E10	**AGE**	1 = Under 18 2 = 18 – 21 3 = 22 – 25 4 = 26 – 30	5 = 31 – 35 6 = 36 – 40 7 = 41 – 45 8 = 46 – 50	9 = 51 – 55 10 = Older than 56
E11	**GENDER**	1 = Male	2 = Female	
E12	**MARITAL STATUS**	1 = Single 2 = In a relationship 3 = Married	4 = Divorced 5 = Staying with partner / life partner 6 = Other (please specify): ______________	
E13	**YOUR HIGHEST QUALIFICATION**	1 = None 2 = Primary schooling (SubA-Std5/Gr1 - Gr7) 3 = Secondary schooling (Std 6-Std10/Gr8-Gr12) 4 = Tertiary Diploma or Certificate 5 = Bachelors/B.Tech degree	6 = Honours degree 7 = Masters degree 8 = PhD 9 = OTHER	

THANK YOU FOR YOUR CO-OPERATION.

Town/City:__________________________________ Questionnaire number:____________

Introduction (READ THIS TO THE CLIENT)

My name is .... and I work for the Centre for Development Support at the University of the Free State. We are currently doing research for the Department of Economics at the university to understand the dynamics of service and the relationship between banks and their clients. Would you be willing to participate in the study? May I just mention that all this information will remain strictly confidential and no personal information will be given to any third party.

IF THE RESPONSE IS "NO", THANK THE RESPONDENT FOR THEIR TIME AND MOVE ON TO THE NEXT RESPONDENT.

[BEFORE YOU BEGIN, MAKE IT CLEAR TO THE RESPONDENT THAT IT MAY APPEAR AS IF CERTAIN QUESTIONS ARE REPEATED (ESPECIALLY IN SECTION A), BUT THAT THIS IS IN FACT NOT THE CASE. STATE THAT YOU WILL PROVIDE CLARITY SHOULD THIS ARISE.]

SECTION E: SOCIO-ECONOMIC BIOGRAPHICAL DATA

1	**Name of client** (From telephone book)		
2	**Telephone number** (From telephone book)		
3	**Population group**	1 = Black 2 = Coloured 3 = Indian	4 = Asian 5 = White
4	**Gender**	1 = Male	2 = Female
5	**Your main bank?**	1 = ABSA 2 = First National Bank 3 = Nedbank	4 = Standard Bank 5 = Other (please specify): ________________

ENUMERATOR DECLARATION

I declare that I have asked this entire questionnaire as it is laid out and as I have been trained. I declare that I have interviewed in accordance with the instructions I received during training. This questionnaire has been fully checked by me.

INTERVIEWER TO PLEASE FILL-IN THE FOLLOWING (in BLOCK letters):

First name	
Surname	

Signature **Date**

SECTION A: BANK SELECTION CRITERIA

I am going to read you several statements relating to possible **reasons why you would choose a bank for the first time**. Please rank these statements from 1 to 7, one being very unlikely and seven being very likely.		Very unlikely	Unlikely	Somewhat unlikely	Neutral opinion	Somewhat likely	Likely	Very likely	NO ANSWER
17	Branch staff is knowledgeable of banking and insurance products.	1	2	3	4	5	6	7	8
18	A branch is near your home.	1	2	3	4	5	6	7	8
19	The bank charges are low compared to other banks.	1	2	3	4	5	6	7	8
20	A staff member you trust and have built a relationship with at another bank has moved to this bank and you would follow him/her.	1	2	3	4	5	6	7	8
21	Your parents recommend the bank to you.	1	2	3	4	5	6	7	8
22	The branch has a reputation for excellent service.	1	2	3	4	5	6	7	8
23	Although you don't bank at the bank, when you visit a branch of theirs you are always impressed with their service.	1	2	3	4	5	6	7	8
24	The products and services offered by the bank address your banking needs.	1	2	3	4	5	6	7	8
25	The interest rates charged on loans and paid on deposits are competitive.	1	2	3	4	5	6	7	8
26	You can associate yourself with the image and brand of the bank.	1	2	3	4	5	6	7	8
27	A branch is near your work.	1	2	3	4	5	6	7	8
28	You personally know and trust someone working at the branch.	1	2	3	4	5	6	7	8
29	A work colleague recommends the bank to you.	1	2	3	4	5	6	7	8
30	The bank offers online banking facilities.	1	2	3	4	5	6	7	8
31	The bank has ATMs that are conveniently situated for you.	1	2	3	4	5	6	7	8
32	The staff in the branch is friendly.	1	2	3	4	5	6	7	8
33	You do not have to wait long in queues for someone to help you.	1	2	3	4	5	6	7	8
34	The media recommends the bank.	1	2	3	4	5	6	7	8
35	A bank is recommended to you from a trusted source.	1	2	3	4	5	6	7	8
36	A bank has branches or ATMs conveniently situated.	1	2	3	4	5	6	7	8
37	You have a meaningful relationship with branch staff members.	1	2	3	4	5	6	7	8
38	A bank has competitive interest rates and bank charges.	1	2	3	4	5	6	7	8
39	A bank has a good image and reputation.	1	2	3	4	5	6	7	8
40	A bank provides excellent service.	1	2	3	4	5	6	7	8
41	The products and services of a bank address your banking needs.	1	2	3	4	5	6	7	8

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

SECTION B: BANK SERVICE QUALITY

I am going to read you several statements relating to **your personal perceptions of the service you receive from the bank staff members you directly interact with at YOUR bank branch, whether it is at one or several different branches**. Please rank these statements from 1 to 7, one being strongly disagree and seven being strongly agree.		Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree	NO ANSWER
42	The branch layout [**for example teller booths, enquiries desk etc**] is clearly demarcated and easy to understand.	1	2	3	4	5	6	7	8
43	When you have a problem the staff show a sincere interest to help you.	1	2	3	4	5	6	7	8
44	The staff has the knowledge and know-how of bank processes and policy to deal with your queries and concerns.	1	2	3	4	5	6	7	8
45	You trust the staff members who personally deal with your accounts.	1	2	3	4	5	6	7	8
46	The staff is never too busy to respond to your requests and queries.	1	2	3	4	5	6	7	8
47	The bank addresses your credit **[or lending]** needs.	1	2	3	4	5	6	7	8
48	The staff always has your best interests at heart.	1	2	3	4	5	6	7	8
49	The staff is willing to help you.	1	2	3	4	5	6	7	8
50	The bank has your personal and banking information up-to-date and error free.	1	2	3	4	5	6	7	8
51	Staff provides you with good advice on your accounts.	1	2	3	4	5	6	7	8
52	The branch is visually appealing and clean.	1	2	3	4	5	6	7	8
53	The staff is polite towards you.	1	2	3	4	5	6	7	8
54	The staff performs a service correctly the first time.	1	2	3	4	5	6	7	8
55	Branch staff is always accessible to you, especially when you need them most.	1	2	3	4	5	6	7	8
56	The staff gives you personal attention.	1	2	3	4	5	6	7	8
57	The staff gives you prompt and quick service.	1	2	3	4	5	6	7	8
58	The staff understands your personal banking needs.	1	2	3	4	5	6	7	8
59	The staff constantly keeps you informed about the progress of your queries.	1	2	3	4	5	6	7	8
60	You trust your bank.	1	2	3	4	5	6	7	8
61	Staff communicates with you in a manner that you understand.	1	2	3	4	5	6	7	8
62	The staff is neatly and professionally dressed.	1	2	3	4	5	6	7	8
63	Staff keeps the promises they make.	1	2	3	4	5	6	7	8
64	The staff treats you as an individual with individual needs.	1	2	3	4	5	6	7	8
65	The bank has operating hours that are convenient to you.	1	2	3	4	5	6	7	8
66	The behaviour and knowledge of the staff instils confidence in you.	1	2	3	4	5	6	7	8
67	Decisions are made quickly and efficiently.	1	2	3	4	5	6	7	8
68	You feel safe and confident about the staffs' abilities to deal with your concerns.	1	2	3	4	5	6	7	8
69	The staff performs the service they promise or claim to do.	1	2	3	4	5	6	7	8
70	The branch has modern equipment.	1	2	3	4	5	6	7	8
71	The branch staff performs a service as promised and accurately.	1	2	3	4	5	6	7	8
72	The branch staff is always willing to help and provide prompt service.	1	2	3	4	5	6	7	8
73	The branch staff is knowledgeable and courteous and convey a sense of trust and confidence.	1	2	3	4	5	6	7	8
74	The branch staff is caring and offer individual attention.	1	2	3	4	5	6	7	8
75	The physical facilities, equipment, staff, and communications material of the branch are visually appealing.	1	2	3	4	5	6	7	8
76	A relationship with the branch staff is beneficial to you.	1	2	3	4	5	6	7	8

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

SECTION C: CLIENT SATISFACTION AND LOYALTY

I am going to read several statements to you indicating **whether you are satisfied and loyal to your main bank**. Please rank these statements from 1 to 7, one being strongly disagree and seven being strongly agree. In-between you may have to provide additional information.		Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree	NO ANSWER
77	You have taken **active steps [eg. visited an alternative bank, found out about other banks, compared fees etc.]** in the past year to move your accounts to another bank.	1	2	3	4	5	6	7	8
78	You have thought of, but **not** taken active steps to move your accounts to another bank in the past year.	1	2	3	4	5	6	7	8
79	You would choose your current main bank again if you could do it all over again.	1	2	3	4	5	6	7	8
80	You would go out of your way to keep a good relationship with your main bank.	1	2	3	4	5	6	7	8
81	You tell people about positive experiences at your main bank.	1	2	3	4	5	6	7	8
82	You tell people about negative experiences at your main bank.	1	2	3	4	5	6	7	8
83	You are satisfied with the way you are treated at your main bank.	1	2	3	4	5	6	7	8
84	You consider yourself to be loyal to your main bank.	1	2	3	4	5	6	7	8
85	Do you have an account(s) at another bank(s) that you don't want your main bank to know about?	1 = YES				2 = NO			
86	If yes, at how many other banks do you have accounts?								
87	**ONLY If "YES" TO Q85:** Which bank(s) is (are) your alternative bank(s)?								

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

SECTION D: NATURE OF THE RELATIONSHIP

I am going to read several questions and statements relating to **<u>how you see your relationship with your main bank</u>**. Please rank these statements from 1 to 7, one being strongly disagree and seven being strongly agree.		Strongly disagree	Disagree	Slightly disagree	Neutral opinion	Slightly agree	Agree	Strongly agree	NO ANSWER
WHY DO YOU STAY AT YOUR MAIN BANK?									
88	You feel contractually bound due to the debt you have.	1	2	3	4	5	6	7	8
89	Your parents opened your account when you were younger and don't feel the need to move to another bank.	1	2	3	4	5	6	7	8
90	The bank has helped you in the past when you needed them.	1	2	3	4	5	6	7	8
91	It is too much effort to move to another bank so you stay.	1	2	3	4	5	6	7	8
92	The service is excellent.	1	2	3	4	5	6	7	8
93	The products and services the bank offers address your needs.	1	2	3	4	5	6	7	8
94	The pricing (bank charges and interest rates) is competitive	1	2	3	4	5	6	7	8
95	You have a good relationship with the staff in the branch.	1	2	3	4	5	6	7	8
WHY DO YOU REGARD _______ AS YOUR MAIN BANK? (refer to question 5)									
96	Your cheque account is at this bank.	1	2	3	4	5	6	7	8
97	Your home loan is at this bank.	1	2	3	4	5	6	7	8
98	Most of your accounts are at this bank.	1	2	3	4	5	6	7	8
99	You receive good service from this bank.	1	2	3	4	5	6	7	8
100	The account where your salary or pension is deposited into is at this bank.	1	2	3	4	5	6	7	8
101	You have a good relationship with the staff in the branch.	1	2	3	4	5	6	7	8
RANK THE IMPORTANCE TO HAVE A RELATIONSHIP WITH EACH OF THE FOLLOWING BANK BRANCH STAFF MEMBERS.									
102	A personal banker who deals with your account(s)	1	2	3	4	5	6	7	8
103	Tellers	1	2	3	4	5	6	7	8
104	The branch manager	1	2	3	4	5	6	7	8
105	The enquiries/information clerk	1	2	3	4	5	6	7	8
106	Back-office staff	1	2	3	4	5	6	7	8
107	Anyone else in the branch, but no-one specific	1	2	3	4	5	6	7	8

108. HOW MANY ACCOUNTS DO YOU HAVE AT YOUR MAIN BANK? ________________

109. IF YOU HAD AN ACCOUNT AT ANOTHER BANK, WHICH TYPE OF ACCOUNT WOULD IT MOST LIKELY BE AND WHY?

Type of account: ________________ Reason: ______________________________

110. WHAT TYPE OF ACCOUNT DO YOU REGARD AS BEING YOUR MAIN ACCOUNT? [List them to client and ONLY ONE must be chosen by the client]

1 = Cheque account   2 = Savings account   3 = Homeloan account
4 = Investment account   5 = Credit card

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

SECTION E: SOCIO-ECONOMIC BIOGRAPHICAL DATA (CONT...)

6	How long have you banked at your main bank?	1 = Less than a year 2 = 1 to 3 years 3 = 3.1 to 5 years 4 = 5.1 to 9 years 5 = 9.1 to 14 years 6 = 14.1 to 17 years 7 = 17.1 to 20 years 8 = 20.1 t0 25 years 9 = More than 25 years
7	On average, how many times do you visit your branch per month?	1 = Never - I use electronic banking 2 = Less than 3 times 3 = 4 to 6 times 4 = 6 to 10 times 5 = more than 10 times **[if "1" skip to Q12]**
8	Are there any particular days of the week that your prefer visiting your branch? Could you provide a reason for this?	1 = Mondays 2 = Tuesdays 3 = Wednesdays 4 = Thursdays 5 = Fridays 6 = Saturdays 7 = Weekdays only 8 = Weekends only 9 = Don't visit the branch REASON:
9	Is there a particular time or period of the day that you prefer visiting your branch? Could you please provide a reason for this?	1 = Early in the mornings 2 = Midday 3 = My lunch hour 4 = Late afternoon REASON:
10	When was the last time you visited your bank?	1 = Today 2 = Yesterday 3 = During the past week 4 = Last week 5 = A few weeks ago 6 = A few months ago
11	Was the last visit to your bank a favourable one or not?	1 = Yes, favourable 2 = Somewhat favourable 3 = It was ok 4 = Somewhat unfavourable 5 = No, not favourable
12	Profession (sector)	1 = Education 2 = Retail 3 = Manufacturing 4 = Financial services 5 = Mining 6 = Agriculture/farming 7 = Self-employed 8 = Retired / at home 9 = Other (please specify): ____________
13	Age	1 = under 18 2 = 18 – 21 3 = 22 – 25 4 = 26 – 30 5 = 31 – 35 6 = 36 – 40 7 = 41 - 45 8 = 46 – 50 9 = 51 - 55 10 = older than 56
14	Marital status	1 = Single 2 = In a relationship 3 = Married 4 = Divorced 5 = Staying with partner / life partner
15	Level of education	1 = None 2 = Primary schooling (SubA-Std5/Gr1 - Gr7) 3 = Secondary schooling (Std 6-Std10/Gr8-Gr12) 4 = Tertiary Diploma or Certificate 5 = Bachelors/B.Tech degree 6 = Honours degree 7 = Masters degree 8 = PhD 9 = OTHER

16	**[Just to remind you again, all the information of this questionnaire is strictly confidential.]** Level of income **<u>PER MONTH</u>** of the **<u>accountholder</u>** **AFTER** taxes and deductions (ie. NET monthly income).	1 = None 2 = Less than R1000 3 = R1001 – R5000 4 = R5001 – R8000 5 = R8001 – R11 000	6 = R11 001 – R15 000 7 = R15 001 – R18 000 8 = R18 001 – R21 000 9 = R21 001 – R25 000 10 = Above R25 001

COMMENTS:
PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

THANK THE CLIENT FOR THEIR CO-OPERATION AND REAFFIRM THAT THE INFORMATION PROVIDED WILL BE HANDLED AS CONFIDENTIAL.

Dorp/Stad:____________________________________ **Vraelysnommer:**____________

Inleiding (LEES DIE VOLGENDE VIR DIE KLIëNT)

My naam is .... en ek werk vir die Sentrum vir Ontwikkelingsteun aan die Universiteit van die Vrystaat. Ons doen tans navorsing vir die Departement Ekonomie aan die Universiteit, wat daarop gerig is om die diensdinamika en die verhouding tussen banke en kliënte te verstaan. Is jy bereid om aan die studie deel te neem? Ek wil net noem dat alle inligting streng vertroulik sal bly en dat geen persoonlike inligting aan 'n derde party verskaf sal word nie.

AS DIE ANTWOORD "NEE" IS, BEDANK DIE RESPONDENT VIR SY/HAAR TYD EN GAAN NA DIE VOLGENDE RESPONDENT.

[VOORDAT JY BEGIN, MAAK DIT DUIDELIK VIR DIE RESPONDENT DAT SEKERE VRAE KAN KLINK ASOF HULLE HERHAAL WORD (VERAL IN AFDELING A), MAAR DAT DIT IN EFFEK NIE DIE GEVAL IS NIE. DUI AAN DAT JY SAL VERDUIDELIK INDIEN SO 'N GEVAL OPDAAG.]

AFDELING E: SOSIO-EKONOMIESE BIOGRAFIESE DATA

1	**Kliënt se naam** (Uit die telefoonboek)	
2	**Telefoonnommer** (Uit die telefoonboek)	
3	**Bevolkingsgroep**	1 = Swart 4 = Asiër 2 = Bruin 5 = Wit 3 = Indiër
4	**Geslag**	1 = Manlik 2 = Vroulik
5	**Jou hoofbank?**	1 = ABSA 4 = Standard Bank 2 = Eerste Nasionale Bank 5 = Ander (spesifiseer asseblief) 3 = Nedbank ________________

VERKLARING DEUR OPNEMER

Ek verklaar dat ek die volledige vraelys gevra het soos dit uitgelê is en ooreenkomstig die opleiding wat ek ontvang het. Ek verklaar voorts dat ek die onderhoud gevoer het in ooreenstemming met die instruksies wat ek gedurende opleiding ontvang het. Ek het hierdie vraelys volledig nagegaan.

DIE ONDERHOUDVOERDER MOET DIE VOLGENDE ASSEBLIEF VOLTOOI (in BLOKLETTERS):

Voornaam	
Van	

Handtekening **Datum**

AFDELING A: BANK-SELEKSIEKRITERIA

Ek gaan verskeie stellings lees wat verband hou met die moontlike redes **waarom jy 'n bank aanvanklik sou kies**. Ken asseblief 'n waarde van 1 tot 7 aan elk van die stellings toe. Een beteken dit is hoogs onwaarskynlik en sewe is hoogs waarskynlik.		Hoogs onwaarskynlik	Onwaarskynlik	Tot 'n mate onwaarskynlik	Neutrale mening	Tot 'n mate waarskynlik	Waarskynlik	Hoogs waarskynlik	GEEN RESPONS
17	Takpersoneel is goed ingelig oor die bank- en versekeringsprodukte.	1	2	3	4	5	6	7	8
18	Daar is 'n tak naby jou huis.	1	2	3	4	5	6	7	8
19	Die bankkoste is laag in vergelyking met ander banke.	1	2	3	4	5	6	7	8
20	'n Personeellid van 'n ander bank, wat jy vertrou en waarmee jy 'n verhouding opgebou het, het na dié bank geskuif en jy wil hom/haar volg.	1	2	3	4	5	6	7	8
21	Jou ouers het die bank aanbeveel.	1	2	3	4	5	6	7	8
22	Die tak het 'n reputasie vir uitstekende diens.	1	2	3	4	5	6	7	8
23	Hoewel jy nie jou banksake by dié bank doen nie, is jy altyd beïndruk met dié bank se diens wanneer jy 'n tak besoek.	1	2	3	4	5	6	7	8
24	Die produkte en dienste wat die bank bied, voldoen aan jou behoeftes wat banksake betref.	1	2	3	4	5	6	7	8
25	Die rentekoerse wat op lenings gehef en op deposito's betaal word, is mededingend.	1	2	3	4	5	6	7	8
26	Jy kan jouself met die beeld en handelsmerk van die bank vereenselwig.	1	2	3	4	5	6	7	8
27	Daar is 'n tak naby jou werk.	1	2	3	4	5	6	7	8
28	Jy ken iemand wat by die tak werk persoonlik en vertrou daardie persoon.	1	2	3	4	5	6	7	8
29	'n Kollega van jou het die bank aanbeveel.	1	2	3	4	5	6	7	8
30	Die bank bied aanlyn-bankgeriewe.	1	2	3	4	5	6	7	8
31	Die bank het OTM's wat gerieflik geleë is vir jou.	1	2	3	4	5	6	7	8
32	Die tak se personeel is vriendelik.	1	2	3	4	5	6	7	8
33	Jy hoef nie in lang rye te wag vir iemand om jou te help nie.	1	2	3	4	5	6	7	8
34	Die media beveel die bank aan.	1	2	3	4	5	6	7	8
35	'n Bank is deur 'n betroubare bron aanbeveel.	1	2	3	4	5	6	7	8
36	'n Bank het takke of OTM's wat gerieflik geleë is.	1	2	3	4	5	6	7	8
37	Jy het 'n betekenisvolle verhouding met personeellede by die tak.	1	2	3	4	5	6	7	8
38	'n Bank het mededingende rentekoerse en bankkostes.	1	2	3	4	5	6	7	8
39	'n Bank het 'n goeie beeld en reputasie.	1	2	3	4	5	6	7	8
40	'n Bank bied uitstekende diens.	1	2	3	4	5	6	7	8
41	Die produkte en dienste wat die bank bied, voldoen aan jou behoeftes wat banksake betref.	1	2	3	4	5	6	7	8

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

AFDELING B: BANKDIENSGEHALTE

	Ek gaan verskeie stellings lees wat verband hou met **jou persoonlike persepsies van die diens wat jy van bankpersoneellede kry met wie jy regstreeks te doen kry by JOU tak – of dit nou by een tak of verskeie takke is**. Ken asseblief 'n waarde van 1 tot 7 aan elke stelling toe. Een beteken jy stem gladnie saam nie en sewe beteken jy stem beslis saam.	Stem gladnie saaam nie	Stem nie saam nie	Verskil in 'n geringe mate	Neutrale mening	geringe mate	Stem saam	Stem beslis saam	GEEN RESPONS
42	Die takuitleg **[byvoorbeeld die tellerhokkies, navraetoonbank ens.]** is duidelik afgebaken en maklik om te verstaan.	1	2	3	4	5	6	7	8
43	As jy 'n probleem het, toon die personeel opregte belangstelling daarin om jou te help.	1	2	3	4	5	6	7	8
44	Die personeel het die nodige kennis en praktiese kundigheid oor bankprosesse en –beleid om jou navrae en kwellinge te hanteer.	1	2	3	4	5	6	7	8
45	Jy vertrou die personeellede wat persoonlik met jou rekeninge gemoeid is.	1	2	3	4	5	6	7	8
46	Die personeel is nooit te besig om op jou versoeke en navrae te reageer nie.	1	2	3	4	5	6	7	8
47	Die bank hanteer jou krediet **[of lenings-]** behoeftes.	1	2	3	4	5	6	7	8
48	Die personeel dra jou belange altyd op die hart.	1	2	3	4	5	6	7	8
49	Die personeel is bereid om jou te help.	1	2	3	4	5	6	7	8
50	Die bank hou jou persoonlike inligting en bankinligting op datum en dit is foutloos.	1	2	3	4	5	6	7	8
51	Die personeel gee goeie raad oor jou rekeninge.	1	2	3	4	5	6	7	8
52	Die tak is visueel aantreklik en skoon.	1	2	3	4	5	6	7	8
53	Die personeel is hoflik teenoor jou.	1	2	3	4	5	6	7	8
54	Die personeel voer 'n diensleweringstaak die eerste keer reg uit.	1	2	3	4	5	6	7	8
55	Takpersoneellede is altyd toeganklik, veral as jy hulle die nodigste het.	1	2	3	4	5	6	7	8
56	Die personeel gee persoonlike aandag aan jou.	1	2	3	4	5	6	7	8
57	Die personeel lewer 'n onmiddellike en flink diens.	1	2	3	4	5	6	7	8
58	Die personeel verstaan jou persoonlike behoeftes wat banksake betref.	1	2	3	4	5	6	7	8
59	Die personeel hou jou voortdurend op die hoogte van die vordering met jou navrae.	1	2	3	4	5	6	7	8
60	Jy vertrou jou bank.	1	2	3	4	5	6	7	8
61	Personeellede kommunikeer met jou op 'n verstaanbare manier.	1	2	3	4	5	6	7	8
62	Die personeel is netjies en professioneel aangetrek.	1	2	3	4	5	6	7	8
63	Die personeel doen hul beloftes gestand.	1	2	3	4	5	6	7	8
64	Die personeel behandel jou soos 'n individu met individuele behoeftes.	1	2	3	4	5	6	7	8
65	Die bank se bedryfsure is gerieflik vir jou.	1	2	3	4	5	6	7	8
66	Die personeel se gedrag en kennis boesem vertroue in.	1	2	3	4	5	6	7	8
67	Besluite word vinnig en doeltreffend geneem.	1	2	3	4	5	6	7	8
68	Jy voel gerus oor en het vertroue in die personeel se vermoë om jou kwellinge te hanteer.	1	2	3	4	5	6	7	8
69	Die personeel bied die diens wat hulle beloof het of waarop hulle aanspraak maak om te lewer.	1	2	3	4	5	6	7	8
70	Die tak het moderne toerusting.	1	2	3	4	5	6	7	8
71	Die takpersoneel lewer 'n diens soos beloof en doen dit akkuraat.	1	2	3	4	5	6	7	8
72	Die takpersoneel is altyd bereid om te help en lewer flink diens.	1	2	3	4	5	6	7	8
73	Die takpersoneel is kundig en beleefd en straal betroubaarheid en selfvertroue uit.	1	2	3	4	5	6	7	8
74	Die takpersoneel is besorgd oor jou en gee individuele aandag.	1	2	3	4	5	6	7	8
75	Die fisiese geriewe, toerusting, personeel en kommunikasiemateriaal van die tak is visueel aantreklik.	1	2	3	4	5	6	7	8
76	'n Verhouding met die takpersoneel strek tot jou voordeel.	1	2	3	4	5	6	7	8

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

AFDELING C: KLIëNTTEVREDENHEID EN -LOJALITEIT

Ek gaan verskeie stellings lees wat aandui of jy **<u>tevrede is met en lojaal is aan jou hoofbank</u>**. Ken asseblief 'n waarde van 1 tot 7 aan elke stelling toe. Een beteken jy stem gladnie saam nie en sewe beteken jy stem beslis saam. Tussendeur kan jy gevra word om bykomende inligting te verskaf.		Stem gladnie saaam nie	Stem nie saam nie	Verskil in 'n geringe mate	Neutrale mening	Stem in 'n geringe mate saam	Stem saam	Stem beslis saam	GEEN RESPONS
77	Jy het in die afgelope jaar **aktiewe stappe geneem [bv. 'n ander bank besoek, oor ander banke uitgevind, bankkostes vergelyk, ens.]** om jou rekeninge na 'n ander bank te skuif.	1	2	3	4	5	6	7	8
78	Jy het in die afgelope jaar daaraan gedink, maar **nie** aktiewe stappe geneem om jou rekeninge na 'n ander bank te skuif.	1	2	3	4	5	6	7	8
79	Jy sou jou huidige hoofbank weer kies as jy van vooraf kon begin.	1	2	3	4	5	6	7	8
80	Jy sal uit jou pad gaan om 'n goeie verhouding met jou hoofbank te handhaaf.	1	2	3	4	5	6	7	8
81	Jy vertel mense van positiewe ervarings by jou hoofbank.	1	2	3	4	5	6	7	8
82	Jy vertel mense van negatiewe ervarings by jou hoofbank.	1	2	3	4	5	6	7	8
83	Jy is tevrede met hoe jy by jou hoofbank behandel word.	1	2	3	4	5	6	7	8
84	Jy beskou jouself as lojaal aan jou hoofbank.	1	2	3	4	5	6	7	8
85	Het jy 'n rekening(e) by 'n ander bank(e) waarvan jy nie wil hê jou hoofbank moet weet nie?	1 = JA				2 = NEE			
86	Indien "ja", by hoeveel ander banke het jy rekeninge?								
87	**SLEGS AS "JA" GEANTWOORD WORD BY VRAAG 85:** Watter bank(e) is jou alternatiewe bank(e)?								

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

AFDELING D: AARD VAN DIE VERHOUDING

	Ek gaan verskeie vrae en stellings lees wat verband hou met **hoe jy jou verhouding met jou hoofbank beskou**. Ken asseblief 'n waarde van 1 tot 7 toe. Een beteken jy stem beslis nie saam nie en sewe dat jy volkome saamstem.	Stem beslis nie saam nie	Stem nie saam nie	Verskil in 'n geringe mate	Neutrale opinie	Stem in 'n geringe mate saam	Stem saam	Stem volkome saam	GEEN RESPONS
	HOEKOM BLY JY BY JOU HOOFBANK?								
88	Jy voel kontraktueel verbind weens jou skuld.	1	2	3	4	5	6	7	8
89	Jou ouers het 'n rekening geopen toe jy jonger was en jy ag dit nie nodig om na 'n ander bank te skuif nie.	1	2	3	4	5	6	7	8
90	Die bank het jou in die verlede gehelp toe jy hulle nodig gehad het.	1	2	3	4	5	6	7	8
91	Dit is te veel moeite om na 'n ander bank te skuif, dus bly jy eerder.	1	2	3	4	5	6	7	8
92	Die diens is uitstekend.	1	2	3	4	5	6	7	8
93	Die bank se produkte en dienste voldoen aan jou behoeftes.	1	2	3	4	5	6	7	8
94	Die pryse (bankkostes en rentekoerse) is mededingend.	1	2	3	4	5	6	7	8
95	Jy het 'n goeie verhouding met die bank se takpersoneel.	1	2	3	4	5	6	7	8
	HOEKOM BESKOU JY _______ AS JOU HOOFBANK? (verwys na vraag 5)								
96	Jou tjekrekening is by die bank.	1	2	3	4	5	6	7	8
97	Jou huislening is by die bank.	1	2	3	4	5	6	7	8
98	Die meeste van jou rekeninge is by die bank.	1	2	3	4	5	6	7	8
99	Jy kry goeie diens van die bank.	1	2	3	4	5	6	7	8
100	Die rekening waarin jou salaris en pensioen inbetaal word, is by dié bank.	1	2	3	4	5	6	7	8
101	Jy het 'n goeie verhouding met die bank se takpersoneel.	1	2	3	4	5	6	7	8
	KEN 'n WAARDE TOE AAN DIE BELANGRIKHEID DAARVAN OM 'n VERHOUDING MET ELK VAN DIE VOLGENDE BANKTAKPERSONEELLEDE TE Hê.								
102	'n Persoonlike bankier wat jou rekening(e) hanteer	1	2	3	4	5	6	7	8
103	Tellers	1	2	3	4	5	6	7	8
104	Die takbestuurder	1	2	3	4	5	6	7	8
105	Die navrae-/inligtingstoonbankklerk	1	2	3	4	5	6	7	8
106	Administratiewe personeel	1	2	3	4	5	6	7	8
107	Enigiemand anders in die tak, maar niemand spesifiek nie	1	2	3	4	5	6	7	8

108. HOEVEEL REKENINGE HET JY BY JOU HOOFBANK? ____________________

109. AS JY 'n REKENING BY 'n ANDER BANK SOU Hê, WATTER SOORT REKENING SOU DIT NA ALLE WAARSKYNLIKHEID WEES EN HOEKOM?

Soort rekening: ____________________ Rede: ____

110. WATTER REKENING BESKOU JY AS JOU HOOFREKENING? [Noem die opsies aan die kliënt. Net EEN moet deur die kliënt gekies word.]

1 = Tjekrekening 2 = Spaarrekening 3 = Huisleningsrekening
4 = Beleggingsrekening 5 = Kredietkaart

COMMENTS:

PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

AFDELING E: SOSIO-EKONOMIESE BIOGRAFIESE DATA (VERVOLG...)

6	Hoe lank is jy al 'n kliënt van jou hoofbank?	1 = Minder as 'n jaar 4 = 5.1 tot 9 jaar 7 = 17.1 tot 20 jaar 2 = 1 tot 3 jaar 5 = 9.1 tot 14 jaar 8 = 20.1 tot 25 jaar 3 = 3.1 tot 5 jaar 6 = 14.1 tot 17 jaar 9 = Meer as 25 jaar
7	Hoeveel keer besoek jy jou tak gemiddeld per maand?	1 = Nooit nie – ek gebruik elektroniese bankdienste **[Indien "1" skip na V12]** 2 = Minder as 3 keer 4 = 6 tot 10 keer 3 = 4 tot 6 keer 5 = meer as 10 keer
8	Is daar enige spesifieke dae van die week waarop jy verkies om jou tak te besoek? Kan jy 'n rede hiervoor verskaf?	1 = Maandae 5 = Saterdae 9 = Besoek nie die tak nie 2 = Dinsdae 6 = Net weekdae REDE: 3 = Woensdae 7 = Slegs naweke 4 = Vrydae 8 = Slegs weeksdae
9	Is daar 'n spesifieke tyd of tydgleuf gedurende die dag waartydens jy verkies om die tak te besoek? Kan jy asseblief 'n rede hiervoor gee?	1 = Vroegoggende 3 = My etenstyd 2 = Smiddae 4 = Laatmiddag REDE:
10	Wanneer was die laaste keer dat jy jou bank besoek het?	1 = Vandag 4 = Verlede week 2 = Gister 5 = 'n Paar weke terug 3 = Die afgelope week 6 = 'n Paar maande terug
11	Was die laaste besoek aan jou bank aangenaam of nie?	1 = Ja, aangenaam 4 = Tot 'n mate onaangenaam 2 = Tot 'n mate aangenaam 5 = Nee, dit was onaangenaam 3 = Dit was so-so
12	Beroep (sektor)	1 = Onderwys 4 = Finansiële dienste 7 = In eie diens 2 = Kleinhandel 5 = Mynwese 8 = Afgetree/tuis 3 = Vervaardiging 6 = Landbou/boerdery 9 = Ander (spesifiseer asseblief): ____________________
13	Ouderdom	1 = onder 18 5 = 31 – 35 9 = 51 – 55 2 = 18 – 21 6 = 36 – 40 10 = ouer as 56 3 = 22 – 25 7 = 41 – 45 4 = 26 – 30 8 = 46 – 50
14	Huwelikstatus	1 = Enkellopend 4 = Geskei 2 = In 'n verhouding 5 = Woon saam met 'n maat/lewensmaat 3 = Getroud
15	Opleidingsvlak	1 = Geen 6 = Honneursgraad 2 = Primêreskool-opleiding (SubA-Std.5/Gr1-Gr7) 7 = Meestersgraad 3 = Sekondêreskool-opleiding (Std.6-Std.10/Gr8-Gr12) 8 = Doktorsgraad 4 = Tersiêre diploma of sertifikaat 9 = ANDER 5 = Baccalaureus/B.Tech-graad

16	**[Net 'n herinnering dat alle inligting in hierdie vraelys streng vertroulik is.]** Inkomstevlak **<u>PER MAAND</u>** van die **<u>rekeninghouer</u>** ná belasting en ander aftrekkings (dus die **NETTO** maandelikse inkomste).	1 = Geen 2 = Minder as R1000 3 = R1001 – R5000 4 = R5001 – R8000 5 = R8001 – R11 000	6 = R11 001 – R15 000 7 = R15 001 – R18 000 8 = R18 001 – R21 000 9 = R21 001 – R25 000 10 = Meer as R25 001

<u>COMMENTS:</u>
PLEASE WRITE COMMENTS THAT YOU FEEL ARE IMPORTANT FINDINGS. PLEASE INDICATE THE QUESTION NUMBER CLEARLY AND WRITE NEATLY.

BEDANK DIE KLIëNT VIR SY/HAAR SAMEWERKING EN HERBEVESTIG DAT DIE INLIGTING WAT VERSKAF IS, VERTROULIK GEHANTEER SAL WORD.

UNIVERSITEIT VAN DIE VRYSTAAT
UNIVERSITY OF THE FREE STATE
YUNIVESITHI YA FREISTATA

Departement Ekonomie/Department of Economics/Lefapha la Ekonomi

Fakulteit Ekonomiese en Bestuurswetenskappe
Faculty of Economic and Management Sciences
Fakhalthi ya Disaense tsa Ekonomi le Tsamaiso

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E-: coetzj.ekw@ufs.ac.za

Dear Retail Regional/Division Executive

Re: Permission to conduct survey within Nedbank branches in central South Africa

I am currently busy with a study in Bank Management at the Department of Economics at the University of the Free State. The study focuses on relationship banking, and in particular, what the expectations of retail clients and retail client-facing staff are regarding their relationship.

The study focuses on various aspects of the bank-client relationship. A central tenet of the study will be to establish exactly what is meant by being a client-centric bank and how this improves the relationship with clients. As such, the study will be conducted in Bloemfontein, Kroonstad, Welkom, Kimberley, and Bethlehem. It is felt that the study will contribute to understanding what retail clients and client-facing staff want, expect and perceive to be important in the bank-client relationship and in particular, whether any discrepancies exist between what the bank offers the client and what the client expects from the bank, especially regarding service. Understanding this relationship better will enable the bank to increase profitability and have more satisfied clients.

The researcher commits to not disclosing the names of individuals, branches, and banks in the findings to the study. This information will be confidential and only be used for purposes of acquiring the qualification. Should any research outputs result from the research, none of the names of respondents OR the

bank itself will be disclosed. Questionnaires only need to be distributed to the client-facing staff of the branches. The study is financed by a National Research Foundation (NRF) bursary, which is dependant on permission being granted from the respective banks.

Please feel free to contact the researcher at any time should you wish to.

Yours truly,

Johan Coetzee
Head researcher
Department of Economics
University of the Free State

Approved: **Prof. Helena van Zyl**
Head supervisor
Director: School of Management
University of the Free State

Ethical conditions and permission to conduct the survey

The researcher commits to the following ethical conditions:

- The study has been approved by the Department of Economics at the University of the Free State in conjunction with the head promoter of the study, Professor Helena van Zyl and co-supervisor Prof Madele Tait from the Nelson Mandela Metropolitan University (NMMU);
- Prior contact will be made with each relevant branch manager so that all respondents are aware of the pending questionnaire;
- The names of the client-facing staff and relevant bank will not be disclosed, except for internal university use and for purposes of acquiring the qualification;
- Possible research outputs generated from the study will not provide any indication as to responses made by any particular bank;
- If need be, a detailed report indicating the responses made by and applicable to your bank will be provided to you for internal management use after completion of the qualification.

I hereby kindly request your permission to conduct the survey.

I.. (full names) in my capacity as ....(position held) at **Nedbank** give permission for the survey to be conducted as stipulated above.

Signature of Bank executive: Nedbank — Date

Signature of Head researcher: Johan Coetzee — Date

Signature of Head promoter: Prof. Helena van Zyl — Date

28 May 2009

It is hereby acknowledged that the Questionnaire to be used for the PhD study entitled: **The nature and dynamics of relationship banking in a client-centric context** done by **Johan Coetzee** (University of the Free State) was submitted to CLS for translation (English to Afrikaans), proofreading and language editing.

The language and technical care of the above-mentioned document was found to be of a high standard.

If there are any problems in this regard please do not hesitate to contact CLS.

Kind regards,

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UNIVERSITEIT VAN DIE VRYSTAAT
UNIVERSITY OF THE FREE STATE
YUNIVESITHI YA FREISTATA

CENTRE FOR DEVELOPMENT SUPPORT

FIELDWORK TRAINING MANUAL FOR STUDY: "THE NATURE AND DYNAMICS OF RELATIONSHIP BANKING IN A CLIENT-CENTRIC CONTEXT"

1. THE CENTRE FOR DEVELOPMENT SUPPORT

The Centre for Development Support (CDS) is a progressive research and development unit within the Faculty of Economic and Management Science at the University of the Free State with the broad aim of promoting sustainable human development in the broader South African society.

The CDS runs its activities largely in an entrepreneurial fashion and on external funds. It employs a small core of full-time staff and contracts expertise and services at the University or from outside on a programme and project basis.

We conduct various research projects to elaborate on knowledge and investigate socio-economic problems. CDS uses scientific methods in this process in order to eliminate the use of guesswork or "thumb-sucking'. If research is carried out thoroughly and in a scientific way, it can provide various government departments and NGOs with realistic and reliable evidence on which to base their decisions about policies and programmes and eliminates the need for guessing.

Fieldworkers play an essential role in the research process. As a fieldworker, you are responsible for collecting the information that will later be analysed and written up as a report. Your main tasks are to attend training and to collect the data by carrying out thorough face-to-face surveys.

To ensure that the research is carried out in a scientific way, the fieldwork must be carried out according to specific procedures. Missing information or incorrect selection of respondents will make it difficult to analyse the data and will impact on the quality of the report that can be produced for the client. High quality data collection is therefore crucial for the rest of the research process, and the responsibility for ensuring this lies with you.

2. ROLE OF THE INTERVIEWER

It cannot be overemphasised that:

"the fieldworker, as the one who collects information from the listed sites, occupies a central position in the project. As a result, the success of the project depends to a great extent on the quality of each interviewer's work".

Interviewers' main responsibilities include, but are not necessarily limited to the following:

- Successfully completing the training course prior to the survey;
- Becoming familiar with the questionnaire, as well as the procedure to identify and establish contact with targeted respondents;
- Conducting interviews with selected clients during the fieldwork and take required measurements as trained; and
- Returning to the client if the information on the questionnaire is found to be inadequate by the fieldwork manager.

Survey research interviewing is a SPECIALIZED kind of interviewing because the goal is to obtain important information from another person accurately. While some people are more skilful at interviewing than others, one can become a good interviewer through experience and practice. It is important that you study this training manual and the questionnaire carefully, so that you can ask questions. Ask questions at any time, so that mistakes can be avoided later during the actual interviews. Furthermore, you can learn a lot from your fellow interviewers by asking questions and talking in general about situations encountered in practice and in actual interview situations. It is very important that you do not discuss the detail of interviews or reveal the name and address or respondents in order to ensure anonymity and confidentiality.

The formal training period is merely an opportunity to provide you with the basic knowledge and information regarding the survey, questionnaire, etc. Continued observation and supervision during the fieldwork will complete the training process. This is especially important during the first few fieldwork days, because if you run into unfamiliar situations, it will be helpful to discuss them with your team. Fellow interviewers may be running into similar problems, so you can benefit from each other's experiences.

Respondents often do not have a clear concept of what is expected from their side. Interviewers should obtain all the information accurately but still remain neutral and objective, without revealing their own opinions and being judgemental. The interviewer should not show shock, surprise but help the respondents answer truthfully.

3. STEPS OF AN INTERVIEW

a. *Introduction and entry* - Interviewer gets to the place of the interview, introduces him/herself and then secures the co-operation from the respondent. In the case of this study where the interviews are conducted telephonically, you are expected to introduce yourself to the respondent and inform him/her as soon as possible the intention of the phone call.

b. *Main part* – Asking questions and recording answers. Be sure to inform the respondent of all the options available *vis-à-vis* the answers.

c. *Exit* – Interviewer thanks respondent and leaves. Edit the questionnaire and records all the details

4. IMPORTANT TO REMEMBER

The respondent has several rights that must be respected in the interview:

a. Right to privacy
b. Right to participate voluntarily in the study
c. Right to know the true purpose of the research
d. Right to decide which questions to answer

5. CONDUCTING AN INTERVIEW

The ability to conduct a successful interview is an art. It should not be treated as a mechanical process. Each interview provides us with new information, therefore we need to make it as interesting and pleasant as possible. Also remember that every single interview is unique, a once-off experience from which you as future professional can learn. Therefore, treat each interview that you conduct with enthusiasm and commitment – keep the value and end-product of the overall endeavour in mind! The ability to conduct a successful interview develops with practice, but there are basic principles that should be followed:

5.1. Building rapport with the respondent:

You and the respondent are strangers, and one of your main tasks as an interviewer is to establish rapport with the respondent. This is particularly challenging when the interview is conducted telephonically. Although most of the questions are straight forward, certain questions toward the end are of a sensitive nature and the respondent's willingness to co-operate with you will depend on his/her first impression of you. The most successful interviewers are the kind of people that respondents are comfortable with. Ensure that your tone is comforting and your manner friendly when you introduce yourself. You will be issued with a Letter of Introduction which must be used upon introducing yourself to the respondent. This will assist you in gaining access to the business.

5.2. Make a good first impression:

When you first make initial contact with the respondent, do all that you can to make him/her feel at ease. Start the interview with friendly tone of voice then proceed with your introduction.

An example of a good introduction is:

My name is .... and I work for the Centre for Development Support at the University of the Free State. We are currently doing research for the Department of Economics at the university to understand the dynamics of the relationship between banks and their clients. The study focuses on client perceptions of bank service and why clients choose to bank with a particular bank. All this information will remain strictly confidential and no personal information will be given to any third party. Are you *prepared to participate in the study? If so, may I please speak to the person who currently holds a bank account?*

It is important that respondents are informed about the kinds of questions that will be asked and feel free to ask questions to ensure that they understand what they are agreeing to take part in.

5.3. Always have a positive approach:

Do not have an apologetic manner and use words such as "Are you too busy?", "Would you spare a few minutes?" or "Would you mind answering some questions?". Such questions invite refusal before you even start. Instead, tell the respondent "I would like to ask you a few questions" or "I would like to talk with you for a few minutes".

5.4. Stress confidentiality of responses when necessary:

If the respondent is not eager to answer questions or asks what the data will be used for, explain that the information you collect will be kept confidential and all information will be pooled to write a report. Do not talk about other interviews that you have conducted or show completed questionnaires to other interviewers or supervisors/editors in front of a respondent or any other person. As an interviewer you MUST NOT discuss the responses given by the respondent with anybody else outside the research team. Sharing information about the respondents with somebody outside the research team is in direct violation of the confidentiality agreement that would have been established with the respondent. It is very important for the interviewer to maintain professionalism throughout the research process.

Probing and the sensitive nature of study

The types of questions in this questionnaire do not require you to probe for answers as they are predominantly of a ranking-type. There are however a few questions that require you to gather the clients' banking information. Bearing in mind the sensitivities of this, and also the concerted effort by the banking sector to create awareness to not divulge personal banking particulars, the interviewer should be pleasant and communicate a genuine interest in getting to know the respondent without appearing to spy too much. Try to keep the interview informal and conversational so that the respondent feels comfortable. The sensitivities associated with acquiring banking information should therefore be foremost in your approach to the interview.

5.5. Answer all the respondent's questions frankly:

The respondents may ask some questions about the survey, or how he/she has been selected for the interview before he/she agrees to be interviewed. Be direct and pleasant in your answer. The respondent may also want to know how long the interview will take. If he/she asks, tell her that the interview usually takes about 10 minutes. If necessary, indicate that you will return at another time if it is inconvenient for him/her to answer questions now.

6. TIPS IN CONDUCTING THE INTERVIEW

6.1. Be familiar with the questionnaire:

If the interviewer is unfamiliar with the questionnaire, the study suffers and also places an unfair burden on the respondent. The interview will also take a lot longer. Ultimately the interviewer should be able to read the question to the respondent without error. E.g. It is like an actor in a play – the lines must be a natural conservation but the language must be portrayed exactly.

6.2 Be neutral throughout the interview:

Most people are polite and will try to give answers that they think you want to hear. Therefore, it is very important that you are absolutely neutral when you ask the questions. Do not ever let the tone of your voice allow the respondent to think that he/she has given the right or wrong answer.

The questions are all carefully formulated to be neutral, so that they do not suggest that one answer is preferable to another answer. If you fail to read the complete question, you may destroy this neutrality. Therefore, it is important that you read the whole question as it is written. If the respondent gives an ambiguous answer, probe in a neutral way, by asking questions such as "Can you explain a little more?", "I did not quite hear you. Could you please tell met again?", "There is no hurry. Take a moment to think about it?".

6.3 Never suggest answers to the respondent:

If the respondent's answer is not relevant, do not prompt him/her by saying something like "I suppose you mean that ... Is that right?". Usually, he/she will agree with your interpretation of his/her answer, even if that was not what he/she meant. Rather probe in such a way that the respondent comes up with the relevant answer.

6.4 Do not change the wording or sequence of the questions:

The wording and sequence of the questions in the questionnaire must be maintained. If the respondent misunderstood the question, repeat it slowly and clearly. If he/she still does not understand, you may re-word the questions, but be careful not to change the meaning of the original question. Provide only the minimum information to get an appropriate answer. Also do not alter the answers that are given – record the answers exactly as given.

6.5 Handle hesitant respondents tactfully:

There will be times when the respondent says "I don't know", gives an irrelevant answer, acts bored, contradicts something she/he has already said or refuses to answer the question. When this happens, you must try to re-interest him/her in the conversation. Spend a few moments talking about things unrelated to the interview (e.g. her town/village, the weather, etc.).

If the respondent is giving irrelevant or elaborate answers, listen to what he/she has to say and do not stop her abruptly or rudely. Try to steer him/her gently back to the original question. Maintain a good atmosphere throughout the interview. The best atmosphere is one in which the respondent sees the interviewer as a friendly, sympathetic and responsive person who does not intimidate him/her, and to whom he/she can say anything. If the respondent is reluctant or unwilling to answer a question, try to overcome his/her reluctance explaining once again that the same question is asked of people in other cities and that the answers will all be merged together. If he/she still refuses, write "REFUSED" next to the questions and proceed as if nothing has happened. When you have completed the interview, you can try to obtain the missing information at the end, but do not push too hard for an answer. Remember that the respondent cannot be forced to give an answer.

6.6 Do not form expectations:

You must not form expectations about the ability and knowledge of the respondents. At the same time, remember that differences between you and the respondents can influence the interview. Always behave and speak in such a way that the respondent feels at ease and comfortable talking to you.

6.7 Do not hurry the interview:

Ask the questions slowly so that the respondent understands. Once the question has been asked, pause and give him/her time to think. If the respondent feels hurried, or is not allowed to formulate their own opinion, they may answer "I don't know" or give an inaccurate answer. If you think that the respondent is answering without thinking to speed up the interview, say to him/her "There is no hurry, your opinion is very important, so please consider your answers completely".

6.8 Language of the interview:

The questionnaire has been translated into the language that you will need to conduct the interview in. Both an English and Afrikaans questionnaire will be provided to you. Upon starting the interview, enquire which of the two languages is preferred.

7. GENERAL PROCEDURES FOR COMPLETING THE QUESTIONNAIRE

7.1 Asking questions

As previously stated, you should ask each question exactly as it is written in the questionnaire. Speak slowly and clearly so that the respondent will have no difficulty in hearing or understanding the question. Be very careful when you change the wording so that you do not change the meaning of the original question. Probe if necessary. Probing requires both tact and skill and it will be one of the most challenging aspects of your work as an interviewer.

7.2 Recording responses

All interviewers will use pencils to complete the questionnaires. There are two types of questions in the questionnaire: (1) questions with pre-coded responses that need to be circled; and (2) questions which do not have pre-coded answers ("open-ended questions"). The latter, however, are minimal.

7.2.1 Questions with pre-coded responses where the code needs to be circled

You will be required to read the instruction to the respondent following which you read a statements that requires a ranking from 1 to 7 from the respondent. Be sure to indicate clearly that 1 equals "very unlikely" and 7 "very likely." It is recommended that after every 7 or 8 statements you repeat the instruction so as to avoid confusion on the part of the respondent. There is an option entitled "no answer" that should be used when a respondent has no answer or refuses to rank the statement. As far as possible, avoid using this. Do not inform the respondent of this category unless they explicitly state they do not want to or refuse to answer. To record the respondent's answer, you merely circle the number (code) which corresponds to his/her reply. Make sure that each circle surrounds only one number.

Example:

I am going to read you several statements relating to possible **reasons why you would choose a bank for the first time**. Please rank these statements from 1 to 7, one being very unlikely and seven being very likely.		Very unlikely	Unlikely	Somewhat unlikely	Neutral opinion	Somewhat likely	Likely	Very likely	NO ANSWER
17	Branch staff is knowledgeable of banking and insurance products.	1	2	3	4	5	6	7	8
18	A branch is near your home.	1	2	3	4	5	6	7	8
19	The bank charges are low compared to other banks.	1	2	3	4	5	6	7	8

Sometimes, pre-coded responses will include an "other" category. The other code should be utilised when the respondent's answer is different from any of the pre-coded responses listed for the question. Record the respondent's answer in the space provided.

Example:

13	Profession (sector)	1 = Education 4 = Financial services 7 = Self-employed 2 = Retail 5 = Mining 8 = Retired 3 = Manufacturing 6 = Agriculture/farming 9 = Other (please specify): ______

7.2.2 Recording answers which are not pre-coded

The answers to some questions are not pre-coded. In entering the responses for these questions, you must write the respondent's answer in the space provided. For some questions, you will have to write the response on the line provided. The question below requires an reason for the answer. Encourage an answer through the necessary probing technique.

Example:

IF YOU HAD AN ACCOUNT AT ANOTHER BANK, WHICH TYPE OF ACCOUNT WOULD IT MOST LIKELY BE AND WHY?

Type of account: ______________________ Reason: ______________________

7.2.3 *Correcting mistakes*

It is extremely important that all answers are neatly recorded. For pre-coded answers, ensure that you circle the code with the correct answer carefully. For open-ended responses, write the reply legibly so that it can be easily read. If you make a mistake in entering a respondent's answer, or he/she changes the response, cross out the incorrect answer and enter the correct one. If you have an eraser, neatly erase the incorrect answer and fill in the correct one. Do not forget to fill in an answer that you have erased. Best would be to undertake the erasing and correct filling of answers at an appropriate time so as to not waste the respondent's time!

7.3 Following instructions:

In certain sections of the questionnaire, a response may require further information (see questions 83, 84 and 87).

Example:

		YES	NO	NOT SURE
I am going to read several questions to you indicating **whether you are satisfied and loyal to your main bank**. Please answer the questions with either a 'yes' or 'no'. In-between you may have to provide additional information.				
83	Do you have an account(s) at another bank that you don't want your main bank to know about?	1	2	3
84	If yes, at how many other banks do you have accounts?			
85	Are you satisfied with the way you are treated at your main bank?	1	2	3
86	Do you consider yourself to be loyal to your main bank?	1	2	3
87	**ONLY If "YES" TO Q83:** And your alternative bank(s)?	1	2	3

7.4 Checking completed questionnaires

The fieldworkers must check each questionnaire once the interview has been completed. This should be done before you leave the business to ensure that every appropriate question has been asked, that all answers are clear and reasonable and that your handwriting is legible. Also check that the skip instructions have been correctly followed. You can make minor corrections, but serious errors must be clarified by the respondent. Apologise, explain that you made an error and ask the questions again. Do not recopy questionnaires. The answers need to be clear and readable, it is not necessary that the questionnaire itself be neat. Each time you rewrite the answers on a new questionnaire, you increase the chance of an error. If you need to make calculations, you may write in the margins or use the back of the questionnaire. Explain anything out of the ordinary writing by in the margins or at the back of the questionnaire. These explanations are helpful to the supervisor/editor when checking the questionnaires. Explanations are also read in the office and used to resolve problems encountered during coding the questionnaires.

8. SUPERVISION OF FIELDWORKERS

Observation and supervision during fieldwork form an integral part of the training and data collection process. Your manager will play an important role in continuing your training and ensuring the quality of the data. S/he will:

- Observe your progress;

- Spot check some of the selected sites provided to you to ensure that you correctly record information provided;
- Review each questionnaire to ensure that it is complete and internally consistent; and
- Help you solve any problems that you may experience with finding the assigned business, understanding concepts in the questionnaire or with difficult respondents.

The project leader may release from service any interviewer who is not performing at the level necessary to produce the high quality data required to make the project a success. In particular, deviating from the sample instructions or completing a questionnaire without doing the interview will constitute a serious offence.

9. CONTACT DETAILS

Centre for Development Support:

PO Box 339
Internal Box 100
University of the Free State
Bloemfontein
9300
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Should you have any queries or emergencies during the data gathering and quality control activities, please contact the following person:

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Tel: (051) 401 3723 Fax: (051) 401 3424 http://www.uovs.ac.za/cds

TWO-WAY FREQUENCY TABLES (CROSS-TABULATIONS)

- **BANK SELECTION CRITERIA (see section 6.3.2)**

TABLE A7.1

CROSS-TABULATION OF GENDER BY CLUSTER FOR BANK SELECTION CRITERIA

	CLUSTER				
	1	2	3	4	TOTAL
Male	79	41	23	22	165
Female	154	101	58	55	368
TOTAL	233	142	81	77	533

TABLE A7.2

CROSS-TABULATION OF AGE BY CLUSTER FOR BANK SELECTION CRITERIA

	CLUSTER				
	1	2	3	4	TOTAL
<25	18	8	6	9	41
26-35	19	11	6	7	43
36-45	46	34	9	13	102
46-55	49	37	12	18	116
>56	101	52	48	29	230
TOTAL	233	142	81	76	532

TABLE A7.3

CROSS-TABULATION OF RACE BY CLUSTER FOR BANK SELECTION CRITERIA[1]

	CLUSTER				
	1	2	3	4	TOTAL
Black	65	34	21	31	151
Coloured	16	6	8	6	36
White	151	101	52	40	344
TOTAL	232	141	81	77	531

TABLE A7.4

CROSS-TABULATION OF INCOME BY CLUSTER FOR BANK SELECTION CRITERIA

	CLUSTER				
	1	2	3	4	TOTAL
<R5000	60	32	30	17	139
R5001-R11000	61	39	17	22	139
R11001-R18000	34	26	9	10	79
>R18001	30	21	9	12	72
TOTAL	185	118	65	61	429

TABLE A7.5

CROSS-TABULATION OF MAIN BANK BY CLUSTER FOR BANK SELECTION CRITERIA

	CLUSTER				
	1	2	3	4	TOTAL
Bank A	119	67	35	44	265
Bank B	37	21	10	11	79
Bank C	20	16	12	6	54
Bank D	51	35	18	15	119
TOTAL	227	139	75	76	517

[1] The frequency per cell must be larger than a recommended five in order to make the chi-square test "reasonable." (Rice, 1995: 487). As such, the Indian and Coloured categories were removed for all the gender tables depicted in the study. As a result, the total respondent are reduced for gender.

TABLE A7.6

CROSS-TABULATION OF LOCATION BY CLUSTER FOR BANK SELECTION CRITERIA

	CLUSTER				
	1	2	3	4	TOTAL
Bloemfontein	108	56	31	34	**229**
Bethlehem	12	15	9	4	**40**
Welkom	32	24	12	17	**85**
Kroonstad	26	10	7	6	**49**
Kimberley	55	37	22	16	**130**
TOTAL	**233**	**142**	**81**	**77**	**533**

- **SERVICE QUALITY (see section 6.3.3)**

TABLE A7.7

CROSS-TABULATION OF GENDER BY CLUSTER FOR SERVICE QUALITY

	CLUSTER			
	1	2	3	TOTAL
Male	33	107	19	**159**
Female	89	200	46	**335**
TOTAL	**122**	**307**	**65**	**494**

TABLE A7.8

CROSS-TABULATION OF AGE BY CLUSTER FOR SERVICE QUALITY

	CLUSTER			
	1	2	3	TOTAL
<25	12	29	2	**43**
26-35	7	22	10	**39**
36-45	9	74	9	**92**
46-55	22	72	11	**105**
>56	72	109	33	**214**
TOTAL	**122**	**306**	**65**	**493**

TABLE A7.9

CROSS-TABULATION OF RACE BY CLUSTER FOR SERVICE QUALITY

	CLUSTER			
	1	2	3	TOTAL
Black	44	78	22	144
Coloured	6	21	7	34
White	71	207	36	314
TOTAL	121	306	65	492

TABLE A7.10

CROSS-TABULATION OF INCOME BY CLUSTER FOR SERVICE QUALITY

	CLUSTER			
	1	2	3	TOTAL
<R5000	41	72	20	133
R5001-R11000	34	78	14	126
R11001-R18000	17	41	12	70
>R18001	9	50	7	66
TOTAL	101	241	53	395

TABLE A7.11

CROSS-TABULATION OF MAIN BANK BY CLUSTER FOR SERVICE QUALITY

	CLUSTER			
	1	2	3	TOTAL
Bank A	62	145	34	241
Bank B	16	55	7	78
Bank C	12	34	7	53
Bank D	28	64	15	107
TOTAL	118	298	63	479

TABLE A7.12

CROSS-TABULATION OF LOCATION BY CLUSTER FOR SERVICE QUALITY

	CLUSTER			
	1	2	3	TOTAL
Bloemfontein	49	127	38	214
Bethlehem	10	22	3	35
Welkom	33	46	6	85
Kroonstad	7	30	3	40
Kimberley	23	82	15	120
TOTAL	122	307	65	494

- **REASONS FOR STAYING WITH THE MAIN BANK (see section 6.3.6)**

TABLE A7.13

CROSS-TABULATION OF GENDER BY CLUSTER FOR STAYING

	CLUSTER			
	1	2	3	TOTAL
Male	64	84	19	167
Female	143	180	51	374
TOTAL	207	264	70	541

TABLE A7.14

CROSS-TABULATION OF AGE BY CLUSTER FOR STAYING

	CLUSTER			
	1	2	3	TOTAL
<25	8	15	17	40
26-35	16	20	6	42
36-45	41	46	16	103
46-55	51	53	14	118
>56	90	130	17	237
TOTAL	206	264	70	540

TABLE A7.15

CROSS-TABULATION OF RACE BY CLUSTER FOR STAYING

	CLUSTER 1	2	3	TOTAL
Black	58	75	23	156
Coloured	12	19	6	37
White	137	168	41	346
TOTAL	207	262	70	539

TABLE A7.16

CROSS-TABULATION OF INCOME BY CLUSTER FOR STAYING

	CLUSTER 1	2	3	TOTAL
<R5000	54	73	17	144
R5001-R11000	57	64	19	140
R11001-R18000	22	40	17	79
>R18001	34	31	7	72
TOTAL	167	208	60	435

TABLE A7.17

CROSS-TABULATION OF MAIN BANK BY CLUSTER FOR STAYING

	CLUSTER 1	2	3	TOTAL
Bank A	109	126	33	268
Bank B	30	37	14	81
Bank C	24	30	1	55
Bank D	38	62	20	120
TOTAL	201	255	68	524

TABLE A7.18

CROSS-TABULATION OF LOCATION BY CLUSTER FOR STAYING

	CLUSTER 1	2	3	TOTAL
Bloemfontein	84	109	35	228
Bethlehem	18	16	6	40
Welkom	37	47	9	93
Kroonstad	21	24	5	50
Kimberley	47	68	15	130
TOTAL	207	264	70	541

- **REASONS FOR CHOOSING A MAIN BANK (see section 6.3.6)**

TABLE A7.19

CROSS-TABULATION OF GENDER BY CLUSTER FOR MAIN BANK

	CLUSTER 1	2	3	TOTAL
Male	69	50	30	149
Female	133	160	36	329
TOTAL	202	210	66	478

TABLE A7.20

CROSS-TABULATION OF AGE BY CLUSTER FOR MAIN BANK

	CLUSTER 1	2	3	TOTAL
<25	14	25	1	40
26-35	11	21	4	36
36-45	34	35	22	91
46-55	34	42	23	99
>56	109	87	15	211
TOTAL	202	210	65	477

TABLE A7.21

CROSS-TABULATION OF RACE BY CLUSTER FOR MAIN BANK

	CLUSTER			
	1	2	3	TOTAL
Black	36	102	6	144
Coloured	6	19	8	33
White	159	88	52	299
TOTAL	201	209	66	476

TABLE A7.22

CROSS-TABULATION OF INCOME BY CLUSTER FOR MAIN BANK

	CLUSTER			
	1	2	3	TOTAL
<R5000	34	97	7	138
R5001-R11000	62	45	16	123
R11001-R18000	32	19	12	63
>R18001	28	10	22	60
TOTAL	156	171	57	384

TABLE A7.23

CROSS-TABULATION OF MAIN BANK BY CLUSTER FOR MAIN BANK

	CLUSTER			
	1	2	3	TOTAL
Bank A	89	109	39	237
Bank B	34	28	12	74
Bank C	27	18	5	50
Bank D	51	42	9	102
TOTAL	201	197	65	463

TABLE A7.24

CROSS-TABULATION OF LOCATION BY CLUSTER FOR MAIN BANK

	CLUSTER			
	1	2	3	TOTAL
Bloemfontein	91	70	32	193
Bethlehem	20	10	5	35
Welkom	33	51	8	92
Kroonstad	20	12	5	37
Kimberley	38	67	16	121
TOTAL	202	210	66	478

- **MOST IMPORTANT RELATIONSHIP IN THE BRANCH (see section 6.3.6)**

TABLE A7.25

CROSS-TABULATION OF GENDER BY CLUSTER FOR PERSON IN BRANCH

	CLUSTER			
	1	2	3	TOTAL
Male	39	29	70	138
Female	82	82	121	285
TOTAL	121	111	191	423

TABLE A7.26

CROSS-TABULATION OF AGE BY CLUSTER FOR PERSON IN BRANCH

	CLUSTER			
	1	2	3	TOTAL
<25	11	10	17	38
26-35	4	13	15	32
36-45	24	19	44	87
46-55	20	24	45	89
>56	62	45	70	177
TOTAL	121	111	191	423

TABLE A7.27

CROSS-TABULATION OF RACE BY CLUSTER FOR PERSON IN BRANCH

	CLUSTER 1	2	3	TOTAL
Black	23	50	40	**113**
Coloured	10	6	15	**31**
White	88	55	135	**278**
TOTAL	**121**	**111**	**190**	**422**

TABLE A7.28

CROSS-TABULATION OF INCOME BY CLUSTER FOR PERSON IN BRANCH

	CLUSTER 1	2	3	TOTAL
<R5000	30	36	42	**108**
R5001-R11000	35	29	51	**115**
R11001-R18000	24	14	24	**62**
>R18001	10	12	37	**59**
TOTAL	**99**	**91**	**154**	**344**

TABLE A7.29

CROSS-TABULATION OF MAIN BANK BY CLUSTER FOR PERSON IN BRANCH

	CLUSTER 1	2	3	TOTAL
Bank A	53	60	98	**211**
Bank B	23	18	28	**69**
Bank C	14	9	19	**42**
Bank D	30	15	42	**87**
TOTAL	**120**	**102**	**187**	**409**

TABLE A7.30

CROSS-TABULATION OF LOCATION BY CLUSTER FOR PERSON IN BRANCH

	CLUSTER 1	2	3	TOTAL
Bloemfontein	55	39	76	**170**
Bethlehem	5	10	18	**33**
Welkom	16	28	24	**68**
Kroonstad	15	8	15	**38**
Kimberley	30	26	58	**114**
TOTAL	**121**	**111**	**191**	**423**

- **CLIENT-CENTRICITY – ASPECTS OF CLIENT-CENTRICITY (see section 6.3.7)**

TABLE A7.31

CROSS-TABULATION OF JOB TITLE BY CLUSTER FOR ASPECTS OF CLIENT-CENTRICITY

	CLUSTER 1	2	3	TOTAL
Manager	13	14	22	**49**
Consultant/Banker	30	38	23	**91**
Teller	41	38	59	**138**
Information/Enquiries Clerk	26	22	14	**62**
Other	26	26	24	**76**
TOTAL	**136**	**138**	**142**	**416**

TABLE A7.32

CROSS-TABULATION OF LOCATION BY CLUSTER FOR ASPECTS OF CLIENT-CENTRICITY

	CLUSTER			
	1	2	3	TOTAL
Bloemfontein	32	27	31	90
Bethlehem	15	12	14	41
Welkom	59	66	67	192
Kroonstad	32	32	29	93
Kimberley	7	16	12	35
TOTAL	145	153	153	451

TABLE A7.33

CROSS-TABULATION OF BANK BY CLUSTER FOR ASPECTS OF CLIENT-CENTRICITY

	CLUSTER			
	1	2	3	TOTAL
Bank A	57	57	59	173
Bank B	53	51	50	154
Bank C	35	45	44	124
TOTAL	145	153	153	451

TABLE A7.34

CROSS-TABULATION OF YEARS AT BANK BY CLUSTER FOR ASPECTS OF CLIENT-CENTRICITY

	CLUSTER			
	1	2	3	TOTAL
< 2 years	32	43	37	112
$2 < X \leq 5$ years	37	35	36	108
$5 < X \leq 10$ years	25	19	14	58
$10 < X \leq 15$ years	13	21	24	58
> 15 years	29	33	34	96
TOTAL	136	151	145	432

TABLE A7.35

CROSS-TABULATION OF YEARS IN JOB POSITION BY CLUSTER FOR ASPECTS OF CLIENT-CENTRICITY

	CLUSTER			
	1	2	3	TOTAL
< 2 years	30	30	24	**84**
2 < X ≤ 5 years	36	44	46	**126**
5 < X ≤ 10 years	38	45	40	**123**
10 < X ≤ 15 years	20	17	16	**53**
> 15 years	15	13	17	**45**
TOTAL	**139**	**149**	**143**	**431**

- **CLIENT-CENTRICITY – TOOLS OF CLIENT-CENTRICITY (see section 6.3.7)**

TABLE A7.36

CROSS-TABULATION OF JOB TITLE BY CLUSTER FOR TOOLS OF CLIENT-CENTRICITY

	CLUSTER			
	1	2	3	TOTAL
Manager	20	13	18	**51**
Consultant/Banker	44	26	24	**94**
Teller	50	34	36	**120**
Information/Enquiries Clerk	23	16	17	**56**
Other	36	21	21	**78**
TOTAL	**173**	**110**	**116**	**399**

TABLE A7.37

CROSS-TABULATION OF LOCATION BY CLUSTER FOR TOOLS OF CLIENT-CENTRICITY

	CLUSTER 1	2	3	TOTAL
Bloemfontein	39	20	20	79
Bethlehem	19	14	9	42
Welkom	83	49	54	186
Kroonstad	35	22	34	91
Kimberley	15	14	5	34
TOTAL	191	119	122	432

TABLE A7.38

CROSS-TABULATION OF BANK BY CLUSTER FOR TOOLS OF CLIENT-CENTRICITY

	CLUSTER 1	2	3	TOTAL
Bank A	66	49	48	163
Bank B	65	47	46	158
Bank C	60	23	28	111
TOTAL	191	119	122	432

TABLE A7.39

CROSS-TABULATION OF YEARS AT BANK BY CLUSTER FOR TOOLS OF CLIENT-CENTRICITY

	CLUSTER 1	2	3	TOTAL
< 2 years	44	36	27	107
2 < X ≤ 5 years	51	30	22	103
5 < X ≤ 10 years	24	12	23	59
10 < X ≤ 15 years	23	16	15	54
> 15 years	45	18	29	92
TOTAL	187	112	116	415

TABLE A7.40

CROSS-TABULATION OF YEARS IN JOB POSITION BY CLUSTER FOR TOOLS OF CLIENT-CENTRICITY

	CLUSTER			
	1	2	3	TOTAL
< 2 years	38	36	16	**90**
2 < X ≤ 5 years	49	30	38	**117**
5 < X ≤ 10 years	57	26	32	**115**
10 < X ≤ 15 years	19	12	19	**50**
> 15 years	20	9	13	**42**
TOTAL	**183**	**113**	**118**	**414**

CLS

27 May 2010

I hereby acknowledge that the Philosophiae Doctor (Economics) dissertation entitled: **Relationship banking in a client-centric** completed by **Johan Coetzee** was submitted to CLS for the following:

Proofreading and language editing of the document

Checking referencing throughout the document

Checking the layout and format of the document (technical care)

Checking the document for plagiarism

I find the language and technical care of the above-mentioned article to be of a high standard, furthermore no instances of plagiarism were found and adequate reference was made to sources throughout.

If there are any problems in this regard please do not hesitate to contact me.

Kind regards,

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ABSTRACT

Banks place more emphasis on building mutually beneficial relationships with their clients in order to capitalise on cross-selling opportunities that improve profitability. By collecting information, they are able to identify the needs of their clients and build a relationship that is mutually beneficial. This relationship is between the contact-personnel and clients and occurs through multiple interactions in the branches over a period of time. This study focuses on this bank-client relationship in five locations where three of the Big Four South African retail banks are situated. Data was collected from both clients and contact-personnel in branches in Bloemfontein, Bethlehem, Kimberley, Kroonstad, and Welkom. This was done in order to compare the perceptions of clients with those of the contact-personnel who the clients interact with in the branch.

Six constructs are identified that reflect various stages or aspects of the retail bank-client relationship. These are bank selection criteria, service quality, client satisfaction, client loyalty, the nature of the relationship, and aspects of client-centricity. The findings reveal that the most important bank selection criteria for clients to choose a bank for the first time relates to their perceptions of service quality, image and reputation of the bank. Furthermore, using an adapted SERVPERF questionnaire, service quality is found to be an essential determinant of client satisfaction, with only the empathy dimension reflecting no statistical significance in the perceptions of clients and contact-personnel. There is therefore a statistically significant difference between the perceptions of clients and contact-personnel for all the remaining dimensions of service quality. Clients are also more satisfied and loyal to their main bank than what contact-personnel perceive them to be and contact-personnel feel that they are in general empowered to achieve the client-centric objectives of the bank. Contact-personnel feel that support from management and up-to-date information on clients through effective technology is essential, and in some cases, however, contact-personnel indicated that line management was not always supportive of the day-to-day functions of contact-

personnel. Smaller branches in more rural-based areas in particular found this to be the case.

A structural equation model (SEM) was used to test whether a relationship exists between the relationship dimension of service quality, client satisfaction, and client loyalty. The findings indicate that if the contact-personnel within a branch are accessible, offer sound advice, communicate effectively, and are able to make speedy decisions, client satisfaction and loyalty is improved. Further to this, the SEM found that if client satisfaction and loyalty increases, clients are less likely to consider switching to another bank. Therefore, building mutually beneficial bank-client relationships causes client satisfaction and loyalty and also reduces the likelihood that clients will switch to another bank. This holds important implications for management of the Big Four banks as it confirms that their current strategy of building relationships in a client-centric context does improve client satisfaction and loyalty. Several studies have found that if loyalty improves, profitability concomitantly improves and due to banks being privy to client information based on their fundamental role as an intermediary, they can capitalise by cross-selling additional bank products and services to clients and increase the revenue generated from each respective client.

Therefore, because a client-centric approach facilitates an approach whereby the needs of clients are addressed, banks must ensure that they pursue a strategy that is proactive in nature as this will attract profitable clients. This strategy is further supported by the findings that client perceptions of service quality are important throughout the relationship. Indeed, service quality is an important antecedent to selecting a bank for the first time, and is also a major reason for clients to stay at their main banks for over twenty years.

OPSOMMING

Banke plaas al meer klem op die bou van wedersydse voordelige verhoudinge met hul kliënte om sodoende te kapitaliseer op kruis-verkoop geleenthede wat winsgewendheid verbeter. Deur inligting te versamel is hulle daartoe in staat om die behoeftes van hul kliënte te kan identifiseer en om 'n verhouding te bou wat wedersyds voordelig is. Hierdie verhouding tussen die kontakpersoneel en kliënte vind metter tyd plaas deur veelvoudige interaksies in verskeie takke. Hierdie studie fokus op die bank-kliënt verhouding in vyf plekke waar drie van die Groot Vier Suid-Afrikaanse kleinhandel banke geleë is. Data was versamel vanaf beide die kliënt en kontakpersoneel in takke in Bloemfontein, Bethlehem, Kimberley, Kroonstad en Welkom. Dit was gedoen met die oog daarop om persepsies van kliënte met dié van kontakpersoneel, met wie die kliënte omgaan.in die tak, met mekaar te vergelyk.

Ses samestellings was geïdentifiseer wat verskeie stadiums of aspekte van die kleinhandel bank-kliënt verhouding weerspieël. Dit is bank keuse kriteriums, dienskwaliteit, kliënte satisfaksie, kliënte lojaliteit, die aard van die verhouding en aspekte van kliëntgerigtheid. Die bevindinge het bekend gemaak dat die belangrikste bank keuse kriteriums vir kliënte om 'n bank vir die eerste keer te kies hou verband met hulle persepsie van die dienskwaliteit, beeld en reputasie van die bank. Verder, deur 'n aangepaste SERVPERF vraelys was dit bevind dat dienskwaliteit 'n wesenlike bepaling van kliente satisfaksie is, met net die empatie dimensie wat geen statistieke betekenis in die persepsie van kliënte en kontakpersoneel reflekteer het nie. Daar is dus 'n statistiese verskil tussen die persepsies van kliënte en kontakpersoneel vir die oorblywende dimensies van dienskwaliteit. Kliënte is ook meer tevrede en lojaal teenoor hulle hoof bank as wat kontakpersoneel waargeneem het en kontakpersoneel voel dat hulle oor die algemeen bemagtig is om die kliëntgerigtheid doelwitte van die bank te kan bereik. Kontakpersoneel voel dat die bestuur se ondersteuning en bydertydse inligting rakende kliënte deur middel van doeltreffende tegnologie essensieel is, alhoewel in sekere gevalle het kontakpersoneel aangedui dat die lynbestuur nie altyd ondersteunend was rakende die dag-tot-dag funksionering van kontakpersoneel nie. Kleiner takke in meer plattelandgebaseerde areas het veral gevind dat dit wel die geval was.

'n Struktuurvergelykingsmodel (SVM) was gebruik om te toets of 'n verhouding bestaan tussen die verhoudingsdimensie van dienskwaliteit, kliënte satisfaksie en kliënte lojaliteit. Die bevindinge het gedui dat indien die kontakpersoneel binne die tak toeganklik is, suiwer advies verskaf, effektief kommunikeer en spoedige besluite neem sal kliënte satisfaksie en lojaliteit verbeter. Verder het die SVM bevind dat indien kliënte satisfaksie en lojaliteit vermeerder sal kliënte minder geneig wees om dit te oorweeg om na 'n ander bank te skuif en sal minder geneig wees om hierdie oorweging te bewerkstellig. Dus lei die bou van wedersydse voordelige bank-kliënt verhoudinge tot kliënte satisfaksie en lojaliteit en verminder ook die waarskynlikheid dat kliënte na 'n ander bank sal skuif. Dit hou belangrike implikasies vir die bestuur van die Groot Vier banke in aangesien dit bevestig dat hulle huidige strategie rakende die bou van verhoudinge in 'n kliëntgerigte konteks wel kliënte satisfaksie en lojaliteit verbeter. Verskeie studies het al bevind dat indien lojaliteit verbeter sal winsgewendheid daarmee te saam verbeter en as gevolg van banke wat toegang tot heimlike kliënte inligting het, kan hulle kapitaliseer deur die kruisverkoop van addisionele bankprodukte en dienste aan kliënte en kan so hul inkomste wat vanaf elke onderskeie kliënt genereer word vermeerder.

Daarom, aangesien 'n kliëntgerigte benadering 'n benadering fasiliteer waar die behoeftes van kliënte aangespreek word moet banke verseker dat hulle 'n strategie navolg wat pro-aktief van aard is omdat dit winsgewende kliënte sal aantrek. Hierdie strategie is vêrder ondersteun deur die bevindinge dat kliënte persepsies van dienskwaliteit deurgaans die verhouding belangrik is. Inderdaad, dienskwaliteit is 'n belangrike voorloper wanneer dit by die seleksie van 'n bank vir die eerste keer kom en ook 'n vernaamste rede vir kliënte om by hulle hoof bank te bly vir meer as twintig jaar.

KEY WORDS

Relationship banking

Banks

Retail bank

Information reciprocity

Bank selection criteria

Service quality

Client satisfaction

Client loyalty

Client-centricity

Structural equation modelling