

**DETERMINING FACTORS INFLUENCING SALES GROWTH IN BUSINESS
BANKING IN BUFFALO CITY MUNICIPALITY, SOUTH AFRICA**

By

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DECLARATION

I, Boniswa Koneti (196038150), hereby declare that the treatise for Masters in Business Administration is my own work and that it has not previously been submitted for assessment or completion of any postgraduate to another University or for another qualification.

Boniswa Koneti

Date

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DEDICATION

This dissertation is dedicated to my parents, Mr and Mrs Blaauw as well as my sons, Unakho Bunono Koneti and Qhamani Luniko Koneti.

ABSTRACT

The increase in number of banks entering the South African banking sector has caused the big four banks to lose their market share to the new entrants. As a result, the new entrants in this sector have also had negative effects on the existing banks' sales growth and net profits. Business banking, in particular, has been one of the departments which has become competitive as it is considered to generate the most revenue from all the different bank departments. Business clients have been targeted as their fees are high compared to normal individual clients and also, their investment sizes are big compared to individuals, hence the increased interest in this section.

This then prompts the question, what are the factors influencing sales growth in business banking? This question then brings one to the following sub-problems: Is the pricing offered by the various banks to their business bank customers competitive enough to retain them?; How competent and knowledgeable is the staff dealing with business bank customers in ensuring good relationships with business banking clients?; is the technology used by the banks advanced enough to address the banking requirements of business banking customers? Are business banking customers loyal to their respective banks to ensure repetitive sales?

In dealing with the above, the author undertook a research study to determine whether factors such as competitive pricing, competent staff, advanced technology and customer loyalty influence sales growth in business banking in Buffalo City Municipality "BCM". The sample of 90 business banking customers who were given questionnaires to test the above were from a population of business banking customers in BCM. The

author underwent a theoretical and an empirical investigation using the survey method through questionnaires.

These questionnaires were distributed to the various financing institutions dealing with business banking clients.

The findings of the empirical study suggest that through the use of the hypothesis test, it was concluded that of the four factors, advanced technology and customer loyalty influence sales growth in business banking in BCM. While pricing and competent staff do not influence sales revenue growth.

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CHAPTER 1

INTRODUCTION AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Sales growth is a critical factor for all banks in the Buffalo City Municipality and South Africa. It determines the direction of the business; whether it continues to offer its services or whether it closes.

Its continuation or discontinuation not only affects the banks' clients. Its growth and downturn affect the economy as well. Its continuation ensures that there are sustainable jobs created through the staff working in the banks, and that there is economic activity in that those employees spend their income at retailers or increase their savings by investing in those investment instruments that yield high returns.

The failure or the discontinuation of a bank to operate has negative consequences for several parties. If a bank closes down, people lose their jobs and this affects the economic activity as the economic growth will deteriorate. Socially, there will also be imbalances and some families might fall apart due to loss of income from either spouses.

It is against this background that the researcher investigated the factors driving sales in banks, specifically the business banking sections where the banks deal with entrepreneurs and business owners.

1.2 RESEARCH AREA AND PROBLEM

Sales growth in the South African banking space, particularly in business banking, has become a contentious issue. Banks not only compete with specialised products for businesses in their books, but they also focus on strengthening relationships with their clients, according to Howcroft and Durkin (2000:178). Furthermore, these authors report

that banks operate in a highly competitive environment, servicing clients who are empowered and are financially literate. It is thus becoming increasingly important that bank staff be experts in their field when dealing with clients.

The Absa Annual Report (2010:66) reported that there was an increasing number of consumers who are financially literate. The reason for this was to understand better how the financial services industry operates, from both banks' and clients' perspectives. The figures increased from 225 061 consumers in 2008 to 356 156 consumers in 2010 through programmes offered by various institutions such as Bank Seta, technical colleges, banks as well as insurance companies.

Sales growth at Absa Business Banking is defined as the increase in the number of business current accounts opened, followed by overdraft facilities paid out, credit cards issued, term loans paid out, commercial vehicles and properties as well as investment funds received from clients to be invested by the bank.

Howcroft and Durkin (2000:178) further state that new entrants in banking brought about fierce competition as they have brought in new technology and are price-competitive when compared to the four traditional banks. Investec Bank, as a new bank then, lured prospective clients with competitive pricing to increase their client base and sales.

The entrance of Investec bank into business banking specifically, offering specialised products which are competitively priced for business clients, has changed business banking in South Africa and Buffalo City Municipality. According to Falkena, Abedian, von Blottnitz, Coovadia, Davel, Madungandaba, Masilela and Rees (2001:6) increasing competition could result in access to, and cheaper costs of services for businesses. The effects of increased competition benefit the clients in terms of costs and efficiency.

According to Naidu, Parvatiyar, Sheth and Westgate (1999:17), there is a positive correlation between a bank's relationship management and the bank's performance. For banks to be profitable and have increasing sales, their focus on the strengthening of the relationships with their clients will assist in realising the latter. O'Loughlin, Szimigin and

Turnbull (2004:525), however, argue that not all customers want to have close relationships with their banks, and they go even further to encourage banks to come up with new ways of dealing with customers, for example, new technology on the internet periphery. They further view internet banking as a tool which will have a huge impact on banking and can be utilised effectively in relationship marketing.

However, Howcroft and Durkin (2000:180) argue that virtual banking could possibly destroy the trust between the customers and the bank, and further expatiate that it could create disloyal customers and lead to a lack of customer retention. The latter authors view this dialogue as a potential hindrance in the sales growth in the banking sector.

Oliver (1999:36) defines customer loyalty as a deep commitment by a customer to a product, service or brand. This commitment causes repetitive buying of the same product or brand regardless of market fluctuations. Pont and McQuilken (2005:347) argue that just because clients are satisfied and are loyal to the bank does not guarantee that they will not switch banks in the future.

Colgate and Hedge (2001:202) state that the one crucial factor that causes clients to switch banks and for the bank sales to decline is low pricing from competitors. This factor then signals that bank customers are price sensitive. The challenge, therefore, was to direct an intervention that would mitigate the harmful effects of this particular working environment on the sales growth in the banking sector. As a first step towards this goal, the sales growth in the banking sector in Buffalo City Municipality (BCM), and what influenced it, needed to be established. This was what this research study proposed to do.

1.3 RESEARCH OBJECTIVES

1.3.1 Primary objectives

The primary objective of this study was to determine the factors that influence the sales revenue growth in business banking in the Buffalo City Municipality Metro, South Africa.

It aimed at investigating factors such as: technology; pricing; competent staff as well as customer loyalty.

1.3.2 Research design objectives

To achieve the aforementioned objectives, this research followed the following research design:

- A literature review was performed to collect information relating to the variables that were investigated.
- A questionnaire was put together to gather the data on the factors influencing sales growth in business banking.
- The questionnaire was followed by ethics clearance obtained from the Nelson Mandela Metropolitan University's Ethics Committee.
- A pilot study was conducted on five participants to test the reliability of items used in the questionnaire and to improve the instrument.
- The questionnaire was distributed to a sample of 90 business owners in Buffalo City Metro Municipality.
- The data collated from the questionnaire was analysed by the university's statistician.
- The results thereof were utilised to reach conclusions and to make recommendations.

1.4 SIGNIFICANCE OF THE STUDY

The expectation was that the recommendations made in this study would be used by commercial banks in Buffalo City Metro Municipality making an effort to increase their sales growth.

1.5 HYPOTHESIS

According to Collis and Hussey (2009:63) a hypothesis is defined as “a proposition that can be tested for association or causality against empirical evidence.” Evans (2007:161) goes further to explain the purpose of conducting a hypothesis test as a tool helping to decide whether a formulated hypothesis is either rejected or not rejected.

A null hypothesis (H_0) has an alternative hypothesis (H_1). When the H_0 is rejected, the alternative is not rejected. The following hypotheses were formulated to achieve the research objectives:

Advanced Technology

H_1 : Technology influences sales revenue growth.

H_0 : Technology does not influence sales revenue growth.

Competitive Pricing

H_2 : Pricing influences sales revenue growth.

H_0 : Pricing does not influence sales revenue growth.

Competent staff

H3: Competent staff influences sales revenue growth.

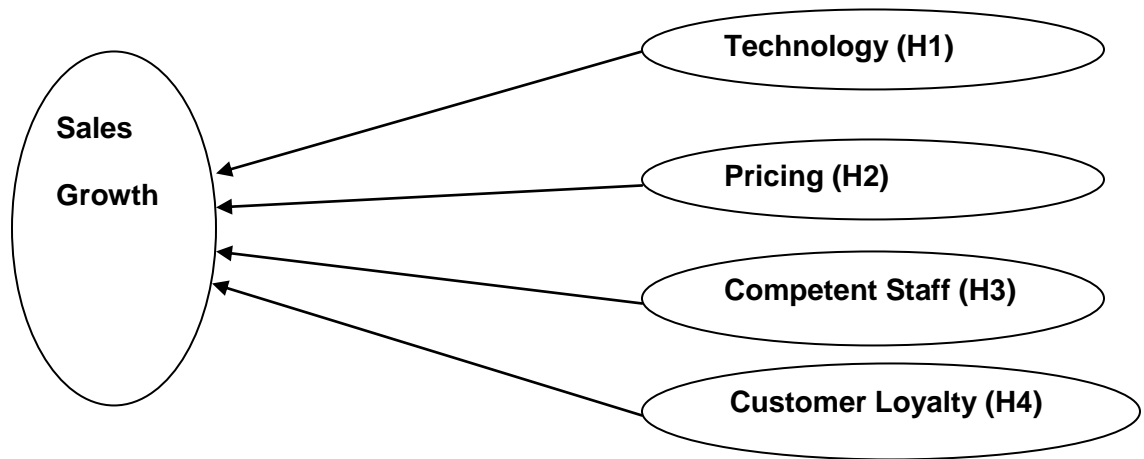
Ho3: Competent staff do not influence sales revenue growth.

Customer loyalty

H4: Customer loyalty influences sales revenue growth.

Ho4: Customer loyalty does not influence sales revenue growth

Figure 1.1: The model to be used is as follows:



Source: Researcher's model

1.6 RESEARCH METHODOLOGY

To formulate the conceptual framework of this research, primary research data was obtained from questionnaires. These questionnaires were distributed to the selected sample of business owners with business banking accounts in the BCM region.

Secondary research data from the literature review was from sources such as books, academic journals, internet and newspaper articles.

1.6.1 Research paradigm

According to Leedy and Ormrod (2001:95) there are two main research paradigms, the phenomenological (qualitative) and positivistic (quantitative) paradigms. Denzin and Lincoln (1994:107) define a paradigm as a set of standard principles accepted on faith. Collis and Hussey (2009:55) define a research paradigm as “a framework that guides how scientific research should be conducted, based on people’s philosophies and their assumptions about the world and the nature of knowledge.”

According to Denzin and Lincoln (1994:109), a qualitative study is a multi-method focus whose subject matter involves an interpretive system. Researchers interpret phenomena brought by the people and how they live. The qualitative paradigm is defined as a technique that permits the researcher to provide interpretations of market phenomena without depending on figures or numbers for measurements, according to Zikmund, Babin, Carr and Griffin (2010:110). Cooper and Schindler (2006:194) argue that the qualitative technique is an important one that seeks to describe, decode, translate and come to the meaning of certain occurring phenomena in the social world.

Positivism is intended to establish, confirm, or validate relationships and to develop generalisations that contribute to theory. Positivism research examples are street surveys, telephone interviews, door-to-door as well as product placements. According to Henning, Van Rensburg and Smit (2004:74) positivism reveals the truth and presents it in a practical manner.

Quantitative research has these attributes, (Burns and Grove 1999:192):

- There is a single reality that can be defined by careful measurement.

- It is usually concise.
- It describes and examines relationships, and determines causality among variables, where possible.
- The sample should be representative of a large population.
- Reliability and validity of the instruments are crucial.
- Comprehensive data is gathered by using several methods and tools should result in a complete description of the variable investigated.
- It provides an accurate account of characteristics of particular individuals, situations or groups.

The positivistic approach was selected for the purposes of this study. Questionnaires were distributed. The researcher also wanted to remain impartial in the research. The relationships of the different variables were tested for their reliability and validity. Anonymity and privacy was ensured throughout this study.

1.6.2 The sample

In this study, non-probability sampling in the form of convenience sampling was used. Questionnaires were distributed to 90 business owners with business banking accounts in any of the banks in Buffalo City Municipality. The population of business owners in BCM is significantly large and thus questioning the whole population would have been impossible, hence a sample of 90 businesses was selected. De Vos (1998:191) supports the use of a convenience sample where it is impossible to identify all the members of a population.

The sample has to be carefully selected so that the researcher is able to realise all the characteristics of the total population, in the same relationship that it would be seen if a total population was inspected (Leedy and Ormrod, 2005:199).

According to Welman and Kruger (1999:61), the attributes of non-probability sampling are as follows:

- Every person meeting the criteria is asked to take part. In this study, for example, 90 business owners with business banking accounts were asked to participate.
- It is easier and more cost effective than random sampling.
- The researcher's judgement is used to choose individual subjects who meet the criteria.

1.6.3 The measuring instrument

Collis and Hussey (2009:191) mention that there are two main data collection methods, namely: questionnaires and interviews. They define a questionnaire as a primary data collection method where a sample of respondents is asked to answer certain carefully structured questions and thus permit the extraction of reliable responses.

The selected measurement instrument was a questionnaire. The questionnaire comprised of questions created by the author. The quality of the research instrument was enhanced by keeping questions short and to the point. The names of the respondents were kept confidential and anonymity was guaranteed to all. The aim of this study was to identify possible factors that affect sales revenue in the business banking sector in BCM.

The instrument was anchored to 5-point Likert scale ranging from (1) strongly agree, (2) agree, (3) neutral, (4) disagree and to (5) strongly disagree.

1.6.4 Validity and Reliability

Golafshani (2003:602) states that validity determines whether the research truly measures what it was intended to measure or the legitimacy of the research results. Davies and Dodd (2002:281) argue that the application of validity and reliability differs

between qualitative and quantitative studies, citing that there is bias in the latter in the concept of rigour.

For the purposes of this study, to assess its validity, a pilot study for the questionnaire was given to ten business owners.

According to Collis and Hussey (2009:58), validity is the extent to which the accuracy of the research findings represents what really is happening in a particular situation. Lancaster (2005:72) defines the reliability of a measuring instrument as the extent to which it yields consistent results on different occasions and when there are no changes in what is being measured.

Reliability refers to consistency and/or repeatability of the measurement; in other words, consistency can relate here to the questionnaires being clear and well-defined in order not to confuse the respondents. Repeatability here means that if researchers have findings from a group they should be able to repeat the survey and get exactly the same results (Golafshani 2003:598).

1.7 LIMITATIONS OF THE RESEARCH

In Buffalo City Municipality it was difficult to obtain a database from the banks of their business banking clients as there are confidentiality clauses signed between banks and customers.

Not all the business owners responded to the questionnaires. At collection time some said they had misplaced the questionnaires while others said they did not have time. The researcher intended to have 90 respondents but only 60 responded. This caused a reduction in the number of respondents one would have preferred.

1.8 STRUCTURE OF THE STUDY

The treatise is divided into five chapters:

Chapter 1 This presents the research problem and setting. It introduces the research problem, the aim of the study, the objectives, the research methodology and the deployment of the study.

Chapter 2 This gives an overview of the literature outlining the factors of sales growth in the banking sector.

Chapter 3 Here the research methodology is outlined. It describes the different methodologies used for the research, including the sampling method and the method of analysis.

Chapter 4 This presents an analysis and interpretation of the findings.

Chapter 5 This presents a summary of the most important findings, conclusions and tentative recommendations. The chapter also analyses whether the research objectives were met and makes recommendations for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The banking sector is a broad sector comprising of many divisions such as retail, which deals with individuals, and asset finance which deals with financing of vehicles and equipment. For the purpose of this study, the focus was on the business banking section where the clients are legally registered businesses represented by business owners. Their turnover would not be a factor. These business owners operate in a competitive space where each company's success depends on many factors, including banking. This suggests that a solid relationship with bankers is of importance for the success and sustainability of the business. Banks are funders for businesses. Therefore, for businesses to continue operating, it is important that they have sufficient funds to carry on with their day-to-day business operations.

The South African Reserve Bank "SARB" and National Government have an important role in ensuring that a conducive environment for saving, investments and protecting the value of the currency in order to encourage domestic growth exists (Faure, 2002:4). The SARB was recognised in 1921 under the Currency and Banking Act (31 of 1920). This Act was passed to bring stability to the deteriorating monetary and financial conditions that were caused by the First World War. The SARB is at the core of the economy's financial structure and as such has been designated, in the more current South African Reserve Bank Act (90 of 1989), various functions as clarified in section 2.3.1 of that Act.

In implementing its policies the SARB must remain independent from political motives, hence it was granted independence by the Constitution Act (108 of 1996). Ciocca (1987:7) commented that a central bank cannot achieve its objectives without a large degree of policy and operational independence. Certainly, it can be said that central

bank independence, i.e. instrument and policy independence, is vital when implementing monetary policy decisions like the inflation targeting approach adopted recently. The bank's core focus sectors are agriculture, the public sector and small and medium sized enterprises.

According to Absa Group's Annual Consolidated and Separate Financial Statements (2012:49), in the 2011/12 financial years ABSA grew headline earnings per share by 21% and declared 50% higher dividends. During this period their customer base grew by 3% reaching 12,1 million. ABSA not only remains the largest SA bank by number of customers but also maintains the number one market share of retail deposits (which grew to R4.2 billion in 2012), number of branches and ATM's, stated Absa Group CEO Ramos. (ABSA 2012)

Nedbank Group Limited is a bank holding company that prides itself in a strong deposit franchise and provides services such as wholesale and retail banking, insurance, and asset management. The bank's long-term strategic objectives are referred to internally as 'Deep Green Aspirations'. On the financial side, Nedbank achieved Economic profit up 63,5%; total shareholder return of 34,3%; Dividend of 752 cents, up 24,3%, Nedbank Group Intergrated Report (2012:17).

According to Nedbank Group Intergrated Report (2012:16), on the employee aspect, Nedbank created 452 additional jobs in SA and spent R352m on development. On the customer side, they grew total retail individual and small business clients by 655 841, payout of R144bn new loans, 80 new outlets and 476 ATMs as well as strong client gains, the total of which now stands above 6,1m.

The Standard Bank Annual Report (2012:14) reveals that it is the largest banking group in assets and earnings in South Africa, consisting of R1497 billion worth of assets and a market capitalisation of R157 billion. In the year 2012, Standard Bank demonstrated character by lifting headline earning to R11 501 million, an increase of 21% compared

to the previous year. The bank employs more than 28 000 people, (Standard Bank of SA Annual Report 2012:1) and operates as three individual business units with its core strategic focus on:

- Personal and business banking
- Corporate and investment banking
- Liberty

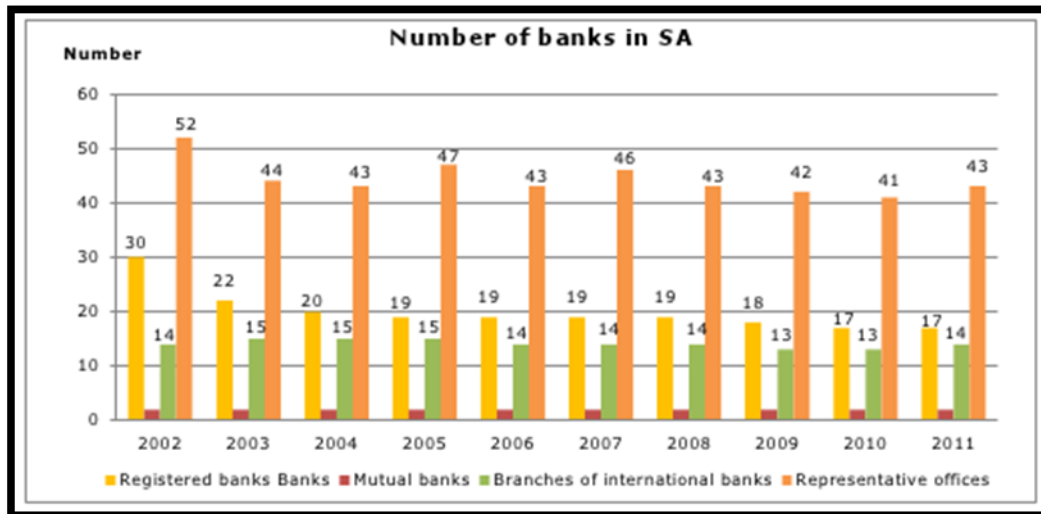
As a member of the FirstRand Group limited, the First National Bank's (FNB) strategy is to focus on customer relationships supported by appropriate products with tailored target pricing strategies and channel innovation. FNB has been successful in growing its franchise in the mass market and has over four million customers.

The FNB core focus sectors are the high individual wealth and corporate customer segments. At present FNB has 667 branches and 5557 Automated Teller Machines (ATMs) across South Africa. The bank also reported an income before direct tax of R1 449 million and R3 063 million for the mass and consumer segments respectively. This represents an increase of 10% and 63% respectively during the 2010/11 financial year First Rand Group Annual Financial Statements, (2012:254-5).

Business banks operate in a dynamic, competitive and highly specialised environment. The Competition Commission of South Africa's Annual Report (2008/9:21) reported that the SA banking industry is dominated by the big four banks that on a national level jointly hold approximately 95% of the industry personal transaction accounts. Due to the competitive nature of the industry, it is imperative that banks have full knowledge of the environment they operate in. In understanding their macro-environment, banks must familiarise themselves with the specific factors which influence this environment.

2.1.1 Overview of South African Banking Sector

Figure 2.1 Number of banks in SA



Source: South African Banking Council (www.banking.org.za)

An article on the SA Banking Council website reports that the banking sector in SA employs over 150 000 people with the bulk of this number represented by the four major banks – Nedbank (28 494), ABSA (34 244), FNB (36 398) and Standard Bank (45 755). In terms of this sector's contribution to the economy of SA, the banking sector assets represent just over R3 trillion. The financial services sector contributes about 10,5 percent to gross domestic product (GDP), taxes amount to over 15 percent of GDP and employment represents about 4 percent. This indicates the importance of this sector and how its existence should not be taken lightly.

2.2 MACRO ENVIRONMENT

2.2.1 PESTEL analysis

In trying to understanding the external environment within which businesses operate, they have to better understand their customers. They have to know government laws and regulations that exist in their space. Blythe (2009:33) suggests that these factors

are the art of the macro environment, also known as the external environment. He further recommends the use of PESTEL, a tool by organisations to analyse the external environment. It is an acronym representing political, economic, social, technological, environmental and legal factors.

Political

For any investments to flow in any economy, there must be stability. South Africa's political situation has somewhat improved since the release of Nelson Mandela. South Africa has witnessed the rapid growth of a new culture of political democracy and social equality since 1994. South Africa also enjoyed increasing access to foreign markets and started experiencing capital inflows, which encouraged the development of local financial services (Mboweni 2003:3). Mboweni further comments on the increase of foreign trade that can be expected during the next few years to come with a corresponding increase in foreign competition for domestic market share. He also maintains that the higher quality of domestic products and services will help guarantee local firms remain competitive, boost exports and force the government to maintain an environment conducive to production, in effect strengthening the economy's backbone.

Economic

The economic situation of South Africa depends on various factors such as demand and supply, international forces and currency fluctuations. According to Patel (2004:12) economic instability can have negative effects on the country, for example in Zimbabwe bank instability caused a high inflation rate that rose to levels as high as 1700 percent, due to major capital outflows from domestic markets and financial disinvestment.

According to Mboweni (2003:7) high inflation has these consequences:

- It discourages savings, prejudices salaried and low-income workers.
- Causes depreciation of local currency and thus reduces Gross Domestic Product (GDP)

- It limits the country's competitiveness internationally.
- It distorts the efficient allocation of resources and leads to the unequal distribution of income and wealth.

The economic environment in which financial markets operate must be stable and conducive for efficient allocation of resources. When considering the money market - the most important domestic factors to reflect on are inflation, monetary developments, monetary and fiscal policy, the state of government finance and economic policies. This is done to ensure that the policies adopted are appropriate for the current state of economic activity and at the same time guarantee the effectiveness of such policies.

Social

South Africa has overcome a number of major political and social barriers in the past. There are some remaining concerns such as social issues that authorities need to address before financial markets can be fully embraced. Such issues are listed below by Faure (2002:8). They include:

- Violent crime, lack of security and poverty
- Inefficient justice system and corruption
- Corrosion of the skills pool (i.e. brain drain) and poor human resource development due to increasingly high mobility and mortality of labour. The skills pool is no longer a domestic factor but rather a global one with individuals seeking the highest remuneration and best quality of life.

In business banking, servicing business clients means being sophisticated in dealing with clients, being able to have highly skilled staff with an educational background such as a commercial degree, coming from a certain background and so forth and who will be able to communicate at a level expected by this market with poise, eloquence and expertise.

Technological

Technology changes rapidly. It is important that banks invest in technology and are up-to-date with the latest systems in the market so that they remain relevant and appealing to the market they are servicing. Mahdi and Dawson (2007:187), report on how the introduction of two new foreign banks brought about new investment technology as well as increased competition in the banking industry of Sudan. This highlights the importance of keeping up with advanced technology if one is to remain competitive, experience increased sales and increased profitability.

Environmental

The attitudes and behaviours of consumers in relation to environmental and climate changes should be taken into account by companies. Companies wanting to appeal to the 'green' lobby groups in order to capture that market should seek to appear as supporting the 'green' economy and to take part in initiatives promoting such. Absa Commercial is striving towards being paperless. This is their way of being environmentally friendly, in realising that more paper use results in more trees being felled.

Legal

In South Africa, all banks are governed by the South African Reserve Bank (SARB). According to the SARB's Annual report (2005:8), their main responsibility of controlling the banking industry is "to ensure that the legal framework for the regulation and supervision of banks and banking groups in South Africa remains relevant and current." This legal framework relates to the controlling and conforming of banking, thus considers local and global initiatives in this industry and its regulatory norms.

Any changes in the legal framework of banking affects the operations of banks. This was evident with the introduction of the National Credit Act (NCA) of 2006 when all banks had to start practising precautions when it came to their lending criteria, ensuring that bank customers were lent funds based on their affordability. Commercial banks

have no influence over this factor. Theirs is to abide and ensure that they act within the law or else have their licence suspended.

2.3 TECHNOLOGY INFLUENCES SALES GROWTH

According to Patel (2004:24) the South African banking industry comes from a history of rigidity where things were done a certain way with no room for error with everything being done manually and repetitively. This caused certain bank employee to find it difficult to accept the changes that came with the adoption of new technology. Mahdi and Dawson (2007:192) also allude to this stating that in the Sudan Banking Industry (SBI), the implementation of technology took time and was influenced by internal and external factors. These authors further mention that old bank employees tended to resist the execution of new technology. This impeded bank growth and profitability. With that mentioned, it is thus important to indicate the importance of new technology in banking, and how its introduction can improve the banks' revenue growth, if managed well.

2.3.1 Importance of technology

The profile of the client serviced in the commercial banking space is the high net worth individual who owns businesses. These business owners are sophisticated and are high maintenance. They are demanding and expect service from their banks as and when they require it. It is impossible for bank staff to be always available when needed by clients. The use of technology by clients helps them become pertinent in operating their business efficiently.

Business owners transact planned and unplanned transactions. Planned transactions are those covering overheads such as staff salaries, rental payments as well as electricity payments. Those that are unforeseen pertain to offshore deals that arise unplanned where internet banking payment and funds transfer must take place

immediately to secure such deals. Business owners want to have the comfort of knowing that they will be able to transact on their bank accounts at their place of convenience, securely and easily. Ioannou and Zolkiewski (2009:260) confirm this by stating that high net worth clients want to access their banking facilities anywhere, anytime.

When clients are satisfied with the use of the bank's electronic facilities, they trust the system, its people and organisation. This encourages them to use it more and even inform others about the pleasant facility. In banking, there are charges relating to the use of any bank service. In the case of Absa Commercial, each Business Online transaction results in a credit for the bank. This is the way the bank makes money from the use of its system. Even though the service is cheaper compared to when one goes to the branch, frequent use of it increases the bank's revenue and these charges add to the division's bottom line.

It should be noted that there are those who argue that the introduction of technology such as internet banking is impersonal and creates a distance between the bank and its customers. Ioannou and Zolkiewski (2009:257) state that some customers prefer having a face to talk to and to be able to connect and have that personal touch.

Research conducted by Ioannou and Zolkiewski (2009:258) indicates that the type of customer profile determines the type of banking medium to be accepted and appreciated. It indicated that those who were professionally educated and wealthy had a high usage and relationship with technology, whereas those who were uneducated and were of old age from 60 years up did not have an interest in technology.

2.3.2 Challenges versus benefits of new technology

The introduction of any service or innovation is always received with some optimism and some skepticism. The same happened with the introduction of internet banking. There were customers who were keen to try it and those who did not receive it well. There are authors who have researched internet banking extensively. Some authors mention challenges of introducing internet banking.

Bradley and Stewart (2003:274) highlight the following challenges:

- New technology such as e-banking is costly to implement. Huge investments by banks occur for technology advancement. The only way for the banks to recuperate such is by passing those charges on to clients who use the services.
- It is said that internet banking opens up criminal activities. There have been hackers of banks' systems where the criminals accessed customer bank accounts and helped themselves from those funds illegally.
- There is the potential to reduce customer-bank relationships and create an impersonal touch. Internet banking allows customers virtual access to facilities but, it has the potential to create a wall between the banks and their customers and thereby reduce customer loyalty due to no personal interaction with the bank.

There are benefits to internet banking stated by Ibbotson and Moran (2003:95). These authors argue that the now competitive banking industry is forcing banks to come up with new and improved ways of servicing their clients and of retaining them. The benefits incorporated with such developments include the following:

- Internet banking strengthens relationships with customers.
- There is a human touch to virtual banking. Banks have customised their systems by creating that personal touch and connection.
- Clients are able to process and access their accounts to perform any transaction and at any time, except for withdrawals.

- Clients no longer need to carry bank cards to access their funds. The introduction of facilities like e-Wallet by FNB and Cash Send by Absa Bank allows clients to withdraw funds without the use of a bank card.
- It has become convenient to bank anywhere and not stand in long queues. Business owners do not have time to stand in those queues.

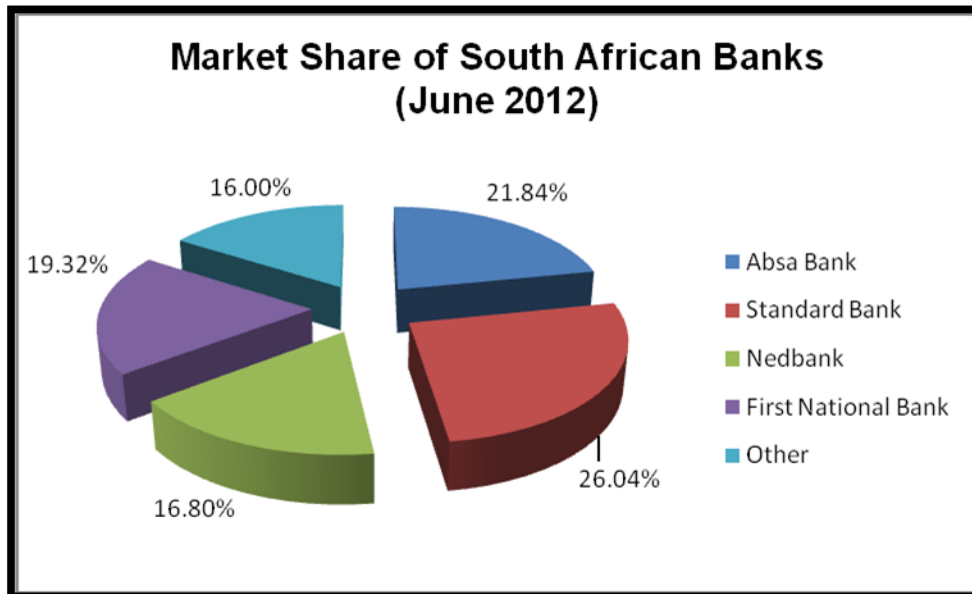
Ibbotson and Moran (2003:96) further state that the more services the client is able to access from their place of convenience, the more loyal that customer will be to the bank. The more services clients use, the more charges the bank makes and the more revenue in the end. This is the reason why banks cross sell as many products as possible to clients. This makes it difficult for clients to switch to other banks.

2.3.3 Technology in banking and competition

Innovation in banking is said to result in increased efficiency in bank systems and thereby improve competition. In South Africa, a statutory body called the Competition Commission of South Africa investigates and guides competition across all industries. It provides competition policies within which industries should operate. The Competition Commission SA define competition policy as “applying rules to make sure that companies compete with each other and, in order to sell their products, innovate and offer good prices to consumers” (2008/9:106)

In South Africa, banks do not entirely compete on pricing. Once the governor of the South African Reserve Bank announces changes in the Repo Rate, all commercial banks adjust their lending rates accordingly almost immediately. Arderne (1998:1) confirms this by saying that the only differentiating factor that can be used is striving for excellence. Thus, it is imperative that banks offer excellent services to remain competitive.

Figure 2.2 - South African banks share of the four big banks (June 2012)



Source: South African Banking Council www.banking.org.za

The above diagram illustrates how the South African banking industry is dominated by the big four banks, while the small payers such as Capitec Bank, African Bank, and Investec fall within the 'Other' category. According to Capitec Annual Integrated Report Bank (2012:9), the bank is still new in the industry but has proven to be a contender and poses a threat to other banks. According to the bank's chairman, the bank was established with the intention of focusing on the low end of the market offering the cheapest banking services using highly technologically advanced systems. There are also 55 new branches planned to grow their customer base.

2.3.4 Competition and Porter's five forces

Competition is inevitable in any kind of business. It is one of those challenges that cannot be ignored. Ignoring it could result to failure of the business. Casu and Girardone (2009:119) also allude to the above stating that "Competition is generally considered a positive force in most industries; it is supposed to have a positive impact on an industry's efficiency, quality of provision, innovation and international

competitiveness.” They also argue that in banking it is different and thus banking has been regulated so heavily. It is thus important to look at a model which addresses competition and links that to competition in the banking industry in Buffalo City Municipality and how changes in technology affect this industry.

Blythe (2009:50) states that the environment companies operate in can influence factors such as competition, employee relations, company branding, company culture and so forth. He cites that business owners must conduct a competition analysis using Porter’s five forces model, adding that this model allows businesses to assess the strength of competition in any given market. With the knowledge of the strength of competition, business owners are able to derive strategies to position their businesses and products correctly.

Hough, Arthur, Thompson, Strickland and Gamble (2011:57) also recommend Porter’s five forces model. They argue that companies operate in a “macro-environment”. This environment is influenced by the economy, its demographics, lifestyle, government rules and regulations. For a business to remain competitive, there are certain forces which the business owners must be aware of and develop a strategy for. Hough et al (2011:57) mention these five competition forces as follows:

Supplier bargaining power (High impact)

According to Keet (2000:185), this force is about the ability of the bank to increase its prices above cost and lower the quality of goods and services the bank provides. The South African Reserve Bank is the money supplier for the banking industry. It manages the monetary policy and independently decides the lending rate which then gets applied by commercial banks. The SA banks lower and increase their lending rates in relation to an announcement made from a decision by the Governor of the SARB. If one bank reduces its interest rates, almost immediately the rest will follow suit.

In business banking, business clients transact with millions of Rand. It is important that if banks want to increase those deals they must be willing 'to go less to attract more'. Due to economies of scale, they will increase the bottom line. Absa Commercial East London is able to negotiate with their credit manager on behalf of the client for lower pricing, especially with the existence of Investec Bank offering competitive rates for business clients. This is part of their diversification strategy by venturing into business clients since they already service wealthy individuals.

Threat of substitutes

Banks offer mainly a service to their clients. A service is intangible and cannot be touched or felt. The important thing in banking is not the 'what' but the 'how' which differentiates banks from one another. In SA, all banks offer similar products in terms of business cheque accounts, credit cards and other products. The reason clients would consider substitute products is when they perceive the quality to be better at another bank, or the turnaround time for the same or similar product is faster than the other bank, or when the client is price sensitive and seeks cheaper products and is willing to shop around.

At Absa Commercial, there is a newly formed trend of creating a one-stop shop environment where business clients get every bank-related product from one individual who works with others who provide complementary products. Even when they go hunting for business, they hunt in what they call 'pack attacks', to ensure that all the needs of the business clients are highlighted in the presence of all the experts. This minimises the chance of searching for a substitute product elsewhere. According to the Absa Business Banking Report (2010), there is a strong focus in cross-selling to existing business clients. This they do as a retention strategy. This strategy is in line with their vision of collaborating internally to create a culture of oneness through 'One Absa'.

Threat of new entrants (High)

In commercial banking new entrants reduce profits of existing banks, so to restrain entry into this industry huge capital investment is necessary in order for new entrants to enter. There are also licensing and registration requirements by the Financial Services Board which can be cumbersome. Investec entered this space because they are an international bank with financial muscle to be able to penetrate. Their existence dampened the profits of the existing banks and reduced their sales revenue substantially.

Industry rivalry (High Impact)

According to Keet (2000:186) competition in the SA banking industry is fierce and it forces banks to come up with strategies such as price-cutting, advertising, service quality, etc, that will help them succeed. With South Africa being part of the global market, by late 1990s the country had attracted more than 70 foreign banks. This increased rivalry created a variety of choices for clients and better service. He further states that rivalry within local banks is equally intense. When one bank reduces interest rates, the others quickly follow suit.

Santonen (2007:53) advises that when a new entrant in banking enters by cutting prices, banks should counter-act that by providing tempting marketing information instead of price wars. He says loyal customers are receptive to that. The reason in banking for new entrants to charge cheap prices is because they offer a limited product range. This should be the time when big banks market all their various products as a counter-active strategy.

What has been prevalent in SA in curbing industry rivalry has been the existence of mergers and acquisitions in banking, where the big banks have swallowed up the smaller ones to control competition and minimise it.

Buyer bargaining power

Business bank clients are wealthy, sophisticated and have a tendency to 'bully' banks through the bank's relationship managers. There is a tendency where clients make demands on the banks and if they do not get them, there is always another bank that will be willing to provide and secure that deal.

Commercial banking clients have a strong bargaining power, according to the Absa Financial Statements Report (2012). Business Banking, now called Commercial Banking, was the second biggest contributor of earnings behind Retail Banking in 2011. The report states that Commercial Banking managed its costs and lowered credit impairments. Its deposits grew by 13 percent improving the Group's loans-to-deposit ratio substantially. However, competition and reduced interest rates lowered their interest margin to 4.44 percent.

From the above it is evident that the market within which banks operate influences the banks' performance. Banks thus have to be knowledgeable of market changes and be able to adapt according to those market conditions.

The forces explained above indicate the importance of understanding the market and its trends. If Absa Commercial does not follow the market trends then they will also not follow the money. Banking is about money. It is important that each threat is dissected and necessary measures are put into place to remain relevant to the targeted audience.

2.3.5 Technology and building relationships in commercial banking

In a study where building relationship between customers and commercial banks was conducted through the introduction of new technology in Latvia by Brige (2006:26), the results indicated that new information technology was becoming the most important factor in the future development of banking. It was influencing marketing and business

strategies of banks. The major forces that drive the speedy revolution of banks are fundamental transformations in the economic environment, such as: “innovations in information technology, renewed financial products, liberalisation and consolidation of financial markets, deregulation of financial intermediation...” (2006:26)

Furthermore, Brige (2006:27) states that Latvia’s banking sector history was such that they had determined their main goals were to improve efficiency and reduce costs by automating and linking internal business processes and functions. “The problem was that the banks’ norm was to use the vertical approach by developing their businesses around particular products and/or service.” It was time that they tried another approach by implementing the horizontal integration. The new approach meant more endeavour by bank staff, more engagement with customer to acquire more information from them and more communication channels between the bank and customers. The impact of that would be a new learning culture within the bank, one which puts customers first. (2006:27)

2.4 PRICING INFLUENCES SALES GROWTH

Pricing is an important factor in banking. It is either given as a rate in percentage or as a fee or bank charge in Rand value, depending on the product. At Absa Commercial, when a business client purchases a truck, the truck will be financed over a certain period at a certain rate linked to the prime rate depending on the risk profile of the client. That rate will then fluctuate based on prime or be fixed. When a client transacts either making payments or placing funds in some investments, a certain fee will be charged per transaction and that fee can be in Rand terms depending on the status of the client.

Absa Commercial clients with a turnover between R80 million and R100 million and only banking with Absa Commercial get a preferential rate. A preferential rate is a rate which is less than the prime rate. It is negotiated with credit and is normally calculated manually, unlike the rate given by the system.

2.4.1 Price definition

Marx, Reynders and Van Rooyen (1993:488) define price as the money given in exchange for a product or a service. According to Blythe (2009:15) price is one of the 7Ps of the marketing mix and is defined as “the total cost to the customer of buying the product.” The two definitions are similar yet different. The first one focuses on the money and the product or service, whereas the second definition also refers to cost of ownership of that product or service, embarrassment of owning the wrong brand, perception linked to buying poor quality of products as well as the psychological effects of being associated with cheap products.

According to Keet, M. (2000:56), price is “value for money”. He further states that customers will pay any amount of money if they feel the value they are getting from the purchase is worth it. A bank example illustrating this is the service which commercial clients pay for having the bank bring banking to them through electronic banking, since it saves them the time and effort of going to the bank. They do not mind paying that extra fee, provided the system is problem free and is convenient.

2.4.2 Price leaders versus price followers

Price leaders

According to Marx, et al. (1993:488), price leadership is when a particular company’s selling price for a particular product leads in the industry and thereby causes other players to follow. Price leaders are normally big players in the industry and they have influence. In the South African banking industry, the big four banks are price leaders. Soon after the SARB’s announcement of interest rate changes, any of the four can announce that they are also adjusting their interest rates accordingly and all the other players, including the small banks, do the same.

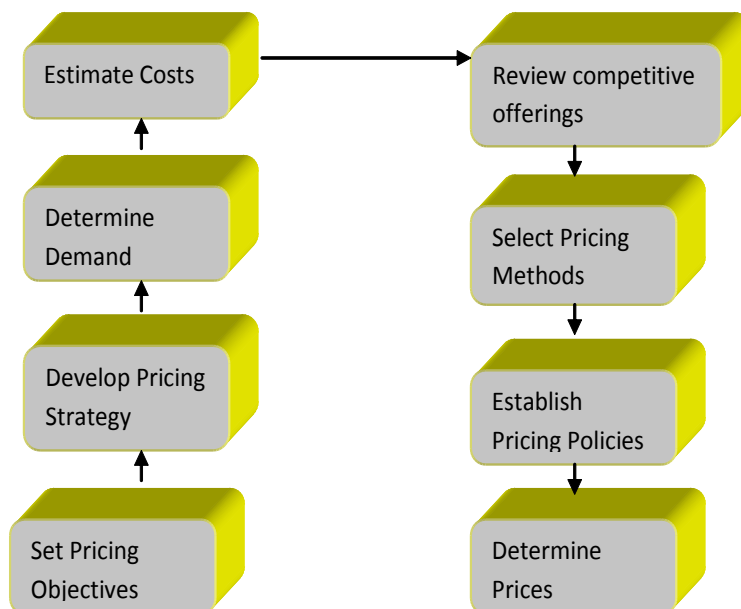
Price followers

Marx, et al. (1993:488) mention that price followers are the same as price-takers. They market their products at different prices to price leaders. They make certain that they maintain a constant change “between their own selling price and those of the price leaders.” In the South African banking context, the small banks whose market share was 16% mid 2012, are price followers. Any price adjustments they make are in line with the big banks so as not to be off the mark when competing for the same customers. This makes them to be price followers.

2.4.3 The pricing process

Blythe (2009:449) cites that there is a standard pricing policy which companies work around and conform to. The pricing process is indicated on the diagram below:

Figure 2.3 Pricing process



Source: Blythe (2009:449)

2.4.4 Pricing policies

Each bank is different. It is thus expected that each bank's pricing policy will differ from the next. Avlonitis, and Indounas, (2005:47) define pricing policy as "particular actions and procedures necessary for reaching the final price." Furthermore, they come up with various types of pricing policies available in the service industry, namely:

- Geographical pricing: this policy relates to pricing differently according to where the service was consumed. For example, fuel costs less in the coastal regions than in the interior of SA.
- Loss leader pricing: pricing low and even below cost to attract customers who will be offered other profitable products and costly services.
- Relationship pricing. A customer-oriented approach, which aims at developing long-term relationships with customers, understanding their needs and pricing according to these needs.
- Pure or Mixed bundling. A type of price bundling, where two services that can be purchased independently are offered at a reduced price.

According to Blythe (2009:469), there are three global pricing policies companies can adapt to. They are:

- Ethnocentric (extension): the same price per unit is charged everywhere in the world for the same product.
- Polycentric (adaptation): local managers and independent distributors are able to charge a price they feel best suits the product in their country and/or region.
- Geocentric: This policy uses neither of the above. It is an "intermediate approach which recognises that there are unique local market factors which impact the pricing decision." (2009:469)

The Absa Annual Report (2010) mentions Absa as being relationship driven with the clients, which is why they have a dedicated team of relationship executives for their business clients. This they do to create a connection between the bank and the client. This has its pros and cons. The worst disadvantage is when a bank employee known by customers resigns to join another employer. The void and mistrust this creates can be damaging for the bank.

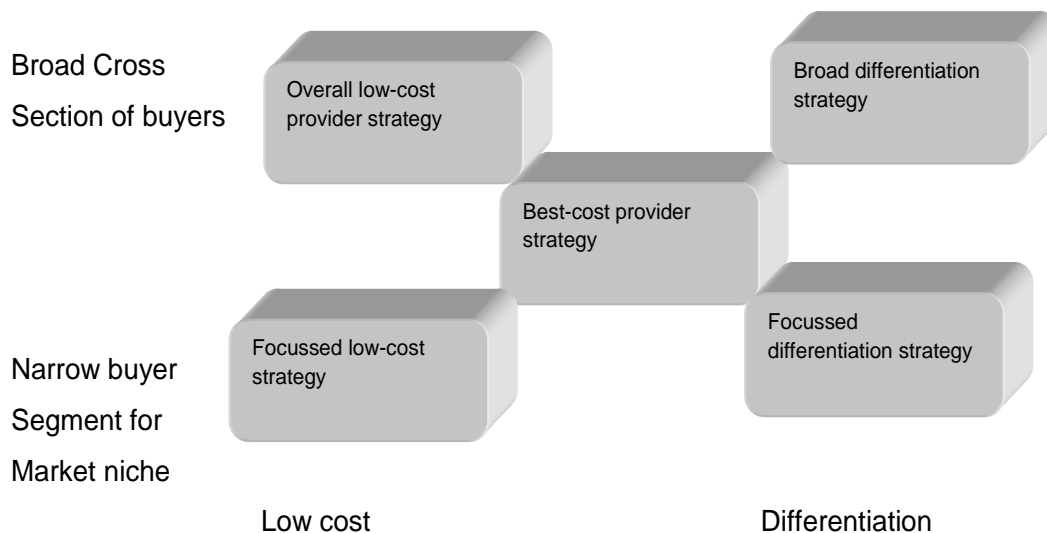
Based on the above, Absa's pricing policy is relationship pricing. To strengthen relations with its clients, Absa introduced bundling pricing. Bundling pricing allows customers to pay less when they bundle products they have with Absa Bank. The aim is client retention.

2.4.5 Pricing as a competitive strategy

According to Hough et al (2011:148), a competitive strategy deals with a particular management's game plan to compete well against competitors. Its objective is to destroy the competitors by being the best in meeting the buyers' needs and expectations.

The authors further indicate this using Porter's five generic competitive strategies that companies can use. See Figure 2.4.

Figure 2.4: Five generic competitive strategies



Source: Hough et al (2011:149)

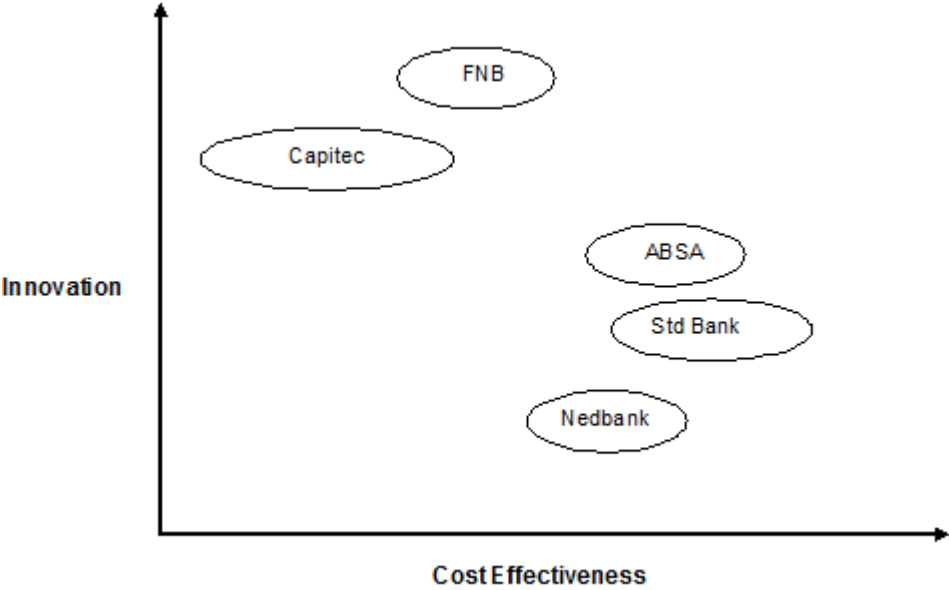
2.4.6 Innovation versus cost in South African banking industry

It has been said that the introduction of new innovation and new technological systems makes banking efficient yet remain cost effective. Figure 2.5 will seek to illustrate this relationship and illustrate where the big major banks feature in that regard. Companies investing in technology and providing affordable banking are gaining customer base.

Capitec Bank (2012:18) states that the establishment of Capitec Bank changed the South African banking industry. It was the country's first new retail bank in years. It targeted the lower-middle income retail market. According to Capitec (2012:19), the shareholders of the bank saw an opportunity in the market and wanted to form a bank that would be affordable and would offer greater and more hospitable branch access, as well as an easy to understand product offering.

In the year 2012, Capitec Bank had employed 7200 staff members with over 500 branches nationally, serving 3 700 000 customers. In the same year, it had R23.62 billion in total assets, R17.69 billion in deposits (Capitec Bank 2012:18).

Figure 2.5: Relationship between innovation and cost effectiveness



Source: Ernst & Young (2012)

Figure 2.5 is a graph with the Y-axis representing Innovation and the X-axis representing Cost Effectiveness. This graph seeks to illustrate the relationship between innovation and cost effectiveness, that is, whether the more innovative a bank is, the more cost effective it will operate or vice versa. From the above, FNB is the most innovative bank followed by Capitec Bank. Nedbank is the least innovative yet the more cost effective than FNB and Capitec.

The impact of high innovation and less cost effectiveness could result in advanced technology being offered by the banks, which is a positive for the clients as it eases their banking. However, technology comes at a price and that would impact the bank charges incurred by clients as the bank needs to re-coup those high innovation costs.

According to Capitec (2012) Capitec's all inclusive solution named "Global One" provides simplified banking solutions. Innovations such as fingerprints biometrics and photo identifications are used to streamline branch processes, enabling easier branching transactions. The efficient and simple systems are great innovations making it easy for them to charge cost effectively to their customers.

2.4.7 Relationship between pricing and switching

Pricing of a product or service is crucial in all businesses. Sometimes it is the determining factor on whether a client stays or switches to a competitor. Lympelopoulos, Chaniotakis, and Soureli (2013:217) define switching behaviour as moving from one service provider to the next. These authors also make reference to an Ernst and Young report which stated that bank customers were becoming more informed and more demanding, thereby, searching for the lowest bank charges and the lowest interest rates.

Lassignardie (2012:16) concurs with these authors citing that a World Retail Banking Report dated 2012, highlighted price-related items such as bank fees and interest rates as crucial reasons customers changed banks. In the banking industry, switching is viewed as a step of progression where a client breaks his relationship with his or her current bank and connects to a new one.

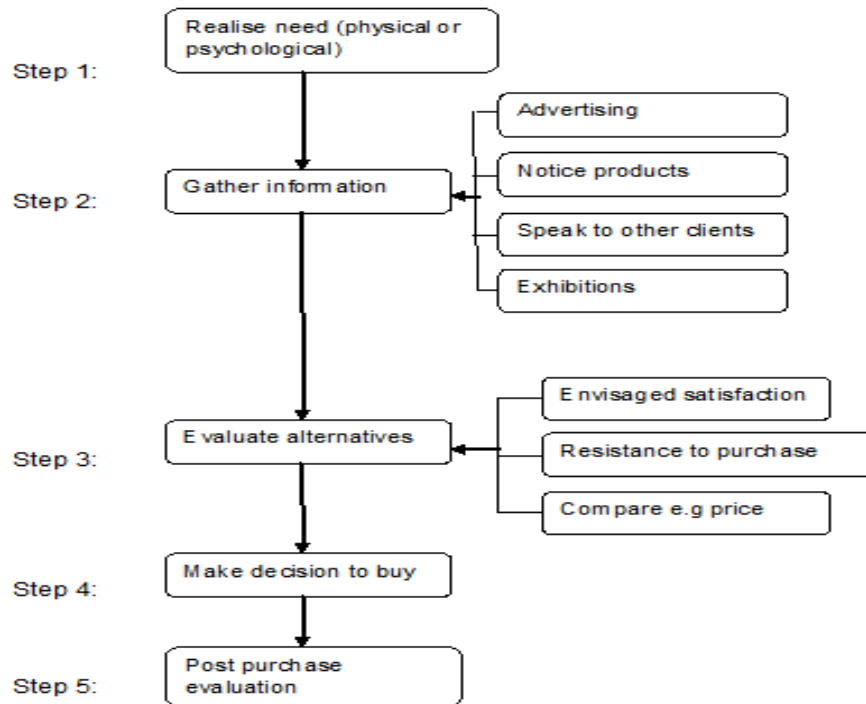
According to Lympelopoulos, et al (2013:218) there are several reasons bank clients switch banks, namely: reliability, convenience, lack of relationship with the bank, lack of competence by bank staff, price, better service and better technology. This indicates that bank clients will consider alternative pricing should they not be satisfied with what they are offered, especially those who are price sensitive.

According to Blythe (2009:15), pricing is an important element, depending on where the bank places its importance. It can either make or break an organisation depending on

the clientele targeted. If one targets wealthy individuals, they do not mind paying a premium for extra quality and service. However, targeting the less fortunate means pricing low and selling low-quality and paying no attention to service. Avlonitis, and Indounas (2006:348) highlight the importance of pricing and mention that “pricing is the only element of the marketing mix that generates revenues for the firm, while all the others are associated with costs.”

Before customers purchase a product or a service offering, there is a decision process that takes place. This decision process is guided by certain considerations based on the client’s background, people they interact with, marketing material about the product and or service. Marx, et al. (1993:477) came up with a decision-making process which is as follows:

Figure 2.6: Decision-making process (to buy or not to buy)



Source: Marx et al (1998:477)

The above diagram indicates that customers go through a process before deciding on whether they are buying a particular product and whether they will continue buying it from the same supplier. Step 3 illustrates the importance of price as one of the factors customers evaluate about service providers. Depending on whether the customers are satisfied with the price offered, they decide on whether to buy or not to buy.

From the above it can be concluded that price is an important factor which can cause banks to lose their clients to competitors. It is thus important that banks price fairly and competitively so that a win-win situation exists between the banks and their clients. When a bank loses clients it means the bank's revenue is reduced, as well as its profitability. Supporting this conclusion are Gerrard and Cunningham (2004:217) who demonstrated that bank switching was majorly caused by pricing. Varki and Colgate (2001:239) also conducted a study on pricing in banks and concluded that perceptions on price directly affected customer loyalty.

2.5 COMPETENT STAFF INFLUENCES SALES GROWTH

Bank employees, especially those in the front line, are the face of the bank. Their appearance and presentation gives an impression about the bank they work for. Their etiquette gives an indication of how the bank values its customers so it is important that banks make certain that their staff are well presented, well spoken and most importantly, well skilled to deliver on the expected service. According to Lymperopoulos et al (2012:226) bank clients move to other banks due to lack of competence by their existing banks. This indicates the importance of having competent bank staff as their competency levels could either keep or lose the bank clients. It is for this reason that an investigation was conducted to establish whether competent bank employees affect bank sales.

2.5.1 Training – transfer of skills: key factors

According to Soltani, and Liao, (2010:145) training is an important aspect of running an organisation. Lack of training could lead to negative issues such as “high turnover; increased absenteeism, and decreased extra-role performance” Training is a function of the human resource department of any organisation. This is where matters such as staff retention strategies are designed and staff empowerment, transfer of skills, and staff orientation are looked at and implemented. In the case of transfer of skills, this can take place formally and informally, as explained below.

Formal (external): Formal transfer of skills takes place in the form of courses provided by external facilitators either from independent consultants or where one studies towards a degree or diploma with a recognised university. As part of a company’s retention strategy, organisations would fund such by offering bursaries or soft loans to their employees and attach certain conditions to that funding. Conditions attached to these usually relate to working for a number of years as a means of repayment, failing which one could repay the loan at an interest rate decided upon by the bank.

Informal (Internal): Informal training takes place internally by those who have been with the organisation for a long time, where they transfer their knowledge to new employees on the job. The positive thing about this is that it does not cost the company anything for experienced colleagues to share information with their new counterparts and it is practical. Martins, and Meyer, (2012:79) refer to what is known as tacit knowledge, stating that it is most important to organisations due to the fact that it is found in the knowledge and skills that have been gathered over a length of time through the experiences of staff. This indicates the importance of knowledge in an organisation.

Organisations such as Absa Commercial ensure that transfer of skills takes place when new employees join. They would ask an experienced employee to ‘coach’ the new employee and ensure that the new employee is comfortable around the systems,

culture of the bank, policies and values. To encourage this they even link it up to the experienced employee's key performance areas.

According to Brewster, Carey, Grobler, Holland, and Warnich. (2008:34) employees are the "primary source of competitiveness." In addition to this, they state that as a long-term investment, training and development of staff is critical to survival of the organisation as it enhances productivity and sustains a competitive edge. It should also be part of the organisation's strategy to retain staff and be able to attract new talented ones as well.

If employees are viewed as a primary source of competitiveness as stated above, then organisations should strive to keep employees who are innovative and creative. DuBrin (2010:351) cites that creative employees are devoted to their work, they enjoy challenges as these make them improve their capabilities and knowledge. He further states that one of the key areas creative employees thrive under is knowledge. They believe in continuous learning so that they become knowledgeable and speak with confidence and charisma.

Knowledge and competitive intelligence cannot be separated from each other. According to Sharp (2009:15) competitive intelligence is "knowledge and foreknowledge about the entire business environment that results in action." Knowledge is what is known and it gives a basis grasping of historical knowledge and being able to link that with future knowledge.

For an organisation, in this case a bank to remain competitive it must know what its competitors are doing so that it can decide on its strategy of whether to be proactive or re-active in the market. That means having knowledgeable resources who conduct market research, who collect and interpret economic data and are able to forecast certain trends in the market to guide the organization to a better future and for the organisation to remain operating and keeping shareholders happy.

It should be noted that because there are few banks in South Africa, it would be expected that there will be limited opportunities for bank employees. There will also be a tendency for bank employees to rotate from one bank to the other, so to retain staff there must be strong actions by management to reward and appraise them to avoid high staff turnover rate. Absa Commercial have taken it upon themselves to have a talent management programme for those they see progressing to senior positions in the future, the criteria being educational background and previous positions held.

Brewster, et al. (2008:133) mention results of a survey conducted in 2006 by McKinsey and Co, where the general idea was to find out which positions were hard to fill. Topping that list were sales people. Relationship managers in the bank environment are salespeople who deal with clients and are the face of the bank. This indicates their importance and that banks should do everything they can to retain them. Their absence would result in losing that competitive edge and the sales revenue expected.

2.5.2 Challenges of providing training to staff

When organisations provide training to their staff, there are many issues that are considered. The organisations weigh things like the investment that goes into it and whether the training will yield positive, expected outcomes. These challenges are not only confronted by the organisations but also by the employees themselves as they are the subject matter and are directly affected. Below are challenges confronting both parties and proposed ways of mitigating them, so that at the end of the day a win-win situation is achieved.

Bank Challenges:

- Fear of losing skilled staff for greener pastures:

Training and development of staff is vital for the survival of companies in their specific industries. However, this could also have detrimental effects. Brewster, et. al (2008:35) mention that the biggest challenges confronting the resource-based approach in human resources is the possibility of high staff turnover. Up-skilling of employees who will stay for short stints with their employers affects the company's competitive edge negatively.

Also, recruiting new employees can be very costly so organisations would rather retain their staff as much as possible so as to avoid these costs. Supporting this notion are Taylor, and Poyner (2008:600) who state that the hiring process can be quite costly. It is time consuming as the interviewers must set time apart which means taking time off work. There are expenses relating to advertising for the position, holding interviews as well as setting up of the requisite pre-hiring exams and relevant checks relating to credit and criminal activities.

Brewster, et. al (2008:35) suggest that a way of curbing high staff turnover is to establish and execute turnover management strategies such as offering employees share options which employees can only sell after a couple of years. Over and above that, the employer must create a working environment where goals are aligned with those of the employees. Such would motivate the employees and make them feel comfortable at work. Lastly, the employer would give staff training which is not imitable, i.e. training that cannot be applicable in another work space but is job-and company-specific. According to Taylor, and Poyner (2008:601), another way of making employees stay is by offering them more money and incentives that are beneficial to them, especially when it comes to the highly skilled individuals who are difficult to replace.

Absa started offering shares to employees who have been with the bank for 10 years or more, to encourage them to stay longer so that they do not depart with the skill they have acquired throughout the years.

- Time constraint:

As much as the development of staff is of importance, it does require time to be taken off work especially for training taking place externally. In the bank environment, time is essential. Bank managers cannot afford to have staff off work for training for too long as that will affect their customer service. Customers do not like waiting in those long queues so the more bank staff are present the better customer satisfaction there would be. An efficient way the bank could handle this dilemma would be to have a plan of who will attend training and when those individuals do attend it is not at peak periods.

- Financial constraint:

When companies set up their budgets, part of it which is allocated to HR is for training and development. A company valuing its people will want to invest in its people. However, this is not always welcome, especially when certain things are not going right and this budget then gets reduced. Whether it is internal or external training, it does have financial implications.

In a bank environment it is of paramount importance that employees are up-skilled. The banking industry changes and there are certain regulations and compliance courses that must be written and passed if one is to continue in a certain role. For example, the latest regulations have seen the introduction of Financial Advisory and Intermediary Services “FAIS” compliance by the Financial Services Board which requires all client facing and advising financial services employees to pass certain levels to be able to continue. This is costing financial services companies much money as the bank has to pay for the first exam. If the employee fails twice, the third exam is paid for by the employee.

Employee Challenges:

- Resistance from the older generation:

Sometimes it is not always easy to transfer skills from one employee to another, especially to new staff. The older employees always feel threatened by new employees.

They always feel insecure as if they will lose their jobs by the entrance of the new employee. The older employees resist and sometimes refuse to train or shadow their counterparts. This challenge can create animosity amongst the team so it is important that management handles this carefully so that it is understood by all that it is to the benefit of the entire team and that nobody will lose their job by training someone else. They should also try and incentivise those older generation who do assist so as to encourage them to continue and those who resist to get the comfort of knowing that they will not lose their job.

2.5.3 Benefits of providing training to staff

Bank benefits:

- Staff retention strategy:

According to Martins and Meyer (2012:85) employees leaving their jobs create a vacuum of knowledge which is difficult to highlight until some costly mistakes and disruptions occur which cause the company's performance to deteriorate and lose its competitive edge. They go further to define knowledge retention as "maintaining, not losing, knowledge that exists in the minds of people and knowing that is vital to the organisation's overall functioning." Martins and Meyer (2012:85).

When an organisation is able to retain its staff over a long period, this can be seen as a positive sign as the organisation will indicate signs of stability within the organisation. This statement is supported by Perry and Coetzer (2009:310) who state that the longer bank staff are with the bank the better for the bank. There is a trust relationship that is built between the bank employee and the client. This relationship should be maintained. If it gets broken by employee departure it creates uneasiness in the client and that trust gets broken as a result.

Linked to staff retention is staff commitment. These two go hand-in-hand. When an employee is committed to his or her organisation, they will be loyal to it. Researchers

supporting this notion are Soltani, and Liao (2010:133). A way in which organisations can reduce the staff turnover rate and have committed and engaged employees is through offering training programmes that will bind the employee so that these cannot be utilised or copied by competing organisations. Furthermore, they state that training leads to achieving the four C's of human resources outcomes: commitment; congruence; competence and cost effectiveness.

At Absa Commercial, the nature of the business is such that there is close interaction between the sales person known as the relationship manager. This is the person representing the bank and who sells the bank as the best compared to its competitors. This is the person who brings in the new business from existing and new clients. The survival of the departments depends on him or her, so retaining sales people is of utmost importance. Where the relationship is strong between the client and the relationship manager, in some instances when the bank staff member resigns, he or she has been able to persuade the client to switch banks and follow the relationship manager. Their departure will have a negative impact on the bank's sales revenue and targets set.

- Social responsibility

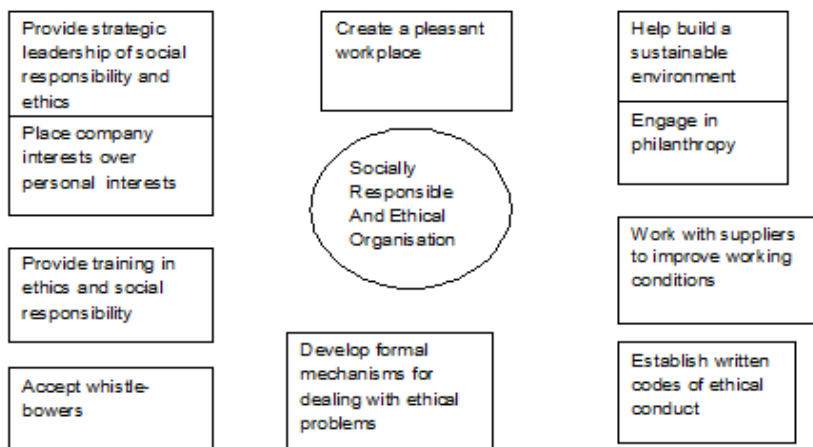
Corporate social responsibility (CSR) is an act whereby an organisation takes part in initiatives that seek to address the needs of the society including the communities, Du Brin (2010:178). According to Skudiene, and Auruskeviciene, (2012:58) CSR has a positive impact on employee turnover, satisfaction, retention and commitment, amongst other things. These authors discuss internal CSR and define it to be the excitement and confidence employees possess when their organisations are seen as socially responsible. This improves their performance and results in increased profits.

What should be noted is that, the point of CSR is to really ensure that the organisation takes care of all its stakeholders, i.e. employees, customers and shareholder. CSR is about up-holding the brand and image of an organisation. According to Blythe (2009:89)

a brand can be the name of the organisation, its emblem, its colours, building, product and so forth, that can be identified by onlookers. By association, when an organisation does good, that gives the employees that sense of pride and loyalty.

According to Du Brin (2010:180) there is a relationship between ethics and social responsibility. In the banking environment, ethics are very important. Banks have to act ethically at all times and the banks' employees should follow suit. These ethics range from acting in the interest of the client, privacy about clients' banking information and zero tolerance to theft. Brewster et al (2008:201) mention that CSR and ethics and governance go hand-in-hand. These authors (2008:224) refer to South Africa's King I and King II governance reports which refer to characteristics such as: discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. Du Brin (2010: 180) illustrates CSR and ethics by the initiative below:

Figure 2.7: Initiative for achieving a socially responsible and ethical organisation



Source: Du Brin (2010:180)

Many organisations have a division that focuses merely on social responsibility. Old Mutual Group's CSR division is called Old Mutual Foundation. Its mandate is to focus on community building, enterprise and skills development and financial education, (CSI Perspectives 2013:56).

Employee benefits:

- Trustworthy and confident staff:

Trustworthy employees are those who are trusted by the organisation they work for. They trust what the organisation stands for in its vision and they are willing to defend it. These employees also end up trusting themselves and becoming confident in what they say to their customers. When an organisation invests in its employees, there is a reciprocal effect which is returned through trust, a relationship between the employee and employer becomes stronger and that ties up with employee loyalty which results in staff retention.

According to Brewster, et. al (2008:133) employers must recognise that employees are its assets and that they should be nurtured constantly, aligning the strategy of the organisation to that of the employees. The nurturing part of it entails coaching, mentoring, up-skilling and the like. Employees must be equipped with the necessary and latest skills to be able to meet the expected and even exceed what is expected of them. With that comes staff loyalty, confident employees who are able to relate well and professionally with clients.

2.6. CUSTOMER LOYALTY INFLUENCES SALES GROWTH

A discussion around the customer as a driver of sales is of importance, for without customers there is no business. It is imperative that banks invest in systems that will seek to create an environment that will benefit their clients. Their pro-activity as they pursue such systems is key, as being reactive could be costly. Researchers such as Beerli, Martin, and Quintana (2004:255) state that the highly competitive and dynamic banking industry requires that banks became more customer focused “in accordance with the basic principles of relational marketing, which focuses on customer loyalty as its main goal.”

2.6.1 Defining customer loyalty

Several authors defined customer loyalty differently. According to Aydin, Ozer and Asrali (2005:915), customer loyalty is defined as “a deeply held commitment to re-buy or re-patronize a preferred product/service consistency in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.” Furthermore, they state that for customer satisfaction to persist, organisations should ensure that they constantly improve service quality; ascertain customer’s trust in the organisation as well as create a cost penalty for switching to rivalries.

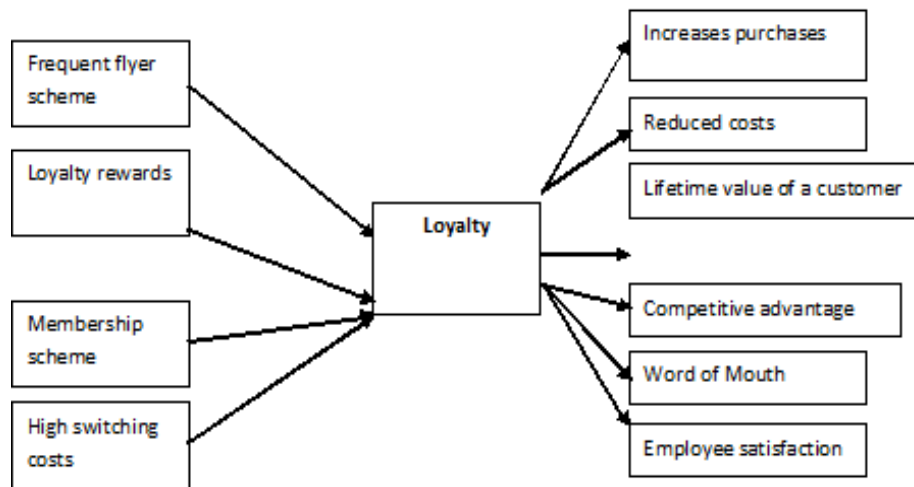
Beerli, et al (2004:257) argue that customer loyalty is more than just re-buying behavior from customers since it is a factor likened to attitude, where commitment is an important element. These authors further distinguish two customer loyalty concepts, namely: loyalty based on inertia and true brand loyalty. The former is a case where a particular brand is being purchased habitually and no effort is required in deciding to purchase it but is dangerous as a better alternative brand would require no uncertainty from the customer. The latter talks to re-purchasing of the same brand with awareness and a positive attitude towards it as well as commitment to it.

Similar to the above, Lam and Burton (2006:44) distinguish between behavioural and attitudinal loyalty, explaining the former as “repeat purchase” or word of mouth because behavior is the action conducted by customers, whereas, attitudinal loyalty identifies a loyal customer as one who is brand loyal.

2.6.2 Benefits of loyalty

According to Blythe (2009:708) there are certain inputs that result in customer loyalty. Customer loyalty has several benefits that he links up these as illustrated below.

Figure 2.8: Benefits of loyalty



Source: Blythe (2009:708)

The intensity of competition in banking in SA is such that it requires banks to think outside the box to retain the existing client base and be able to attract new ones. The new entrants like Capitec Bank and Investec are not making it any easier. They are eating a part of the slice of the market share from the previously big four traditional banks. Not only does competition require a new game plan, the clientele has also changed from previously. Clients are more enlightened and sophisticated and as such require certain treatment or quality of service.

The above diagram depicts the benefits enjoyed by loyal customers. These benefits are offered by service companies such as the South African Airways through their voyager miles system for frequent flyers who get discounts and free trips when reaching certain milestones. This is to really encourage repetition purchases and create that loyalty as one looks forward to the free flight ticket.

There is a notion that when customers are satisfied with their service provider they are more likely to be loyal and their loyalty will boost revenue of that particular organisation. This notion is supported by McNeilly and Barr (2006:154) who state that businesses experience greater revenues and profit margins due to the retention of loyal customers.

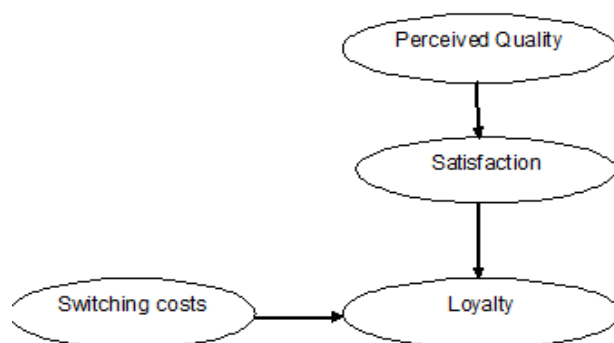
However, the competitive nature of industries out there is such that customers have various choices and where there is one offering something better which appeals to them, they are more likely to switch.

Some people tend to think that customers who are satisfied with their banks would be loyal to them, McNeilly and Barr (2006:156) dispute this and say that aiming to satisfy customers is not sufficient to keep them. They suggest that service providers aim to exceed the customers' expectations if they want to retain them with "delight". They believe that "delight" will create that sense of "higher level" satisfaction and that kind of feeling could be brought about by coming up with programmes that would make the customer do repeat visits to the service provider.

2.6.3 A model of customer loyalty

Beerli, et al (2004:270) suggest the existence of a positive correlation between satisfaction and loyalty. They illustrate this by a model of customer loyalty below.

Figure 2.9: A model of customer loyalty



Source: Beerli, Martin, and Quintana (2004:270)

The above model portrays a relationship that exists between customer satisfaction and customer loyalty with the basis of quality that is perceived by the customer. However, the opposite could also be true for where the client perceives bad quality service or

product, the customer will be dissatisfied. This will lead to disloyalty and eventually switching to another service provider. This model is supported by Aydin and Ozer (2005:922) where it is mentioned that “customer loyalty has focused on customer satisfaction, service quality and trust.”

In light of the existing competition amongst banks in SA, Absa Bank partnered with certain popular businesses and came up with a Rewards programme for its clients who repeatedly swipe their cards at these stores, giving them certain discounts, money back and so forth. They also introduced the ‘priority pass’ cards for bank clients who are in their platinum banking space as well as business owners in the commercial space who repeatedly use flights to have access to airport lounges domestically and abroad. Another strategy they are using to increase customer loyalty is to have that one-stop shop mentioned earlier. They believe that when clients have many products with a bank, it makes it very difficult to move to another and it also becomes a costly exercise to switch.

In accordance with the above, according to Lam and Burton (2006:50), customer loyalty enhances sales and eventually increases profitability. This is due to the fact that the cost of recruiting new customer is said to be five times more than the cost of retaining the existing customer. They further state the importance of devising customer retention strategies such as cross-selling of products to obtain a higher percentage of their business. This is in line with Absa Commercial’s pack attack meetings and one stop-shop approach.

2.7 CONCLUSION

From the above literature study there seems to be a strong sense that for Absa Commercial to have a competitive edge certain things must be done internally and externally. Absa Commercial must be able to spend in order to get the desired outcomes for that investment. Management must be aware of what is happening in their

environment and be proactive so that they are not caught unaware. Having a competitive edge is about beating one's competitors by gaining more revenue and making more profits.

Investment in technology is paramount to keeping up with the times and attracting the right business deals. Pricing plays an important role as it determines whether the client switches or not. Competent employees are just as important for the image of the bank, the bank's reputation and customer retention. Another important driver of sales is customer loyalty. This connects with customer satisfaction, customer retention and eventually the bottom line which is related to sales growth.

CHAPTER 3:

RESEARCH METHODOLOGY

3.1 INTRODUCTION

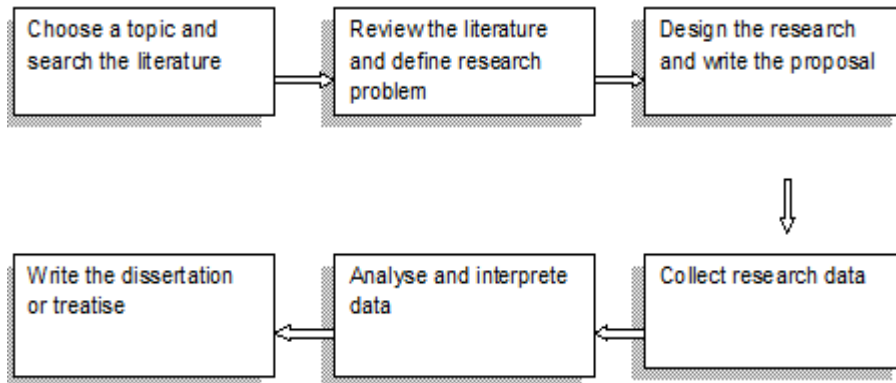
This chapter aims to illustrate the research methodology used in determining factors influencing sales growth in commercial banks situated in the Buffalo City Municipality. The factors identified were technology, pricing, competent staff as well as customer loyalty. This chapter also provides a synopsis of the research methodology which was executed in responding to the research question which was mentioned in the preceding chapters. Other items of importance that will be discussed include the following:

- Pilot study
- Data collection
- Questionnaire cover letter
- Development of the questionnaire
- Sampling methods
 - Data analysis
- Ethical considerations

3.2 THE RESEARCH PROCESS

Collis and Hussey (2009:10) illustrate an overview of a research process as follows:

Figure 3.1 Research process



Source: Collis and Hussey (2009:10)

It must be stated that, in this study, all the steps mentioned above were applied. The researcher chose a topic which was relevant to her type of work. She conducted a literature review by getting books from the library, e-journals and internet articles that were relevant to the topic being studied. She designed the research and started writing it.

Upon deciding on the research being quantitative, she then applied for a statistician to analyse the data obtained from the questionnaires. She interpreted the analysis and reached a conclusion.

3.3 RESEARCH PARADIGMS

Amaratunga, Baldry, Sarshar and Newton (2002:17-18) highlight the importance of conducting research both in business and academic actions. These authors also state the basic elements that must be contained in a scientific research methodology. These are: laws, principles, hypotheses, conjectures, concepts and constructs, facts as well as

data. Cooper and Emory (1995:21) argue that research is an orderly inquisition with the purpose to supply information that will assist in problem-solving.

On the research paradigm, according to Guba and Lincoln (1994:195), a research paradigm is an accepted norm or way of doing things that acts as a guide to research scholars. Collis and Hussey (2009:55) describe a research paradigm as a theoretical outline which acts as a guide when conducting research. These authors also mention the two different types of research paradigms, that is, positivistic and realism paradigms. More in-depth comment on these paradigms is included below.

3.3.1 Positivist paradigm versus realism (interpretivism) paradigm

According to Collis and Hussey (2009:58) the positivism and interpretivism approaches can be distinguished in a tabular format as below:

Table 3.1: Positivism versus interpretivism approaches

Positivism	Interpretivism
Quantitative	Qualitative
Objective	Subjective
Scientific	Humanistic
Traditionalist	Phenomenological

Source: Collis and Hussey (2009:58)

The table below will aim to illustrate the differences between qualitative and quantitative research.

Table 3.2: Quantitative versus Qualitative

Quantitative	Qualitative
Inquiry from the outside	Inquiry from the inside
Underpinned by a completely different set of epistemological foundations from those in qualitative research.	An attempt to take accounts of differences between people.
Are simply different ways to the same end.	Aimed at flexibility and lack of structure, in order to allow theory and concepts to proceed in tandem.
Involves the following of various states of the scientific research.	
The results are said to be "hard generalisable data".	The results are said to be, through theoretical generalisation, "deep, rich and meaningful".
	Inductive – where propositions may develop not only from practice, or literature review, but also from ideas themselves.
	An approach to the study of the social world, which seeks to describe and analyse the culture and behaviour of humans and their groups from the point of view of those being studied.

Source: Babbie (1992:261)

For the purposes of this study, quantitative research was used. The reason for electing this method was that it is designed to produce outcomes that are necessary for statistical analysis, Babbie (1992:261).

3.4 DATA COLLECTION

The data was gathered by using primary and secondary research data. The collection was conducted through a survey, specifically using questionnaires. According to Polit and Hungler (1999:267), data is information gathered when one is undergoing a study or a research. The researcher issued these questionnaires to the 90 business owners

with commercial bank accounts in Buffalo City Municipality for them to complete. The business owners were given a maximum period of two weeks to fill them in. The researcher went back to collect the completed questionnaires. The researcher also explained to the business owners the importance of completing the questionnaires and that their results would assist in the banks improving their service to them as the anonymous feedback would be given to the banks for them to improve their sales revenues.

Secondary research was conducted through a literature review of pertinent material. These included journal articles, textbooks, websites, previous treatises, theses and dissertations.

The decision to use a questionnaire was motivated by an argument presented by Bless, Higson-Smith and Kagee (2006:116) who illustrated the benefits of this measuring instrument. They say one of the benefits of using a questionnaire is that it allows the researcher to interview a large sample. Another benefit is that the researcher can source information without physically meeting the respondents. Another author supporting the use of questionnaires is Wegner (2010:28), who states that they are able to obtain views, inclinations, facts and insights from the respondents.

3.4.1 The questionnaire

Collis and Hussey (2009:191) mention that there are two main data collection methods, namely: questionnaires and interviews. They define a questionnaire as a primary data collection method where a sample of respondents is asked to answer certain carefully structured questions and thus permit the extraction of reliable responses.

In this study, the selected measurement instrument was a questionnaire. There are several scholars who support the use of a questionnaire as a measuring tool, Wessels (1999:404-405) concurs that a suitable tool to gather quantitative data is a questionnaire. The questionnaire used in this study comprised of questions created by the author. The quality of the research instrument was enhanced by keeping questions short and to the point. The names of the respondents were kept confidential and anonymity was guaranteed to all. The aim of this study was to identify possible factors that affect sales revenue in the business banking sector in BCM.

The instrument was anchored to 5-point Likert scale ranging from (1) strongly agree, (2) agree, (3) neutral, (4) disagree and to (5) strongly disagree.

- The structure of the questionnaire

The questionnaire consisted of the sections below:

Section A: Demographic information

Section B: Questions pertaining to the four variables being evaluated

The questions on the questionnaire attempted to answer questions pertaining to the variables influencing sales revenue growth in banks in Buffalo City.

3.4.2 The reliability and validity of the measuring instruments

Golafshani (2003:602) states that validity determines whether the research truly measures what it was intended to measure or the legitimacy of the research results.

Davies and Dodd (2002:281) argue that the application of validity and reliability differs between qualitative and quantitative studies, citing that there is bias in the latter in the concept of rigor.

To assess this study's validity, a pilot study for the questionnaire was given to ten business owners.

According to Collis and Hussey (2009:58), validity is the extent to which the accuracy of the research findings represents what really is happening in a particular situation. According to Lancaster (2005:72), the reliability of a measuring instrument is the extent to which its results are consistent in changing circumstances and when what is being measured remains constant.

Reliability refers to consistency and/or repeatability of the measurement; in other words, consistency can relate here to the questionnaires being clear and well-defined in order not to confuse the respondents. Repeatability here means that if researchers have findings from a group they should be able to repeat the survey and get exactly the same results Golafshani (2003:598).

- Validity

Validity is defined as the level at which a model is close to the truth, Evans (2010:339). According to Olivier (2007:62), there are several kinds of validity, they are: face validity; content validity; criterion validity as well as construct validity.

Face validity: tests the degree at which, on the surface, an instrument measures a specific characteristic. According to Leedy (1997:33), this validity refers to whether the questions being asked are suitable.

Content validity: this type of validity is about the correctness of the instrument used in measuring the factors being studied in a research, Leedy (1997:33)

Criterion validity: According to Olivier (2007:62), this validity measures the level of correlation between the outcomes of the instruments being assessed.

Constructive validity: It is also known as the hypothetical construct, Collis and Hussey (2009:65). This validity relates to the challenge that particular characteristics are not directly observed and are thus derived from other people's behavioural patterns.

According to Uys and Basson (1991:80) validity can be sub-divided into external and internal validity.

External: Burns and Grove (1999:191) validity is "the extent to which the results can be generalised beyond the sample used in the study".

Internal: This is about being unbiased when formulating conclusions relating to the data received.

In this study, the measuring instrument used to test validity was the questionnaire. This questionnaire addressed the factor such as pricing, competent staff, technology as well as customer loyalty as variables influencing sales revenue in commercial banking in Buffalo City.

- Reliability

According to Collis and Hussey (2009:64), reliability is defined as "the absence of differences in the results if the research were repeated. Lancaster (2005:72) concurs with this definition, stating that the results yielded by the instrument must be the same and consistent all the time when being tested for it to be reliable. Raimond (1993:55) reports that the researcher's conclusions reached in an investigation should remain consistent even when facing scrutiny.

3.5 PILOT STUDY

A pilot study was conducted with ten business owners with commercial bank accounts in Buffalo City. It should be noted that these ten business owners were not included in the actual study that was undertaken. The purpose of the pilot study was to ascertain that the questions were easy to understand and that they made sense.

According to Schnetler, Stokes, Dixon, Herbst and Geldenhuys (1989:87), to conduct a pilot study, the following guidelines should be followed:

Informal testing: A draft questionnaire should be collated. Individuals who know the principles of questionnaire structure, or those in the industry being investigated, should test the questionnaire. Any changes and input from these individuals should be included in the revised and final questionnaire.

Formal testing: The revised questionnaire should be examined in the industry being investigated. This must be officially done on a small test sample that represents the test group.

All the respondents completed the questionnaire within the 25 minutes allocated. No challenges were encountered when they were filling the questionnaires. They all felt the questions were easy and were relevant in the industry. This then allowed for printing and distribution of the final questionnaires to the 90 business owners.

3.6 THE SAMPLE

3.6.1 Population

Collis and Hussey (2009:209) define a population as “a body of people or collection of times under consideration for statistical purposes.” According to Welman and Kruger

(1999:18) a population covers the complete group of cases which the researcher would like to make a conclusion about. In this study, the population was all the businesses with existing business bank accounts in the Buffalo City Municipality.

3.6.2 Sample

According to Collis and Hussey (2009:209) a sample is the subset of the population defined above. Brynard and Hanekom (1997:43) defined a sample as a small group chosen from the population. For the purposes of this study, the sample selected was the 90 businesses interviewed.

3.6.3 Sampling

In this study, non-probability sampling in the form of convenience sampling was used. Questionnaires were distributed to 90 business owners with business banking accounts in any of the banks in Buffalo City Municipality. The population of business owners in BCM is significantly large and thus questioning the whole population would have been impossible, hence a sample of 90 businesses was selected. De Vos (1998:191) supports the use of a convenience sample where it is impossible to identify all the members of a population.

The sample has to be carefully selected so that the researcher is able to realise all the characteristics of the total population, in the same relationship that it would be seen if a total population was inspected, (Leedy and Ormrod 2005:199). In this study, organisations dealing with business clients who have business bank accounts were approached to assist in the distribution of questionnaires and collection of data. These organisations include Masisizane Fund, Eastern Cape Development Corporation, Small Enterprise and Development Agency and Absa Bank. Masisizane Fund was given thirty questionnaires while the rest were given twenty each.

According to Welman and Kruger (1999:61), the attributes of a non-probability sampling are as follows:

- Every person meeting the criteria is asked to take part. In this study, for example, 90 business owners with business banking accounts were asked to participate.
- It is easier and more cost effective than random sampling.
- The researcher's judgement is used to choose individual subjects who meet the criteria.

3.7 RESEARCH SETTINGS

This is the location where the data was gathered for the study. The data was gathered in Buffalo City Local Municipality (BCM). This municipality consists of King William's Town and East London. BCM's name was recently changed when it became upgraded to a metro and is now known as Buffalo City Metro Municipality. For convenience and for quick delivery and collection of the questionnaires, the author only interviewed East London business owners. The behavioural patterns of business owners, across race and gender, were assumed to be the same for the two towns.

3.8 ETHICAL REQUIREMENTS

To ensure that the study met ethical requirements, some crucial factors were considered, such as:

3.8.1 Consent from respondents

All respondents were informed about the reason for the interview. The questionnaire was accompanied by a cover letter which explained explicitly what the interviewer was seeking to achieve and that should the respondent wish to withdraw at any given point they could do so with no fear of being victimised by anyone (See Appendix A for Cover

Letter). According to Calitz (2010:23), all participants should get proper communication about the interview and their consent must be received freely to take part. All respondents responded willingly. At no stage of the questionnaire were they put under duress. All of them were given the opportunity to respond freely.

3.8.2 Honesty

Calitz (2010:23) reports that under no circumstances should an author manipulate the answers submitted by the respondents. The researcher acted responsibly and with credibility, entering all the given answers truthfully, with no manipulation or to try and achieve a different outcome.

3.8.3 Confidentiality and privacy

Nowhere on the questionnaire was the name of the business owner or any identification that would reveal who he or she was. Anonymity was guaranteed. This also helped in getting the real truth from the respondents. All questionnaires were treated with the utmost privacy. According to Leedy and Ormrod (2001:108), respondents have the right to expect privacy in a research and they even propose the use of codes instead of names.

3.9 CONCLUSION

This chapter discussed the research methodology and its design. It stated the chosen techniques that were utilised using the literature review as a basis. Items such as the research process, research paradigms, data collection, pilot study, sample, ethical requirements were discussed in detail.

CHAPTER 4

FINDINGS

4.1 INTRODUCTION

Chapter 3, the previous chapter, gave the detailed methodology applied to assess the main factors that influence sales growth in business banking in BCM. In Chapter 3, the author outlined the methodology employed in this research study. This chapter also discussed the research population and sample; reliability and validity of the methodology used; data collection process, as well as the analysis. The quantitative research method was selected for data collection using a questionnaire.

Chapter 4 will focus on presenting results obtained from the questionnaires distributed to the sample that was identified; the data gathered and the analysis thereof, as well as the interpretation of the results by presenting data with the use of pie charts, tables and graphs. The findings will be presented in a manner that will indicate the hypothesis relationships alluded to in the first chapter.

4.2 QUESTIONNAIRE RESPONSES

Ninety questionnaires were distributed to the entrepreneurs with business bank accounts. The distribution took place through interviews with clients. Some were given to organisations which engage daily with business banking clients. The results obtained from the questionnaire were analysed statistically. The procedure used for the practical study is indicated below.

4.2.1 Questionnaire

Wessels (1999:404-405) states that a suitable tool to gather quantitative data is a questionnaire. This questionnaire was put together with information from the preceding chapters. The researcher ensured that all questions asked were related to the topic

being researched and they dealt with the factors being investigated on whether the factors affect the revenue growth in business banking in BCM.

The questionnaire was split into two sections. The first section dealt with the biographically related questions which entailed the gender of the entrepreneur, age, years in business, educational qualifications, race and number of years with the current bankers. The second section dealt with each variable and there were questions allocated to each to try and determine how each influences revenue growth. Business clients vary from small to corporate clients. In Buffalo City Municipality these business banking clients vary and their population is quite vast. To simplify and get a broader view from the various clients, it was imperative that questionnaires were thus distributed to the various financiers who deal with them on a daily basis.

The factors above were considered and used when compiling the questionnaire. A draft was also sent for a pilot study to get it tested. As indicated in Chapter 3, ten business banking clients were used as in the pilot study. These ten business banking clients were selected from clients who visited Masisizane Fund's office. They were selected, based on the fact that they have existing business bank accounts with the different banks, their experiences in the business world differ, and they are from different backgrounds.

Also, prior to distribution, the questionnaire was checked and approved by an academic at a local university who made a few recommendations and after which he gave it his stamp of approval.

4.2.2 Responses to the questionnaire

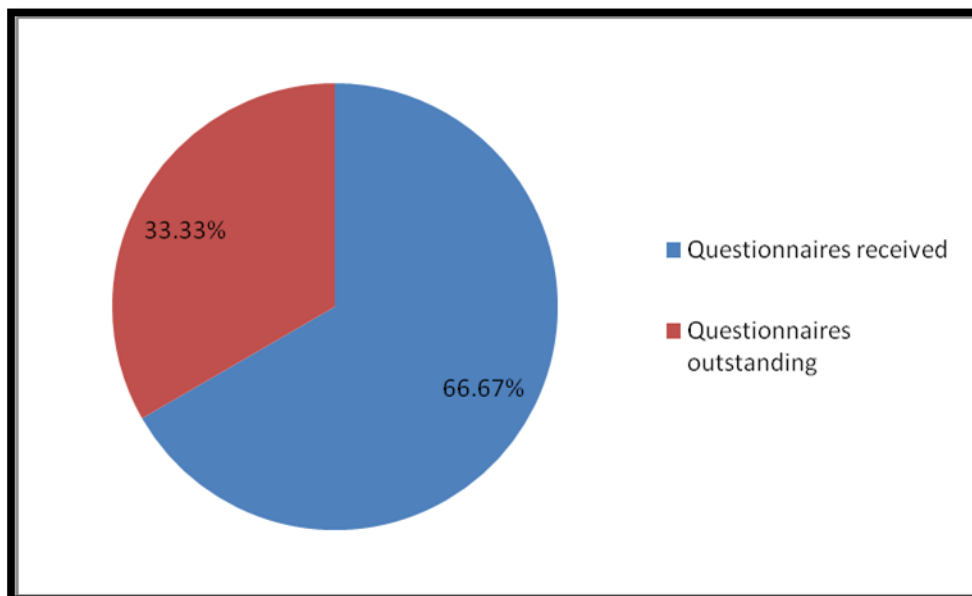
From 90 questionnaires that were distributed to business banking clients who have businesses operating business bank accounts and who are domiciled in Buffalo City Municipality, 60 were completed. This translated to a response rate of 66.67 percent, which is illustrated in Table 4.1 and Figure 4.1. It is important to note that, initially, only 40 respondents replied. For the rest the author had to follow up and so the respondent rate went up to the figure 60.

Table 4.1 Response rate (%)

Description	Distribution number	Response Rate
Questionnaires Distributed to Organisation A	20	20
Questionnaires Distributed to Organisation B	20	10
Questionnaires Distributed to Organisation C	20	5
Questionnaires Distributed to Organisation D	15	10
Personal interviews	15	15
Total	90	60

Source: Results obtained from analysis of questionnaire

Figure 4.1 Response rate (%)



Source: Results obtained from analysis of questionnaire

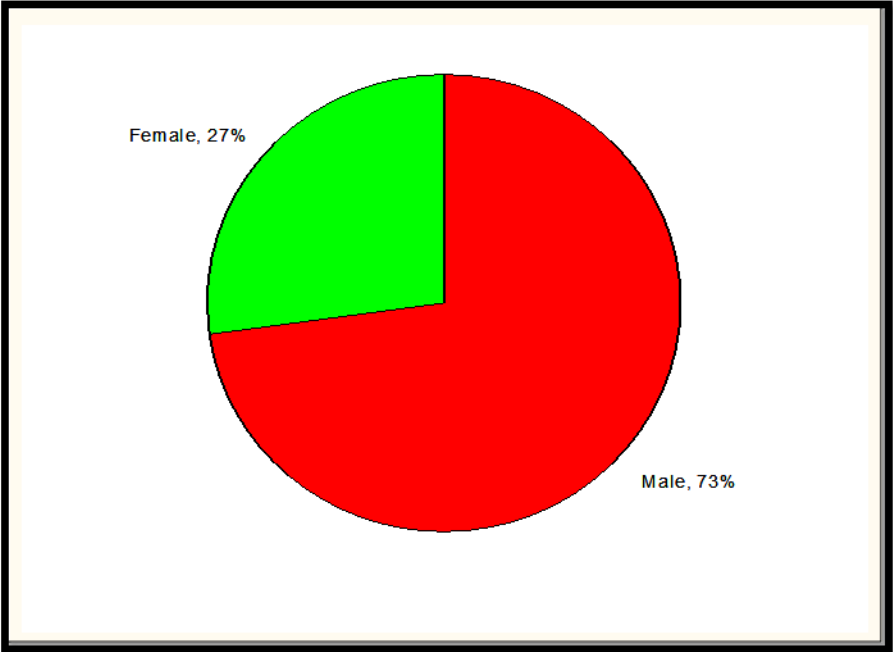
Receiving a response rate of 66.67% is positive and is able to give the researcher meaningful conclusions about the subject matter. Bryman and Bell (2007:244) support this by stating that a response rate of 50% is sufficient to produce meaningful statistical analysis and interpretation, as well as an acceptable generalisation of the population.

4.3 RESULTS OF DEMOGRAPHIC DATA FROM QUESTIONNAIRE

A segment of the questionnaire pertained to the respondents' biographical information about their business, the owner's race, age, highest qualification, years in business, years with current bankers, major reason for using that bank as well as reasons for switching banks.

The results of the questionnaire are depicted below in Figures 4.2 to 4.7

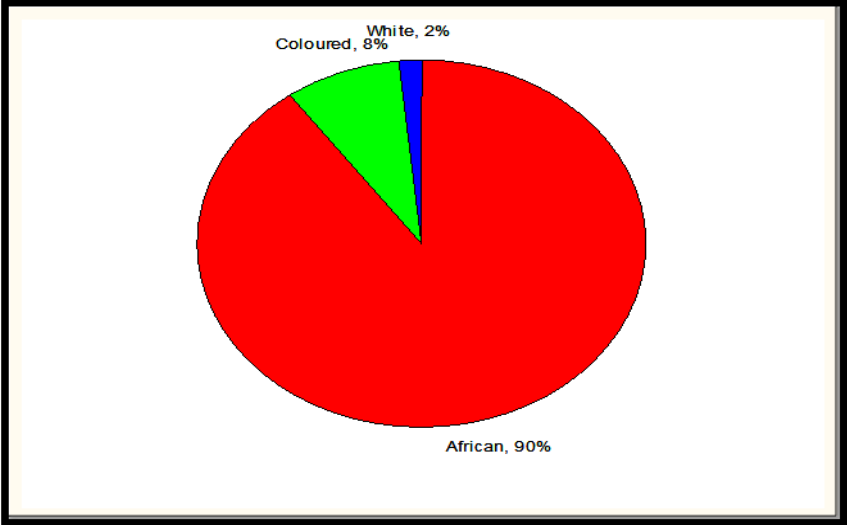
Figure 4.2 Female versus male respondents



Source: Results obtained from analysis of questionnaire

Figure 4.2 illustrates that of the sample interviewed, the majority of participants were males who dominated with 73% compared to female counterparts comprised 27% of the respondents.

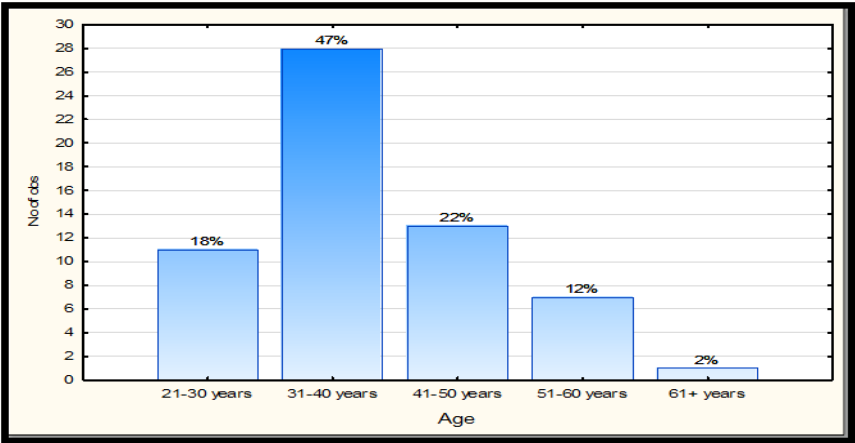
Figure 4.3 Respondents rate according to race



Source: Results obtained from analysis of questionnaire

Figure 4.3 indicates that the largest group of respondents were African, leading by 90%, followed by Coloureds at 8% and then Whites at 2%.

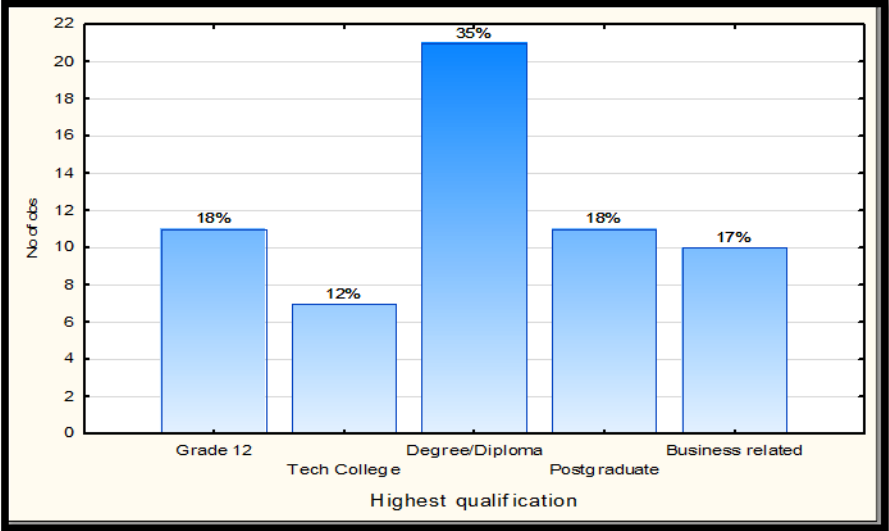
Figure 4.4 Respondents rate according to age



Source: Results obtained from analysis of questionnaire

Figure 4.4 depicts a graph of the different age groups which responded to the questionnaires. The largest group of business bank client who responded were aged between 31 and 40 at 47%.

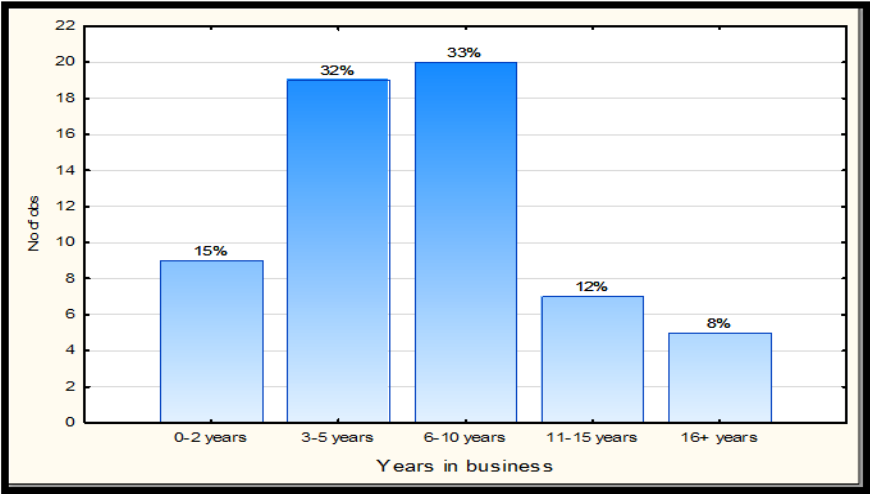
Figure 4.5 Educational background of respondents



Source: Results obtained from analysis of questionnaire

The above graphical diagram indicates that respondents with degrees and diplomas represented 35% of the sample.

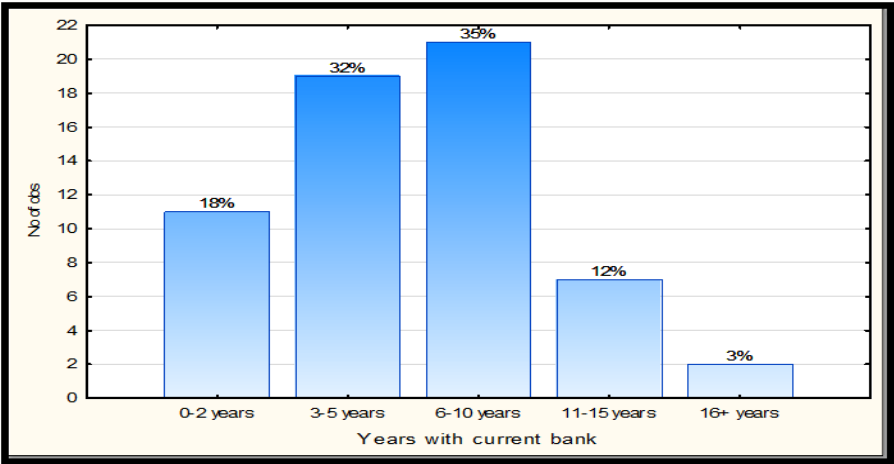
Figure 4.6 Years in business



Source: Results obtained from analysis of questionnaire

Figure 4.6 shows the number of years in business the respondents have. The respondents that had been in business for a period between 6 to 10 years represented 33% of the sample, followed closely at 32% by those who had been with business banking for 3 to 5 years. Representing a solid number of years in business, these are thus business bank clients who probably have a good understanding of the business world.

Figure 4.7 Years with current bankers



Source: Results obtained from analysis of questionnaire

The last graph on demographics, Figure 4.7, illustrates the period that respondents have been with their current bankers. Thirty five percent (35%) of the respondents have been with their current bankers for a period of between 6 to 10 years. Representing a good population with quite a good number of years with finances handled by banks. They probably know what they want from their banks and they also know what is expected of them.

4.4 DESCRIPTIVE STATISTICS OF FACTORS INFLUENCING SALES GROWTH IN BUSINESS BANKING IN BCM

4.4.1 Descriptive statistics for the individual questionnaire statements

B1: Pricing As A Factor

Question 1: I can switch banks anytime, provided I receive competitive pricing.

Of the 60 respondents, 13.3% strongly disagreed; 21.7% disagreed; 16.7% were neutral; 21.7% agreed and 26.6% strongly agreed that they would switch banks anytime provided they received competitive pricing.

Question 2: Bank charges are an important factor in making clients happy.

Three point three percent (3.3%) strongly disagreed; 8.3% disagreed; 11.7% were neutral; 31.7% agreed and 45% strongly agreed that bank charges were an important factor that made them happy clients.

Question 3: I closely check my bank charges every month to see if I am correctly charged.

Eight point three percent (8.3%) strongly disagreed; 13.3% disagreed; 11.7% were neutral; 23.3% agreed and 43.4% strongly agreed that they closely monitor they bank charges on a monthly basis to check whether their bank charged them correctly.

Question 4: I am able to negotiate better interest rates with my bank.

Twenty three point three percent (23.3%) strongly disagreed; 18.3% disagreed; 16.8% were neutral; 23.3% agreed and 18.3% strongly agreed that were able to negotiate better interest rates with their banks.

Question 5: My bank always advises me either by telephone, or sms or email when there are bank charges and/or rate changes that will be taking place.

Ten percent (10%) strongly disagreed; 6.7% disagreed; 15% were neutral; 28.3% agreed while 40% strongly agreed that their banks sent them messages in various forms informing them of changes in interest rates and bank charges.

Question 6: I am happy with the pricing I receive from my current bank.

Six point seven percent (6.7%) strongly disagreed; 13.3% disagreed; 21.7% were neutral; 38.3% agreed and 20% strongly agreed that they were happy with the pricing they were receiving from the current banks.

Question 7: I am open to other banks approaching me for competitive pricing.

Three point three percent (3.3%) strongly disagreed; 11.7% disagreed; 16.7% were neutral; 25% agreed while 43.3% strongly agreed that they were open to being approached by other banks if offered competitive pricing.

Question 8: Pricing is the most important factor that would make me switch banks.

Fifteen percent (15%) strongly disagreed; 11.7% disagreed; 23.3% were neutral; 20% agreed while 30% strongly agreed that pricing was the most important factor that would make them switch to other banks.

Question 9: I am always looking for cost effective ways of making banking work in my favour, for my business.

Three point three percent (3.3%) strongly disagreed; 3.3% disagreed; 13.4% were neutral 30% agreed while 50% strongly agreed that they were looking for more cost effective ways that would make banking work in their business' favour.

From the above results, it is evident that business bank clients take pricing very seriously. This is illustrated from the results above where the majority of respondents who were either willing to switch to other banks on condition of better pricing and to closely monitor their bank charges for any changes. It would be interesting to see whether these results correlate with the findings of the hypothesis test.

It is expected that business owners would take pricing as a serious matter as the most important factor that drives businesses is the profitability and maintenance of expenses to reach that.

B2: Staff As a Factor

Question 1: I respect bank staff who are fully knowledgeable of their work.

Three point three percent (3.3%) strongly disagreed; 11.7% were neutral; 11.7% agreed while 73.3% strongly agreed that they respected bank staff who had full knowledge of their work.

Question 2: I enjoy dealing with bank staff who are good with people and maintaining relationships.

Three point three percent (3.3%) strongly disagreed; 1.7% disagreed; 6.7% were neutral; 18.3% agreed while 70% strongly agreed that they enjoyed dealing with bank employees who were good with people and maintaining relationships.

Question 3: Innovative bank staff always make banking pleasant

One point seven percent (1.7%) strongly disagreed; 3.3% disagreed; 18.3% were neutral; 23.3% agreed while 53.4% strongly agreed that innovative bank staff always made banking pleasant.

Question 4: The qualifications of bank staff are important to me.

Three point three percent (3.3%) of the respondents strongly disagreed; 11.7% disagreed; 28.3% were neutral; 20% agreed while 36.7% strongly agreed that the qualifications of bank staff were important to them.

Question 5: The work experience of bank staff is important to me.

Once point seven percent (1.7%) strongly disagreed; 18.3% were neutral; 20% agreed while 60% strongly agreed that the work experience of bank staff was important to them.

Question 6: Staff appearance and presentation is important and shows me that they take my business seriously and that I can trust the employee with my money.

Five percent (5%) strongly disagreed; 1.6% disagreed; 10% were neutral; 21.7% agreed while 61.7% strongly agreed that staff appearance and presentation is important as it showed them that they take their client business seriously and they can be trusted by the clients with their money.

Question 7: I appreciate bank employees who are honest. If something is not possible they tell me upfront without wasting my time or theirs.

Three point three percent (3.3%) strongly disagreed; 1.7% disagreed; 13.3% were neutral; 8.3% agreed while 73.4% strongly agreed that they appreciated bank employees who were honest, when something is not possible they tell them without wasting anybody's time.

Question 8: I get frustrated when the bank official I was dealing with and had a relationship with resigns or leaves for another employer.

Three point three percent 3.3% strongly disagreed; 11.7% disagreed; 26.7% were neutral; 20% agreed while 38.3% strongly agreed that they got frustrated when the bank official they were dealing with resigned or left for another employer.

Question 9: I form a relationship with the bank and then the employee.

Five percent (5%) strongly disagreed; 3.4% disagreed; 25% were neutral; 23.3% agreed while 43.3% strongly agreed that they formed relationships with the bank and then the employee.

Question 10: I would follow my relationship banker to another bank, because they looked well after me as a client.

Twenty-five percent (25%) strongly disagreed; 13.3% disagreed; 38.4% were neutral; 10% agreed while 13.3% strongly agreed that they would follow their relationship bankers to other banks because they were well looked after by them.

The majority of the questions relating to competent and knowledgeable staff seem to indicate that business clients prefer dealing with bank employees with the right qualifications, good industry experience as well as being well groomed. This sends a message that their funds are in good hands and that they will be taken care of.

B3: Technology As A Factor

Question 1: I spend most of my time out of my office.

Three point three percent (3.3%) strongly disagreed; 15.1% disagreed; 18.3% were neutral; 20% agreed while 43.3% strongly agreed that they spent most of their time of office.

Question 2: I am comfortable with new technology introduced by my bank.

Six point seven percent (6.7%) strongly disagreed; 5% disagreed; 21.6% were neutral; 26.7% agreed while 40% strongly agreed that they were comfortable with new technology introduced by their banks.

Question 3: My bank always seeks my opinion when testing new products in the market.

Twenty-one point seven percent (21.7%) strongly disagreed; 15% disagreed; 36.6% were neutral; 20% agreed while 6.7% strongly agreed that their bank asked for their opinion when testing new products in the market.

Question 4: I do not have time to stand in queues for banking.

Three point three percent (3.3%) strongly disagreed; 5% disagreed; 5% were neutral; 18.4% agreed while 68.3% strongly agreed that they did not have the time to stand in long banking queues.

Question 5: Simple and effective technology works best.

One point seven percent (1.7%) strongly disagreed; 6.6% disagreed; 1.7% were neutral; 25% agreed while 65% strongly agreed that simple and effective technology works best.

Question 6: Technology is risky and can expose my business to fraud.

Eight point three percent (8.3%) strongly disagreed; 18.4% disagreed; 20% were neutral; 13.3% agreed; 40% strongly agreed that technology was risky and it could expose their business to fraud.

Question 7: I always look for safety features in any new technology introduced by my bank.

One point seven percent (1.7%) strongly disagreed; 3.3% disagreed; 10% were neutral; 36.7% agreed while 48.3% strongly agreed that they always looked for safety features in any new technology introduced by their banks.

Question 8: All banks should compete on the technology they offer for clients.

Six point seven percent (6.7%) strongly disagreed; 1.6% disagreed; 16.7% were neutral; 33.3% agreed while 41.7% strongly agreed that all banks should compete on technology they offer clients.

Question 9: Safety and access anytime and anywhere could make me switch banks.

Six point seven percent (6.7%) strongly disagreed; 10% disagreed; 26.6% were neutral; 20% agreed while 36.7% strongly agreed that safety and access anytime and anywhere could make them switch banks.

Question 10: I would switch banks if I lost money fraudulently and the bank did not re-imburse me (if it was their negligence).

Three point three percent (3.3%) strongly disagreed; 5% disagreed; 6.7% were neutral; 11.7% agreed while 73.3% strongly agreed that they would switch banks if they lost money fraudulently and the bank did not re-imburse them (if it was their negligence)

The above results suggest that business bank clients consider technology as an important factor in the businesses as it can encourage virtual banking, thus no standing in long queues at the bank. Whilst this may be the case, these clients also realise that there are potential risks that come with technology.

B4: Loyalty As A Factor

Question 1: I have no loyalties when it comes to banking matters.

Thirty-one point seven percent (31.7%) strongly disagreed; 16.6% disagreed; 21.7% were neutral; 15% agreed and another 15% strongly agreed that they have no loyalties when it comes to banking matters.

Question 2: My current bank has been loyal to me.

Three point three percent (3.3%) disagreed; 15.1% were neutral; 33.3% agreed and 48.3% strongly agreed that their current bank has been loyal to them.

Question 3: My business's financial position is more important than my bank.

Three point three percent (3.3%) strongly disagreed; 6.7% disagreed; 13.3% were neutral; 15% agreed and 61.7% strongly agreed that their business's financial position is more important than their respective banks.

Question 4: I am used to my bank's way of doing things and I would not change it.

Thirteen point three percent (13.3%) strongly disagreed; 6.7% disagreed; 28% were neutral; 24% agreed while 28% strongly agreed that they were used to their bank's way of doing things and would not change.

Question 5: My bank looks well after me and the managers know me by my first name.

Thirteen point three percent (13.3%) strongly disagreed; 6.7% disagreed; 11.7% were neutral; 33.3% agreed while 35% strongly agreed that their banks were looking well after them and their managers knew them by first name.

Question 6: This is where my parents banked so I would not change it for anything.

Forty-eight point four percent (48.4%) strongly disagreed; 18.3% disagreed; 10% were neutral; 13.3% agreed while 10% strongly agreed that they banked where their parents had banked and so would not change it for anything.

On loyalty, there seem to be a general sense of loyalty from the customers about their banks. This is noted from the majority of the respondents concur to be loyal to their banks and that they are generally taken care of.

4.4.2 Overall descriptive statistics

Table 4.2 Descriptive statistics for all factors

Descriptive Statistics							
	Valid N	Mean	Median	Minimum	Maximum	Std.Dev.	Skewness
B1:PRICING	60	3.66	3.72	1.56	5	0.75	-0.64
B2: STAFF	60	4.21	4.33	1.56	5	0.67	-1.53
B3: TECHN	60	4.09	4.21	1.86	5	0.72	-1.19
B4:LOYAL	60	3.57	3.8	2.2	5	0.81	-0.13

Source: Results obtained from analysis of questionnaire

Coding for the purpose of reporting is as follows:

B1: Coding for pricing

B2: Coding for Staff

B3: Coding for technology advancement

B4: Coding for loyalty

Table 4.2 illustrates the means for the various factors considered to be influencing sales growth in business banking in BCM, where the mean for B1 = 3.66; B2 = 4.21; B3 = 4.09 and B4 = 3.57.

- Descriptive statistics for pricing

Table 4.3 Table representing descriptive statistics for pricing

	Valid N	Mean	Median	Mode	Freq of Mode	Min	Max	Std.Dev.
Pri1	60	3.27	3	5	16	1	5	1.41
Pri2	60	4.07	4	5	27	1	5	1.1
Pri3	60	3.8	4	5	26	1	5	1.35
Pri4	60	2.95	3	Multiple	14	1	5	1.45
Pri5	60	3.82	4	5	24	1	5	1.31
Pri6	60	3.52	4	4	23	1	5	1.16
Pri7	60	3.93	4	5	26	1	5	1.18
Pri8	60	3.38	3.5	5	18	1	5	1.42
Pri9	60	4.2	4.5	5	30	1	5	1.02

Source: Results obtained from analysis of questionnaire

Table 4.3 represents the descriptive statistics for each question that was on the questionnaire relating to pricing. There were 9 questions about pricing. On the table each question is represented from Pri1, Pri2...Pri9

Items below are shown to be below the average mean:3.66

B1.Pri1: I can switch banks anytime, provided I receive competitive pricing.

Mean = 3.27

B1.Pri4: I am able to negotiate better interest rates with my bank.

Mean = 2.95

B1.Pri6: I am happy with the pricing I receive from my current bank.

Mean = 3.52

B1.Pri8: Pricing is the most important factor that would make me switch banks.
Mean = 3.38

Items below are shown to be above the average mean:3.66

B1.Pri2: Bank charges are an important factor in making clients happy.
Mean = 4.07

B1.Pri3: I closely check my bank charges every month to see if I am correctly charged.
Mean = 3.80

B1.Pri5: My bank always advises me either by telephone, or sms or email when there are bank charges and/or rate changes that will be taking place.
Mean = 3.82

B1.Pri7: I am open to other banks approaching me for competitive pricing.
Mean = 3.93

B1.Pri9: I am always looking for cost effective ways of making banking work in my favour, for my business.
Mean = 4.20

The above findings illustrate that of the 9 questions, 5 of them had means above the average of 3.66. This illustrates that the majority of the respondents possibly consider pricing as an important factor influencing revenue growth in business banking.

- Descriptive statistics for staff

Table 4.4 Table representing descriptive statistics for staff

	Valid N	Mean	Median	Mode	Freq of Mode	Min	Max	Std.Dev.
Sta1	60	4.52	5	5	44	1	5	0.95
Sta2	60	4.5	5	5	42	1	5	0.95
Sta3	60	4.23	5	5	32	1	5	0.98
Sta4	60	3.75	4	5	22	1	5	1.17
Sta5	60	4.37	5	5	36	1	5	0.9
Sta6	60	4.33	5	5	37	1	5	1.07
Sta7	60	4.47	5	5	44	1	5	1.02
Sta8	60	3.78	4	5	23	1	5	1.18
Sta9	60	3.97	4	5	26	1	5	1.13
Sta10	60	2.73	3	3	23	1	5	1.31

Source: Results obtained from analysis of questionnaire

Table 4.4 represents the descriptive statistics for each question that was on the questionnaire relating to Staff. There were 10 questions about knowledgeable staff. On the table each question is represented from Sta1, Sta2...Sta10

Items below are shown to be below the average mean:4.21

B2. Sta4: The qualifications of bank staff are important to me.

Mean = 3.75

B2. Sta8: I get frustrated when the bank official I was dealing with and had a relationship with resigns or leaves for another employer.

Mean = 3.78

B2. Sta9: I form a relationship with the bank and then the employee.

Mean = 3.97

B2. Sta10: I would follow my relationship banker to another bank, because they looked well after me as a client.

Mean = 2.73

Items below are shown to be above the average mean:4.21

B2. Sta1: I respect bank staff who are fully knowledgeable of their work.

Mean = 4.52

B2. Sta2: I enjoy dealing with bank staff who are good with people and maintaining relationships.

Mean = 4.50

B2. Sta3: Innovative bank staff always make banking pleasant.

Mean = 4.23

B2. Sta5: The work experience of bank staff is important to me.

Mean = 4.37

B2. Sta6: Staff appearance and presentation is important and shows me that they take my business seriously and that I can trust the employee with my money.

Mean = 4.33

B2. Sta7: I appreciate bank employees who are honest. If something is not possible they tell me upfront without wasting my time or theirs.

Mean = 4.47

The above findings indicate that of the 10 questions addressed on the questionnaire, 6 were above the mean, which can possibly mean that the majority of respondents regard staff as an important factor.

- **Descriptive statistics for technology advancement as a factor**

Table 4.4 represents the descriptive statistics for each question that was on the questionnaire relating to technology advancement. There were 10 questions about technology advancement. On the table each question is represented from Tech1, Tech2...Tech10

Table 4.5 Table representing descriptive statistics for technology advancement

	Valid N	Mean	Median	Mode	Freq of	Min	Max	Std.Dev.
					Mode			
Tech1	60	3.85	4	5	26	1	5	1.23
Tecn2	60	3.88	4	5	24	1	5	1.19
Tech3	60	2.75	3	3	22	1	5	1.2
Tech4	60	4.43	5	5	41	1	5	1.03
Tech5	60	4.45	5	5	39	1	5	0.95
Tech6	60	3.58	4	5	24	1	5	1.39
Tech7	60	4.27	4	5	29	1	5	0.9
Tecn8	60	4.02	4	5	25	1	5	1.13
Tech9	60	3.7	4	5	22	1	5	1.25
Tech10	60	4.47	5	5	44	1	5	1.05

Source: Results obtained from analysis of questionnaire

Items below are shown to be below the average mean:4.09

B3. Tech 1: I spend most of my time out of my office.

Mean = 3.85

B3. Tech 2: I am comfortable with new technology introduced by my bank.

Mean = 3.88

B3. Tech 3: My bank always seeks my opinion when testing new products in the market.

Mean = 2.75

B3. Tech 6: Technology is risky and can expose my business to fraud.

Mean = 3.58

B3. Tech 8: All banks should compete on the technology they offer for clients.

Mean = 4.02

B3. Tech 9: All banks should compete on the technology they offer for clients.

Mean = 3.70

Items below are shown to be above the average mean:4.09

B3. Tech 4: I do not have time to stand in queues for banking.

Mean = 4.43

B3. Tech 5: Simple and effective technology works best.

Mean = 4.45

B3. Tech 7: I always look for safety features in any new technology introduced by my bank.

Mean = 4.27

B3. Tech 10: I would switch banks if I lost money fraudulently and the bank did not reimburse me (if it was their negligence).

Mean = 4.47

These results depicted above indicate that 6 of the 10 questions relating to technology advancement had means below the average, while only 4 had means above the average. This could be interpreted as meaning that the majority of respondents, 6, do not consider advanced technology as playing a major role in business banking.

- **Descriptive statistics for loyalty as a factor**

Table 4.5 represents the descriptive statistics for each question that was on the questionnaire relating to customer loyalty. There were 6 questions about customer loyalty. On the table each question is represented by Loy1, Loy2...Loy6

Table 4.6 Table representing descriptive statistics for loyalty

	Valid N	Mean	Median	Mode	Freq of	Min	Max	Std.Dev.
					Mode			
Loy1	60	2.65	3	1	19	1	5	1.45
Loy2	60	4.27	4	5	29	2	5	0.84
Loy3	60	4.25	5	5	37	1	5	1.13
Loy4	60	3.47	4	Multiple	17	1	5	1.33
Loy5	60	3.7	4	5	21	1	5	1.37
Loy6	60	2.18	2	1	29	1	5	1.42

Source: Results obtained from analysis of questionnaire

Items below are shown to be below the average mean:3.57

B4.Loy1: I have no loyalties when it comes to banking matters.

Mean = 2.65

B4.Loy4: I am used to my bank's way of doing things and I would not change it.

Mean = 3.47

B4.Loy6: This is where my parents banked so I would not change it for anything.

Mean = 2.18

Items below are shown to be above the average mean:3.57

B4.Loy2: My current bank has been loyal to me.

Mean = 4.27

B4.Loy3: My business's financial position is more important than my bank.

Mean = 4.25

B4.Loy5: My bank looks well after me and the managers know me by my first name.

Mean = 3.70

The above results indicate a 50% split between means above and below the average.

This possibly illustrates that the respondents were neutral about customer loyalty in

business banking. This can be seen as a sign that business banking clients are split banking having various business banking products with different banks for their benefit.

4.5 DESCRIPTIVE STATISTICS RELATING TO DEMOGRAPHICS

This section will utilise the Analysis of Variance (ANOVA) and p-values to check for any significant findings of factors influencing the revenue growth in business banking in BCM for each of the demographic variables such as gender, age, educational level and others.

4.5.1. By gender

Table 4.7 Table representing descriptive statistics for gender

T-tests; Grouping: Gender									
	Mean	Mean	t-value	df	p	Valid N	Valid N	Std.Dev.	Std.Dev.
	Male	Female				Male	Female	Male	Female
PRICING	3.58	3.87	-1.29	57	0.2010	43	16	0.80	0.58
STAFF	4.16	4.34	-0.91	57	0.3670	43	16	0.74	0.43
TECHN	4.05	4.15	-0.49	57	0.6227	43	16	0.78	0.56
LOYAL	3.68	3.36	1.39	57	0.1708	43	16	0.75	0.89
(No statistically significant differences (all p-values > 0.05))									

Source: Results obtained from analysis of questionnaire

The results from Table 4.6 indicate that for questions that related to gender, all the factors had p values above 0.05, meaning all the factors are not statistically significant in relation to gender. This could mean that the gender of the respondent is not an important factor when it comes to the manner in which the questions were responded to.

4.5.2 By age

Table 4.8 Anova table for age

Analysis of Variance					
	F	p			
B1: PRICING	0.09	0.9167			
B2: STAFF	0.62	0.5441			
B3: TECHN	0.61	0.5479			
B3: LOYAL	2.22	0.1177			
(No statistically significant differences (all p-values > 0.05))					

Source: Results obtained from analysis of questionnaire

The table above indicates that all the factors being investigated have p-values exceeding 0.05, thus there is no significant difference amongst all the variables being tested according to age. This could mean that the ages of the respondents do not play a role in the manner in which they responded to the questionnaire.

Table 4.9 Table representing descriptive statistics for the various age levels

Breakdown Table of Descriptive Statistics												
Age_new	PRICING	PRICING	PRICING	STAFF	STAFF	STAFF	TECHN	TECHN	TECHN	LOYAL	LOYAL	LOYAL
	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.
21-30 years	3.62	11	0.47	4.04	11	0.62	4.14	11	0.59	3.75	11	0.54
31-40 years	3.63	28	0.78	4.20	28	0.51	4.17	28	0.58	3.34	28	0.90
41+ years	3.71	21	0.84	4.32	21	0.87	3.95	21	0.94	3.79	21	0.74
All Grps	3.66	60	0.75	4.21	60	0.67	4.09	60	0.72	3.57	60	0.81

Source: Results obtained from analysis of questionnaire

The above table depicts that ages between 21 – 30 years old and 31 – 40 years old have means below average of 3.62 and 3.63 respectively for pricing. Ages between 21 – 30 years and 31 – 40 years have a mean of 4.04 and 4.20 respectively for staff. The 41+ years age group has a mean below average of 3.95 for technology. The age group between 31 and 40 years had a mean below average of 3.34.

4.5.3 By qualification differences

Table 4.10 Anova table for qualifications

Analysis of Variance							
	F	p					
PRICING	2.08	0.0956					
STAFF	2.75	0.0372	(Statistically significant differences (p < 0.05))				
TECHN	7.74	0.0001	(Statistically significant differences (p < 0.05))				
LOYAL	1.01	0.4099					

Source: Results obtained from analysis of questionnaire

The Table above illustrates the statistical results by qualification differences which were investigated using the ANOVA test. The factors, Staff and Techn, are highlighted in red indicating statistically significant difference ($p < 0.05$). Staff has a p-value = 0.0372, it is less than 0.05, this it is statistically significant. The same applies with Techn with a p-value = 0.0001, it is also statistically significant. This could mean that when it comes to educational qualifications, the respondents view staff and technology variables as being influential in sales growth in business banking in BCM.

Table 4.11 Table representing descriptive statistics for the different educational levels

Breakdown Table of Descriptive Statistics												
Qualif	PRICING	PRICING	PRICING	STAFF	STAFF	STAFF	TECHN	TECHN	TECHN	LOYAL	LOYAL	LOYAL
	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.
Grade 12	3.28	11	0.69	3.68	11	0.98	3.26	11	0.88	3.96	11	0.53
Tech College	3.27	7	0.92	4.14	7	0.40	3.86	7	0.69	3.40	7	0.76
Degree/Diploma	3.94	21	0.71	4.29	21	0.51	4.44	21	0.36	3.60	21	0.77
Postgraduate	3.76	11	0.73	4.41	11	0.74	4.19	11	0.66	3.47	11	1.01
Business related	3.66	10	0.61	4.47	10	0.29	4.30	10	0.45	3.32	10	0.93
All Grps	3.66	60	0.75	4.21	60	0.67	4.09	60	0.72	3.57	60	0.81

Source: Results obtained from analysis of questionnaire

The table above illustrates that those respondents with Grade 12 and Technical College qualifications obtained the lowest means of 3.28 and 3.27 respectively for pricing. For staff, once again they received the lowest means 3.68 for Grade 12 and 4.14 for Tech

College. In Technology, again Grade 12 and Tech College obtained lowest means of 3.26 and 3.86 respectively. Tech College, Postgraduate and Business Related received the lowest means for technology at 3.40, 3.47 and 3.32 respectively.

4.5.4 By years in business difference

Table 4.12 Anova table for years in business difference

Analysis of Variance							
	F	p					
PRICING	1.12	0.3472					
STAFF	2.89	0.0431	(Statistically significant differences (p < 0.05))				
TECHN	2.17	0.1012					
LOYAL	6.24	0.0010	(Statistically significant differences (p < 0.05))				

Source: Results obtained from analysis of questionnaire

The Table above illustrates the statistical results by Years in Business differences which were investigated using the ANOVA test. The factors, knowledgeable staff (Staff) and Customer loyalty) Loyal, are highlighted in red indicating a statistically significant difference (p<0.05). Staff has a p-value = 0.0431, it is less than 0.05, this it is statistically significant. The same applies with Loyal with a p-value = 0.0010, it is also statistically significant. This could mean that when it comes to the number of years the respondents have been in business, staff and loyalty are influential factors in sales growth in business banking in BCM.

Table 4.13 Table representing descriptive statistics for the different years in business

Breakdown Table of Descriptive Statistics												
Yrs_business_new	PRICING	PRICING	PRICING	STAFF	STAFF	STAFF	TECHN	TECHN	TECHN	LOYAL	LOYAL	LOYAL
	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.
0-2 years	3.52	9	0.44	4.14	9	0.50	4.33	9	0.46	3.22	9	0.67
3-5 years	3.60	19	0.71	4.12	19	0.66	4.23	19	0.63	3.20	19	0.80
6-10 years	3.57	20	0.88	4.04	20	0.79	3.76	20	0.85	3.67	20	0.75
11+ years	4.01	12	0.72	4.69	12	0.34	4.20	12	0.66	4.27	12	0.54
All Grps	3.66	60	0.75	4.21	60	0.67	4.09	60	0.72	3.57	60	0.81

Source: Results obtained from analysis of questionnaire

The table above illustrates that those respondents with 0-2; 3-5 and 6-10 years in business obtained the lowest means of 3.52, 3.60 and 3.57 respectively for pricing. They also received the lowest means 4.14, 4.12 and 4.04 for Staff. In Technology, the lowest mean was obtained by the 6 – 10 years in business group. Lastly, 0 – 2 years and 3-5 years in business received 3.20 mean which was the lowest compared to the group mean.

4.5.5 By years in business banking

Table 4.14 Anova table for years in business banking

Analysis of Variance							
	F	p					
PRICING	1.56	0.2097					
STAFF	0.59	0.6211					
TECHN	2.83	0.0466	(Statistically significant differences (p < 0.05))				
LOYAL	9.22	0.0000	(Statistically significant differences (p < 0.05))				

Source: Results obtained from analysis of questionnaire

The findings above indicate that technology advancement (techn) and customer loyalty (loyalty) had p-values below 0.05, 0.0466 and 0.000 respectively, thus both factors are statistically significant. This could possibly mean that in this section, technology and loyalty are considered to be important factors in sales growth in business banking.

Table 4.15 Table representing descriptive statistics for the different years in business banking

Breakdown Table of Descriptive Statistics												
Yrs_bank_new	PRICING			STAFF			TECHN			LOYAL		
	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.	Means	N	Std.Dev.
0-2 years	3.45	11	0.69	4.09	11	0.59	4.42	11	0.59	3.16	11	0.72
3-5 years	3.82	19	0.71	4.35	19	0.64	4.23	19	0.48	3.22	19	0.83
6-10 years	3.48	21	0.81	4.11	21	0.76	3.75	21	0.86	3.70	21	0.52
11+ years	3.98	9	0.66	4.32	9	0.63	4.17	9	0.73	4.53	9	0.60
All Grps	3.66	60	0.75	4.21	60	0.67	4.09	60	0.72	3.57	60	0.81

Source: Results obtained from analysis of questionnaire

The above findings depict that those business banking clients who had had business bank accounts for 0-2 years had the lowest mean of 3.45 in pricing compared to the average of 3.66; for staff they had the lowest mean of 4.09 compared to 4.21 and for loyalty it had 3.16 compared to 3.57. Business bank account with 3-5 years in banking had the lowest mean of 3.22 for customer loyalty (loyal) compared to 3.57 of the average. 6-10 years in banking had the lowest mean for pricing with 3.48 compared to 3.66 of the average; 4.11 for knowledgeable staff (staff) compared to 4.21 as well as 3.75 for advanced technology (techn) compared to 4.09.

4.6 HYPOTHESIS TESTING

As previously discussed, the objective of this study was to determine factors influencing sales growth in business banking in BCM.

Acceptance or rejection of hypothesis

In order to accomplish this, certain factors were considered as variables. These hypotheses were formulated in Chapter One:

4.6.1 Advanced technology

H1: Technology influences sales revenue growth.

Ho1: Technology does not influence sales revenue growth.

The Anova Table on Table 4.13 illustrates that the p-value = 0.0466. This p-value < 0.05, thus the sample evidence is statistically significant. It can therefore be inferred that the null hypothesis (Ho1) can be rejected in favour of H1. Thus, technology does influence sales revenue growth.

4.6.2 Competitive pricing

H2: Pricing influences sales revenue growth.

Ho2: Pricing does not influence sales revenue growth.

Looking at the Anova Table on Table 4.13, the p-value for Pricing is 0.2097. This p-value > 0.05 , thus the sample evidence is statistically insignificant. The null hypothesis (Ho2) cannot be rejected, but the alternative hypothesis H2 can therefore be rejected. This indicates that according to the respondents, pricing does not influence sales revenue growth.

4.6.3 Competent staff

H3: Competent staff influences sales revenue growth.

Ho3: Competent staff do not influence sales revenue growth.

The Anova Table on Table 4.13 illustrates that the p-value = 0.6211. This p-value > 0.05 , thus the sample evidence is statistically insignificant. The null hypothesis (Ho3) cannot be rejected, but the alternative hypothesis H3 can therefore be rejected. This indicates that according to the respondents, competent staff do not influence sales revenue growth.

4.6.4 Customer loyalty

H4: Customer loyalty influences sales revenue growth.

Ho4: Customer loyalty does not influence sales revenue growth

The Anova Table on Table illustrates that the p-value = 0.000. This p-value < 0.05 , thus the sample evidence is statistically significant. It can therefore be inferred that the null

hypothesis (Ho4) can be rejected in favour of (H4), customer loyalty does influence sales revenue growth.

Based on the results obtained from the hypothesis, it can be concluded that of the four factors, advanced technology and customer loyalty had p-values less 0.05 indicating that the 2 factors do influence sales growth in business banking in BCM. While pricing and competent staff do not influence sales revenue growth.

4.7 CORRELATIONS

According to Wegner, (2007:407) correlation analysis “measures the strength of the identified association between the variables.” This section illustrates the correlations for the individual variables being determined for sales growth. This is reflected in Tables 4.15 to 4.19. The tables have items that are highlighted in red. These items indicate statistically significant correlations when ($p < 0.05$). The strengths of the relationships range from weak ($0.25 < r < 0.5$) to moderate ($0.5 < r < 0.7$) and strong ($r > 0.7$).

4.7.1 Competitive pricing

Table 4.16 Competitive pricing correlations: per item on questionnaire

	Pricing1	Pricing2	Pricing3	Pricing4	Pricing5	Pricing6	Pricing7	Pricing8	Pricing9
B1.Pri1	1.000								
B1.Pri2	0.315	1.000							
B1.Pri3	0.135	0.351	1.000						
B1.Pri4	0.221	0.182	0.055	1.000					
B1.Pri5	-0.111	0.385	0.056	0.325	1.000				
B1.Pri6	0.288	0.358	0.230	0.277	0.332	1.000			
B1.Pri7	0.368	0.160	0.247	-0.121	-0.008	0.188	1.000		
B1.Pri8	0.524	0.548	0.360	0.289	0.176	0.260	0.321	1.000	
B1.Pri9	0.385	0.424	0.459	0.258	0.345	0.456	0.321	0.509	1.000

Source: Results obtained from analysis of questionnaire

The table above indicates a somewhat positive correlation between sales growth and pricing. There are some moderately positive correlations and the others are weak.

B1.Pri8 was about pricing being the most important factor that would make customers switch banks, $r=0.524$ in relation to “Pricing1” switching banks anytime, provided customers receive competitive pricing. The correlation between B1.Pri8 in relation to “Pricing 2” suggests that bank charges are an important factor in making clients happy with $r=0.548$ which means the 2 are moderately positively correlated.

Another moderately positive correlation was B1.Pri9 where the question posed to the respondents was whether they are always looking for cost effective ways of making banking work in their favour, for their business. The correlation matrix indicates $r=0.509$ in relation to “Pricing8” which related to pricing being the most important factor that would make customers switch banks.

4.7.2 Competent staff

Table 4.17 Competent staff correlations: per item on questionnaire

	Staff1	Staff2	Staff3	Staff4	Staff5	Staff6	Staff7	Staff8	Staff9	Staff10
B2.Sta1	1.000									
B2.Sta2	0.821	1.000								
B2.Sta3	0.470	0.474	1.000							
B2.Sta4	0.362	0.312	0.346	1.000						
B2.Sta5	0.469	0.516	0.323	0.601	1.000					
B2.Sta6	0.513	0.552	0.297	0.338	0.557	1.000				
B2.Sta7	0.819	0.757	0.501	0.398	0.606	0.619	1.000			
B2.Sta8	0.102	0.220	0.015	-0.052	-0.036	0.166	0.156	1.000		
B2.Sta9	0.237	0.189	0.068	0.095	0.128	0.233	0.234	0.514	1.000	
B2.Sta10	-0.201	-0.095	-0.096	-0.044	-0.188	-0.201	-0.159	0.115	0.187	1.000

Source: Results obtained from analysis of questionnaire

The above depicts that B2.Sta2 which related to business bank customers enjoy dealing with bank staff who are good with people and maintaining relationships and “Staff1” respondent respect bank staff who are fully knowledgeable of their work had a very strong positive correlation of 0.821. Another very strong positive correlation was

between B2.Sta7 respondents appreciate bank employees who are honest. If something is not possible they tell them upfront without wasting either party's time. This was in relation to "Staff1" where $r=0.819$. The relationship between "Staff2" and B2.Sta7 had $r=0.757$, indicating a strong positive correlation.

The relationship between B2.Sta5 which was addressing the work experience of bank staff and its importance to the respondents in relation to "Staff4" The qualifications of bank staff are important to the respondents, $r=0.601$ signifying a reasonably strong positive correlation. The relationship between B2.Sta7 and "Staff5" was positively correlated at $r=0.606$. Lastly, the correlation between B2.Sta7 and "Staff6" where staff appearance and presentation is important and shows that they take customers' business seriously and that they can trust the employee with their money, $r=0.619$ indicating a positive relationship.

4.7.3 Advanced technology

Table 4.18 Advanced Technology Correlations: per item on questionnaire

	Techn1	Techn2	Techn3	Techn4	Techn5	Techn6	Techn7	Techn8	Techn9	Techn10
B3.Tech1	1.000									
B3.Tech2	0.391	1.000								
B3.Tech3	0.146	0.121	1.000							
B3.Tech4	0.239	0.400	-0.048	1.000						
B3.Tech5	0.073	0.572	-0.108	0.526	1.000					
B3.Tech6	0.190	0.042	-0.053	-0.250	-0.074	1.000				
B3.Tech7	0.220	0.503	-0.172	0.385	0.713	0.185	1.000			
B3.Tech8	0.221	0.631	0.303	0.271	0.533	-0.017	0.464	1.000		
B3.Tech9	0.322	0.112	0.197	0.430	0.073	-0.112	-0.048	0.220	1.000	
B3.Tech10	-0.024	0.031	-0.054	-0.080	-0.096	0.321	0.189	0.036	0.070	1.000

Source: Results obtained from analysis of questionnaire

The correlation between B3.Tech8, all banks should compete on the technology they offer for clients and "Techn2", respondents are comfortable with new technology introduced by their banks had a positive correlation where $r=0.631$.

There was a strong positive correlation where $r=0.713$ between B3.Tech7, respondents always look for safety features in any new technology introduced by their banks and “Techn5”, simple and effective technology works best.

4.7.4 Customer loyalty

Table 4.19 Customer loyalty correlations: per item on questionnaires

	Loyal1	Loyal2	Loyal3	Loyal4	Loyal5	Loyal6
B4.Loy1	1.000					
B4.Loy2	-0.228	1.000				
B4.Loy3	0.034	0.018	1.000			
B4.Loy4	-0.151	0.522	0.248	1.000		
B4.Loy5	-0.165	0.203	0.280	0.514	1.000	
B4.Loy6	0.073	0.256	0.119	0.276	0.404	1.000

Source: Results obtained from analysis of questionnaire

Table 4.18 shows mainly positive correlations between the individual responses that stemmed from customer loyalty questions. The author will interpret the highest items only.

The correlation between B4.Loy4 where respondents responded to the question that they were used to their bank’s way of doing things and would not change it and “Loyal2” their current bank has been loyal to them had an $r=0.522$. Another positive correlation was between B4.Loy5 their bank looks well after me and the managers know me by my first name and “Loyal4” with $r=0.514$.

4.7.5 Relationships amongst the factors

Table 4.20 Correlations table for all independent variables

Correlations				
	PRICING	STAFF	TECHN	LOYAL
PRICING	1.00			
STAFF	0.16	1.00		
TECHN	0.25	0.40	1.00	
LOYAL	0.11	0.11	-0.15	1.00

Red indicates statistically significant correlations ($p < 0.05$)

Source: Results obtained from analysis of questionnaire

Table 4.19 depicts correlations amongst all the factors considered to be influencing sales growth in business banking in BCM. The only significant correlation was between Technology and Staff where $r=0.4$, this indicates a positive, though weak correlation between the two factors.

From the above it can be concluded that the correlations that were tested amongst the variables varied from weak to strong. The most outstanding correlations were obtained from "Pricing" where there were several strong correlations where r was above 0.7.

Another peculiar correlation was found amongst the four factors on Table 4.19, the correlations amongst one another were all weak with r being less than 0.5.

4.8 CONCLUSION

In this chapter the researcher detailed the outcomes of the survey conducted on respondents who are business bank customers in BCM. Statistical analysis was done and the interpretation of the results was presented through graphs and tables.

The questionnaires' response rate was identified and plotted in a tabular form and using pie charts. The demographics were examined and illustrated using bar graphs.

That was followed by the analyses and the individual questions were interpreted and then the overall aggregated scores regarding technological entrepreneurship were examined.

There was then the section on descriptive statistics where the Anova tables were used to analyse the various variables. There was also a section which dealt with the hypothesis tests for the different variables to test the null hypotheses.

Lastly, it was the correlations. This sections analysed and interpreted each variable with its questions as on the survey. It tested the various relationships individually and there was also a table with all four factors.

The next and closing chapter will aim to conclude and make recommendations on the results of the empirical survey, in relation to the literature review, the questionnaire survey and the identified sub-problems.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The primary objective of this study was to determine factors influencing sales growth in business banking in BCM, with the factors investigated being: competitive pricing; knowledgeable staff; advanced technology as well as customer loyalty.

In determining the above, these factors became the independent variable tested against the dependent variable, sales growth, using hypothesis testing.

Sales growth in the South African banking space, particularly in business banking, has become a contentious issue. Banks not only compete with specialised products for businesses in their books, but they also focus on strengthening relationships with their clients, according to Howcroft and Durkin (2000:178)

5.1.1 Primary objective and sub-topic objectives

The primary objective was to determine the factors influencing sales growth in business banking in BCM.

In aiming to address the topic, these sub-problems were highlighted:

- Is the pricing offered by the various banks to their business bank customers competitive enough to retain them?
- How competent and knowledgeable is the staff dealing with business bank customers in ensuring good relationship with business banking clients?
- Is the technology used by the banks advanced enough to address the banking requirements of business bank customers?

- Are business banking customers loyal to their respective banks to ensure repetitive sales?

An in-depth research exercise was undertaken to find out more about each of these sub-problems. They were all discussed in detail in the literature review chapter, Chapter 2. After the literature study, an empirical study was conducted to address the above sub-problems. The aim was to determine whether the factors identified played a role in increasing sales in business banking.

The empirical study was conducted through questionnaires submitted to business banking customers with existing bank accounts. The results of the questionnaires were then discussed and tabled in Chapter 4. This chapter will give the author the opportunity to arrive at conclusions and to make recommendations based on the study and findings, also to determine the likelihood of a correlation between the literature findings and the empirical findings. The results will be made available to business banks. They can use the findings to improve their revenue streams.

This chapter will focus on summarising the findings, make recommendations and conclusions based on the literature and empirical findings that related to the study. The author will make recommendations based on the results of the findings and observation of both the literature and empirical studies conducted. This is seen as a way of assisting the business banks in ensuring that their revenue growth substantially and that they correct where things are not seen to be effective in order to grow their client base and maintain it at the same time.

5.2 CHALLENGES AND LIMITATIONS

The sample used was that of business people with business bank accounts with the various employers in Buffalo City Municipality, Eastern Cape. The challenge that was experienced was getting the questionnaires back. It took some time to get these back as the interviewees were mainly busy in and out of town and this caused some delays with finalising the previous chapter. Other than that, no other challenges were

experienced. Other business banking clients misplaced the questionnaires and the author had to re-print them, this caused delays.

5.3 RESEARCH FINDINGS

This section will compare the literature study regarding each factor to the empirical results.

5.3.1 Competitive pricing

In Chapter 2, according to Keet, M. (2000:56), price is “value for money”. He further states that customers will pay any amount of money if they feel the value they are getting from the purchase is worth it. A bank example illustrating this is the service which commercial clients pay for having the bank bring banking to them through electronic banking, since it saves them the time and effort of going to the bank. They do not mind paying that extra fee, provided the system is problem free and is convenient.

Capitec Bank (2012:18) states that the establishment of Capitec Bank changed the South African banking industry. It was the country’s first new retail bank in years, it targeted the lower-middle income retail market. According to Capitec (2012:19), the shareholders of the bank saw an opportunity in the market and wanted to form a bank that would be affordable, and offer greater and more hospitable branch access, as well as an easy to understand product offering.

In the year 2012, Capitec Bank had employed 7200 staff members with over 500 branches nationally, serving 3 700 000 customers. In the same year, it had R23.62 billion in total assets, R17.69 billion in deposits Capitec Bank (2012:18).

The results of Chapter 4 on whether pricing is a factor influencing sales growth in business banking in BCM indicated that pricing did not influence sales growth in business banking. The Anova Table on Table states that the p-value for Pricing is

0.2097. This p-value > 0.05 suggesting that the sample evidence is statistically insignificant. The null hypothesis (H_0) cannot be rejected, but the alternative hypothesis H_2 can therefore be rejected. This indicates that according to the respondents, pricing does not influence sales revenue growth.

Business bank customers are thus not influenced by price when making bank decisions. Business owners are willing to pay the premium, if they receive the kind of service they require to ensure that their business operate efficiently with the assistance of their respective banks.

The above means that whether business bank clients are offered better pricing or not, does not guarantee that they will continue with the same bank or not. Therefore pricing cannot be an important factor business banks look at when trying to determine which factors influence their growth or where to improve to retain their business bank clients.

5.3.2 Competent staff

According to Lympopoulos, et al (2012:226) bank clients move to other banks due to lack of competence by their existing banks. This indicates the importance of having competent bank staff as their competency levels could either keep or lose the bank clients.

Brewster, et al (2008:34) also mention that employees are the “primary source of competitiveness.” In addition to this, they state that as a long-term investment, training and development of staff is critical to survival of the organisation as it enhances productivity and sustains a competitive edge. It should also be part of the organisation’s strategy to retain staff and be able to attract new talented ones as well.

The hypothesis testing that was done with the results from the questionnaire, where the relationship was tested between sales growth and competent staff, the p-value = 0.6211. This p-value > 0.05 , thus the sample evidence is statistically insignificant. The null hypothesis cannot be rejected, but the alternative hypothesis can therefore be

rejected. According to the respondents, competent staff do not influence sales revenue growth.

According to the respondents, this means that competent and knowledgeable staff do not play an important role in their banking matters with their respective banks. Meaning that they have no personal relationships with the bank staff, which can be viewed as a good and a bad thing. This can be a good thing in that should the bank staff leave the employer for another, the clients will still continue banking with their banks. This can be negative in that they could be receiving wrong information about their investments from the bank staff, which could lead to wrong decisions being made by the clients on their bank matters. This could be dangerous as it might affect the finances of the clients negatively if for example, they invest in a product that does not yield the expected.

The above could be due to the fact that business people are knowledgeable people so they do not depend on bank staff for example to advise them of interest rate changes as that is news that they know of from reading business news. Another reason could be the fact that business bank clients are preferring to bank online since they do not have time to stand in long queues, so bank employees to them play no role as they hardly ever use them except may be when there are documents to be signed or they experience network problems. Therefore, based on the empirical study, there is no direct correlation between banks' sales growth and competent staff.

5.3.3 Advanced technology

Business owners by nature are people who are focused on running their businesses. They do not have time to go to the bank standing in long queues. Ioannou and Zolkiewski (2009:260) confirm this by stating that high net worth clients want to access their banking facilities anywhere, anytime. Whilst that is the case for some, others are different and prefer to deal with a person they form a relationship with. Ioannou and Zolkiewski (2009:257) also suggest that customers have different preferences, some prefer having a face to talk to, to be able to connect and have that personal touch. They

further state that the preference on whether clients are comfortable with a bank employee or not is influenced by the size of the business. The smaller the business the more likely the client would like to frequent the bank, most probably to acquire funding. The bigger the entity the client is the more likely they are to use virtual banking because of lack of time.

That mentioned, in research about the importance of technology in business and its possible effects on business growth, Ibbotson and Moran (2003:96) report that the more services the client is able to access from their place of convenience, the more loyal that customer will be to the bank. This indicates the importance of technology in business and in banking.

According to the survey conducted testing the relationship between sales growth and technology, the p-value = 0.0466. This p-value < 0.05, thus the sample evidence is statistically significant. It can therefore be inferred that the null hypothesis can be rejected in favour of the alternative. Thus, technology does influence sales revenue growth.

This finding seems to agree with the aforementioned statement that business people do not have time to go to the bank. Thus, the more safe, convenient and easy banking is made available virtually, the happier are the business clients. The happier they are the more likely they are to continue supporting their respective banks and thereby adding to the banks' sales growth positively. Thus, advanced technology is an important factor in banks' sales growth.

5.3.4 Customer loyalty

McNeilly and Barr (2006:154) report that businesses experience greater revenues and profit margins due to the retention of loyal customers. Their statement can be interpreted as meaning there is a positive relationship between revenue growth of

businesses and loyal customers, thus the more loyal customers a business has the more revenue it will generate consistently.

According to Lam and Burton (2006:50) customer loyalty enhances sales and eventually increases profitability, this is due to the fact that the cost of recruiting new customers is said to be five times more than the cost of retaining the existing customer. They further state the importance of devising customer retention strategies such as cross selling of products to obtain a higher percentage of their business.

The hypothesis testing conducted testing whether customer loyalty influences sales growth in business banking in BCM indicates that the $p\text{-value} < 0.05$, thus the sample evidence is statistically significant. Therefore, the null hypothesis can be rejected in favour of the alternative; customer loyalty does influence sales revenue growth.

The results of the empirical study undertaken seem to concur with the literature study where it is suggested that there is a positive correlation between sales growth and customer loyalty; suggesting that business bank clients do not easily move to other banks. One of the reasons for that could be that they have various accounts and moving all their accounts to another bank could be a costly exercise. This is why innovative banks such as FNB advertise free charges when business clients switch banks and they also assist them with their debit order moves. Not all business bank clients are comfortable with that as the transition is not always as smooth as it is suggested.

It is thus imperative that banks look well after their business clients because business bank clients' retention grows their revenue and thereby positively affecting the banks' bottom line positively. Therefore, customer loyalty is an important factor in the sales growth of business banking in BCM.

5.4 CONCLUSIONS AND RECOMMENDATIONS

5.4.1 Conclusions

Sales growth in business banking is an important element that ensures sustainability and continuity of the bank in the long run. Reducing sales growth could result in possible closure of the bank and or even staff retrenchments in order for the bank to be able to sustain itself. South Africa has seen in the most recent months the closure of African Bank. The closure was related to many reasons, one of which was that the bank had high impairment rates due to their customers not paying back the loans. This non-payment of loans resulted in decreasing sales growth and thus financial losses for the bank.

In this study, the author focused on four independent variables considered to be influential in the sales growth in business banking in BCM. Through the questionnaire the business banking customers were asked to respond to questions related to advanced technology, competitive pricing, competent staff and customer loyalty. These independent variables were investigated theoretically and practically.

There were similarities and differences between the theory and empirical studies conducted. The empirical study conducted indicated that two of the four factors that were investigated indicated that they influenced the sales growth in business banking while the other two did not.

5.4.2 Recommendations

Based on the findings of the empirical study, advanced technology does influence sales growth in business banking. It was also noted from the responses from clients that 20 % agreed and 43.3% strongly agreed that they spent most of their time outside the office. Thus meaning, they do virtual banking most of the time as they do not have time to stand in queues. Confirming this are the results obtained when the respondents were

asked whether they had time to stand in long queues, where 18.4% agreed not to have time and 68.3% strongly agreed not to have time for bank queues.

Technology has in recent years advanced to such an extent that the banks introduced sms notifications sent directly to clients' cellphones giving notification of all transactions taking place in their accounts. These latest developments and the education that is happening about safety in electronic banking, have given business bank clients the comfort of knowing that their banking is safe when done in the comfort of their offices or wherever they maybe, provided they keep their passwords and pin codes safe.

It is said that information is power. Banks should continue to share and give out as much information as possible to their clients, be it via sms, post and or email, giving them latest scams to be guarded against as well as advising them of possible technology changes so that on implementation of these changes, the customers are not shocked but they embrace the change and learn from it.

Another factor found to be influencing sales growth in business banking in BCM is customer loyalty. 33.3% agreed while 35% strongly agreed that their banks were looking well after them and their managers knew them by first name. Business bank clients want to feel important, especially knowing that the business banking section in the bank is one of the top revenue generators generally. This is due to the fact that many business clients have several accounts with big bank facilities they are servicing and thus giving banks big revenue growth due to those high charges on their facilities.

Since it has already been mentioned that advanced technology also positively affects sales growth in business banking, it could be that the reason business bank clients are loyal to their respective bank is due to the fact that technology can be challenging at times so they would not want to learn new systems they would prefer to stick to what they know and are comfortable with.

The two variables that were found not to influence sales growth were those of competitive pricing and competent staff. On competitive pricing, banks in South Africa do not compete on interest rates as they all adjust the prime rate based on the repo rate adjustment. However, on an individual basis each client's risk profile differs based on various factors considered by the bank. Banks either charge prime, prime plus a figure or prime less a figure. Customers considered to be high risk are normally priced at prime plus, those who are less risky are normally charged prime less and those who are neutral normally get prime.

The banking industry in South Africa is also highly regulated. According to the Competitions Act, the banks are also not allowed to charge too low a rate so as to be attractive to customers. According to the Consumers' Act, customers must be charged fairly. Banks must always try to balance all the above to be in the industry.

The fact that this variable was found not to be influencing sales growth was probably due to the fact that only 13.3% strongly disagreed and 21.7% disagreed that they would switch anytime due to being offered competitive pricing by other banks. Thus, business banking clients do not solely switch banks due to price, there are other factors they take into account. Thus, if banks were to use pricing as a tool, they would have to use it in conjunction with other tools to make an attractive offer to clients they are intending to poach from their competitors.

Another variable that was found not to be influencing sales growth in business banking was competent staff. Based on the respondents, when asked whether they would follow their relationship bankers who joined other banks because they were well looked after by the bank personnel, a mere 10% agreed and 13.3% strongly agreed. These results illustrate that business clients are loyal to the bank and not the bank personnel. The reasons could be due to trusted systems that have never let them down in the past, a trusted brand they are happy to be associated with as well as the effort expected in switching banks.

Based on these findings, it is recommended that banks must continue to come up with new loyalty programmes that would retain the existing customer base. It is said, it is cheaper to retain existing clients than to attain new ones. Also, they must ensure that they cross-sell as many products as possible to their clients. The more products clients have with banks the more difficult it is to switch to another one due to the amount of work required and the high costs involved.

Technology still becomes an important variable to look at and with this factor changing constantly, the safety of the customers funds must come first. Such protection will ensure that there is faith in the banks systems and thereby resulting into loyalty and increased growth.

On the other hand, technology seems to make people appear as being unimportant, so there must be a balance between the use of technology and people.

5.5 CONCLUSION

The empirical study concluded that only two of the factors identified influenced the sales growth in business banking, advanced technology and customer loyalty. Banks in South Africa are privately owned and thus report to the shareholders. It is important that they are continuously growing amidst the existing competition and the changing external environment they operate in.

It is important to note that local banks have adapted to change and are complying with international standards. In the recent years, having faced the recession, the South African economy remained stable.

The South African banking fraternity has improved over the years as highlighted previously but there is also room to improve. The fact that major banks such as Absa Bank, are being seen as international brands, is a sign showing that the banking

industry is on the right track. However, be that as it may, the banks must still remain local in terms of customer focus because South African customers have different preferences to those from Europe and other continents.

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APPENDICES

APPENDIX A:

Covering letter and questionnaire



Dear Respondent

I am a post-graduate student studying towards my MBA (Masters in Business Administration) at the Nelson Mandela Metropolitan University Business School. The topic of my research project is about determining factors influencing sales growth in commercial banking in Buffalo City. It is my belief that this study will have a positive impact in the banking environment in this municipality, considering the factors taken into account are competitive pricing, competent staff, technology advancement as well as having loyal customers. The empirical results of the study will be made available to the participants should they request so.

I have selected you as part of my sample of respondents, I seek your responses to be able to reach a reasonable conclusion on this topic. The questions will not take more than twenty minutes of your time. Kindly answer them as honestly as possible. Please note that the information gathered is for academic purposes only and will not be used against any person in any way and that all your responses will be strictly confidential.

Please return the completed questionnaire by the 18 August 2014. I thank you in advance for your highly appreciated contribution towards this study.

Yours faithfully

Boniswa Koneti (Cell. 082 665 3034)

Research supervisor: Dr A. Weimann (Cell. 082 200 6191)

QUESTIONNAIRE

TOPIC: Determining factors influencing sales growth in business banking in Buffalo City Municipality

INSTRUCTIONS: There are no correct or incorrect answers. Please answer the questions as accurately as possible. For each statement, tick the number which best describes your experience. For example, if you strongly agree with the statement, tick the number 5. If you strongly disagree with the statement, tick the number 1.

Select only one answer for each statement, but answer ALL QUESTIONS please.

SECTION A: DEMOGRAPHIC INFORMATION

Please supply the following information by marking with an 'X' in the appropriate box

1. Gender

Male	Female			
21-30	31 - 40	41-50	51- 60	60+

2. Age

3. Highest Qualification

Grade 12	Technical College Qualification	Degree/ Diploma (3 year qualification)	Post Graduate Degree (BTech, Honours, Masters)	Business related qualification
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Asian	African	Coloured	White
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4. Race

5. Years in business

0 – 2	3 – 5	6 - 10	11 - 15	15+
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6. Years with your current bank

0 - 2	3 - 5	6 - 10	11 - 15	15+
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7. What was the **major** reason to bank with it? **(PLEASE SELECT ONLY ONE ALTERNATIVE FROM THE FOLLOWING)**

It offers the best pricing	It has competent and friendly staff	It offers the easiest and most efficient technology
I have been banking with the bank for too many years to change	Other: (Please state)	

8. Have you ever thought of switching banks? If yes, why?

Yes	No
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SECTION B

Please indicate how strongly you agree or disagree with the following statements by marking 'X' on the number that best represents your opinion.

Note

- 1 Strongly disagree
- 2 Disagree
- 3 Neutral/Not sure
- 4 Agree
- 5 Strongly agree

B1. Pricing

1	I can switch banks anytime, provided I receive competitive pricing.	1	2	3	4	5
2	Bank charges are an important factor in making clients happy.	1	2	3	4	5

3	I closely check my bank charges every month to see if I am correctly charged.	1	2	3	4	5
4	I am able to negotiate better interest rates with my bank.	1	2	3	4	5
5	My bank always advises me either by telephone, or sms or email when there are bank charges and/or rate changes that will be taking place.	1	2	3	4	5
6	I am happy with the pricing I receive from my current bank.	1	2	3	4	5
7	I am open to other banks approaching me for competitive pricing.	1	2	3	4	5
8	Pricing is the most important factor that would make me switch banks.	1	2	3	4	5
9	I am always looking for cost effective ways of making banking work in my favour, for my business.	1	2	3	4	5

B2. Staff

1	I respect bank staff who are fully knowledgeable of their work.	1	2	3	4	5
2	I enjoy dealing with bank staff who are good with people and maintaining relationships.	1	2	3	4	5
3	Innovative bank staff always make banking pleasant.	1	2	3	4	5
4	The qualifications of bank staff are important to me.	1	2	3	4	5
5	The work experience of bank staff is important to me.	1	2	3	4	5
6	Staff appearance and presentation is important and shows me that they take my business seriously and that I can trust	1	2	3	4	5

	the employee with my money.					
7	I appreciate bank employees who are honest. If something is not possible they tell me upfront without wasting my time or theirs.	1	2	3	4	5
8	I get frustrated when the bank official I was dealing with and had a relationship with resigns or leaves for another employer.	1	2	3	4	5
9	I form a relationship with the bank and then the employee.	1	2	3	4	5
10	I would follow my relationship banker to another bank, because they looked well after me as a client.	1	2	3	4	5

B3. Technology

1	I spend most of my time out of my office.	1	2	3	4	5
2	I am comfortable with new technology introduced by my bank.	1	2	3	4	5
3	My bank always seeks my opinion when testing new products in the market.	1	2	3	4	5
4	I do not have time to stand in queues for banking.	1	2	3	4	5
5	Simple and effective technology works best.	1	2	3	4	5
6	Technology is risky and can expose my business to fraud.	1	2	3	4	5
7	I always look for safety features in any new technology introduced by my bank.	1	2	3	4	5
8	All banks should compete on the technology they offer for	1	2	3	4	5

	clients.					
9	Safety and access anytime and anywhere could make me switch banks.	1	2	3	4	5
10	I would switch banks if I lost money fraudulently and the bank did not re-imburse me (if it was their negligence).	1	2	3	4	5

B4. Customer Loyalty

1	I have no loyalties when it comes to banking matters.	1	2	3	4	5
2	My current bank has been loyal to me.	1	2	3	4	5
3	My business's financial position is more important than my bank.	1	2	3	4	5
4	I am used to my bank's way of doing things and I would not change it.	1	2	3	4	5
5	My bank looks well after me and the managers know me by my first name.	1	2	3	4	5
6	This is where my parents banked so I would not change it for anything.	1	2	3	4	5

Thank you very much for your participation.

APPENDIX B

Letters of consent

TO: Area Manager: Small Enterprise Development Agency (SEDA)

FROM: Ms Boniswa Koneti – NMMU MBA Student

DATE: 22 May 2014

SUBJECT: Consent for conducting research at SEDA

I hereby tender my request for consent to conduct a research survey questionnaire.

Research topic:

'Determining factors influencing sales growth in business banking in Buffalo City Municipality, South Africa'

Responses will contribute towards the research carried out by myself for the Research Dissertation in Master of Business Administration at Nelson Mandela Metropolitan University.

Kindly note that;

- All information is for purely Academic Research
- The compilation of questionnaires will not take more than 20 minutes
- The questionnaire will be completed at one's free time

I trust that my request will receive your favourable response.

Thanking you in advance.

Regards

Boniswa Koneti

NMMU MBA STUDENT

TO: Chief Executive Officer – Masisizane Fund (MF)

FROM: Ms Boniswa Koneti – NMMU MBA Student

DATE: 22 May 2014

SUJECT: Consent for conducting research at MF

I hereby tender my request for consent to conduct a research survey questionnaire.

Research topic:

‘Determining factors influencing sales growth in business banking in Buffalo City Municipality, South Africa’

Responses will contribute towards the research carried out by myself for the Research Dissertation in Master of Business Administration at Nelson Mandela Metropolitan University.

Kindly note that;

- All information is for purely Academic Research
- The compilation of questionnaires will not take more than 20 minutes
- The questionnaire will be completed at one’s free time

I trust that my request will receive your favourable response.

Thanking you in advance.

Regards

Boniswa Koneti

NMMU MBA STUDENT

TO: Area Manager: EASTERN CAPE DEVELOPMENT CORPORATION
(ECDC)

FROM: Ms Boniswa Koneti – NMMU MBA Student

DATE: 22 May 2014

SUJECT: Consent for conducting research at ECDC

I hereby tender my request for consent to conduct a research survey questionnaire.

Research topic:

‘Determining factors influencing sales growth in business banking in Buffalo City Municipality, South Africa’

Responses will contribute towards the research carried out by myself for the Research Dissertation in Master of Business Administration at Nelson Mandela Metropolitan University.

Kindly note that;

- All information is for purely Academic Research
- The compilation of questionnaires will not take more than 20 minutes
- The questionnaire will be completed at one's free time

I trust that my request will receive your favourable response.

Thanking you in advance.

Regards

Boniswa Koneti

NMMU MBA STUDENT

TO: Area Manager: ABSA COMMERCIAL BANKING (ABSA)

FROM: Ms Boniswa Koneti – NMMU MBA Student

DATE: 22 May 2014

SUJECT: Consent for conducting research at ABSA

I hereby tender my request for consent to conduct a research survey questionnaire.

Research topic:

'Determining factors influencing sales growth in business banking in Buffalo City Municipality, South Africa'

Responses will contribute towards the research carried out by myself for the Research Dissertation in Master of Business Administration at Nelson Mandela Metropolitan University.

Kindly note that;

- All information is for purely Academic Research
- The compilation of questionnaires will not take more than 20 minutes
- The questionnaire will be completed at one's free time

I trust that my request will receive your favourable response.

Thanking you in advance.

Regards

Boniswa Koneti

NMMU MBA STUDENT