THE INFLUENCE OF CUSTOMER RELATIONSHIP MANAGEMENT ON THE SERVICE QUALITY OF BANKS

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SUMMARY

Despite the extensive research undertaken in the subject area of services marketing, much is still unknown to service providers of specific services in terms of service delivery concepts. This study attempts to address this limitation. The study revolves around the customer relationship management and service quality of banks.

Service firms, including banks, are vitally important to the economy of any country, as they contribute to its Gross Domestic Product (GDP) and employment rate. However, to survive in a complex, competitive business environment, service firms are required to focus on their clients' needs. Specifically, banks can focus on their relationships with clients and levels of service quality.

In order to establish the influence of selected variables on the *customer relationship management* (*CRM)* of banks and the influence of *CRM* on the *service quality* of banks, an empirical investigation was conducted. The aim of this study was to quantify significant relationships among selected variables; therefore the positivistic research paradigm was used. The sample consisted of banking clients in the Nelson Mandela Metropolitan area. The sample size was 290, with a response rate of 91.03%.

The empirical investigation revealed that significant positive relationships exist between both the *knowledgeability,* and *attitude*, of bank employees and a bank's *CRM*. These relationships imply that more extensive *knowledgeability* of bank employees and bank employees with more positive *attitudes* lead to improved, maintained relationships between a bank and its clients. In addition, the empirical investigation revealed that *CRM* positively influences the *service quality* of banks.

This relationship implies that if a bank successfully maintains relationships with its clients, the bank's level of perceived *service quality* would increase.

Additionally, the empirical investigation has shown the relationship between a banking client's age and the *CRM* of a bank. The higher the age of a banking client, the more that client considers the *CRM* of a bank to be important. There exists a relationship between a banking client's education level and the perceived *service quality* of a bank. If a banking clients' education level increases, the importance of their bank's *service quality* decreases and, conversely, a banking client with a lower level of education regards the *service quality* level of a bank as more important than higher qualified clients.

The study indicated that strategies to improve, specifically, the *knowledgeability* and *attitude* of bank employees can and should be implemented by banks in ways to positively influence their *CRM* and ultimately their *service quality*. In effect, this will increase client satisfaction and ensure client loyalty to the bank. Ultimately, this will contribute to the bank's success, which will ensure economic stability and prosperity for a country.

KEY TERMS

banks; customer relationship management (CRM); service quality; two-way communication; attitude; knowledgeability; efficiency of banking services.

CHAPTER ONE

INTRODUCTION AND SCOPE OF STUDY

1.1 INTRODUCTION AND BACKGROUND TO RESEARCH

The 1990's witnessed a multiplication of service industries in many countries (McDonald & Leppard, 1990:3). This growth in the service sector has persisted, to the extent that service industries now have a major impact on national economies (Baker, 2003:586). This pattern is also evident in South Africa, as the contribution of the services sector to the country's Gross Domestic Product (GDP) has increased from 45.6% (1980) to 65.9% (2000) (South Africa, 2003:1). Service industries are expected to develop and grow at an accelerated pace in the future. As the service sector is making an increasingly significant contribution to the modern economy, clients reap the benefits of greater choice and easy availability. Due to this trend and the steady flow of newcomers into the industry, service firms operate in an increasingly complex, competitive business environment. The resultant fierce competition, together with the challenges posed by the ever-changing modern business world, is forcing service firms to review and often dramatically adapt their management styles and business practices (Teare, Moutinho & Morgan, 1990:1). Baker (2003:586) confirms that the growth in the service sector has seen it become much more competitive, dramatically transforming the management and marketing activities within the sector. The focus is increasingly on appropriate, well-researched and even aggressive marketing to ensure the firm's survival in the face of fierce competition.

Traditionally, superior marketing and customer service was viewed as providing the right product at the right place and at the right time, i.e. the focus was on distribution and logistics. However, a new vision of marketing and customer service has emerged, in terms of which the focus is on the client and their needs and preferences (Christopher, Payne & Ballantyne, 1993:5). This constitutes a much more complex and multifaceted approach, i.e. investigating consumer needs; building relationships with clients and potential clients; and satisfying consumer needs. In essence, a firm has to listen to its current and potential clients and build relationships with them (Duhan, Johnson, Wilcox & Harrell, 1997:283). The needs and perceptions of the clients of a service firm must therefore be examined so that the service delivery can be adapted and improved to meet their requirements. Service firms need to adhere to their clients' needs and continuously focus on satisfying these needs.

In order to survive, service firms, including banking institutions, require a loyal client base. Loyal clients can be ensured through sufficient customer relationship management (CRM) strategies and high levels of service quality.

In paragraph 1.2.1 of this chapter, the concepts customer relationship management and service quality will be discussed. At this stage, it will suffice to describe CRM as a business strategy employed by firms to build and develop long term relationships with their clients. Additionally, service quality can be described as the overall impression or appraisal by clients of the relative inferiority or superiority of a firm and its services (Rust & Oliver, 1994:77).

1.2 THEORETICAL FRAMEWORK

A thorough literature review was conducted to provide a theoretical basis for the study. This section briefly explains the aspects of customer relationship management (CRM) and service quality and examines the banking branch of the financial services industry.

1.2.1 Customer relationship management and service quality in perspective

Since the 1990's, the marketing of both services and tangible products has increasingly focused on the concept of the development of relationships with consumers (Swartz & Iacobucci, 2000:96). Customer relationships ensure that consumers develop the perception of customisation, empathy, appreciation, friendliness, communality and feelings of trust (Swartz & Iacobucci, 2000:96). This perception leads to support and loyalty among consumers to firms.

Personal relationships with clients are important, as loyalty to service firms has been associated with clients' personal relationships with a service provider (Swartz & Iacobucci, 2000:96). Therefore, service providers, including financial institutions like banks, should focus on building relationships with their clients to reap the long term rewards of support and loyalty.

Customer relationship management (CRM) can be defined as a core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted consumers at a profit (Buttle, 2004:34). CRM can be further described as a comprehensive set of activities that covers all functions of the firm interacting with and supporting a consumer. These activities ultimately build customer satisfaction by providing in their needs, wants, and desires over the long term (Wilmshurst & Mackay, 2002:169).

Firms are motivated to adopt CRM strategies for both defensive and offensive reasons. Offensive arguments are associated with a desire to improve profitability by reducing cost and to increase revenues through improved customer satisfaction and loyalty. Defensive arguments apply when a firm’s leading competitors have adopted CRM successfully, and it fears losing consumers and revenue (Buttle, 2004:28). The fundamental reasons why firms desire to build relationships with consumers are based on economic considerations. Firms generate better results when they manage their consumer base in such a manner as to ensure that they identify, satisfy and retain their most profitable consumers. The rationale for the implementation of CRM strategies is that it improves business performance by enhancing customer satisfaction and increasing customer loyalty (Wilmshurst & Mackay, 2002:346; Mudie & Cottam, 1999:257).

As indicated, effective CRM strategies can lead to many benefits for a firm, but the extent and quality of the strategies implemented by a firm may be influenced by many variables.

There has been an extensive focus on service quality in research, as it has become increasingly important in the business environment. Service quality can be regarded as the overall impression or appraisal by clients of the relative inferiority or superiority of a firm and its services (Rust & Oliver, 1994:77).

Over the past decades, the perceptions of clients of the service quality of a firm have determined their loyalty towards that firm. Positive evaluations of a firm's service quality have led to increased support for the firm among clients. In addition, a firm's service quality influences three aspects of the firm, namely, its profitability, employee turnover, and market share. High levels of service quality may lead to increases in profitability, lower levels of employee turnover, and an increased market share (Tait, 1996:67-71).

In the foregoing paragraphs, it was indicated that service quality was an important driver towards the accomplishment of a firm's objectives. Therefore, it is essential for firms, including banking institutions, to ensure high standards of service quality.

The following section will examine the role of the South African banking branch of the financial services industry.

1.2.2 The banking branch of the financial services industry

In an address, the Registrar of Banks stated that "… financial stability serves as a precondition for the growth of the economy of any country" (Kemp, 2002:2). Being the custodians of the savings of communities, it follows that it is of utmost importance that the banks of a country must be financially stable and growing.

A reality in South Africa is that a significant percentage of the population does not have access to banking facilities; in fact, approximately 67% of the population have no exposure to the banking environment (Da Costa, 2004:1). Excluding this un-banked segment, there is approximately one bank branch for every 3 200 South

African citizens. The South African banking branch of the financial services industry is dominated by four major banking groups, namely Amalgamated Banks of South Africa Group Limited (ABSA); Standard Bank Investment Corporation Limited; FirstRand Holdings Limited; and Nedcor Limited. Together, these groups control 81% of South Africa's banking market share (South African Reserve Bank, 2003:4; South Africa Yearbook, 2003/04:290). Considering this, banking groups have an unique opportunity to market their services among the vast un-banked segment of the South African population.

According to KPMG's 2002 banking survey, changes in the South African banking branch of the financial services industry over the past decade have established a banking system which is relatively well developed, with excellent regulatory, legal and accounting infrastructures (Kemp, 2002:1). However, a number of challenges are facing this industry's future, which banks will have to consider if they wish to survive. The South African banking branch of the financial services industry will most likely confront many challenges in the future, including a possible new accounting standard; initiatives directed at low-income housing; planning for the implementation of Basel II; and the introduction of a new capital adequacy framework (Banks face year of tough challenges, 2004:1; South African Banking Industry, 2004:1). Basel II is an amended regulatory framework, developed by the Bank of International Settlement that requires all internationally active banks to adopt similar or consistent risk-management practices for tracking and publicly reporting exposure to operational, credit and market risks (Basel II, 2004:1). Currently, the banking branch of the financial services industry is the focus in the South African market, as it needs to address these challenges.

Banks are primarily funded with the deposits of clients. The reality is that, since 2002, the personal savings of South Africans has decreased to an all-time low, placing banks under pressure to compete for the decreasing savings. Individuals save an average of only a half percent of their disposable income with commercial banks; this figure was as high as six percent in 1993 (Kemp, 2002:1). One of the reasons for this phenomenon is the emergence of unit trusts as an alternative to conventional saving accounts. Therefore, banks compete with the unit trust market for the savings money of clients. According to the head of fixed interest at Old Mutual Asset Managers, government retail bonds constitute external competition for commercial banks. The government's retail bonds, launched in June 2004, are changing the savings sector, forcing banks to compete. The South African Treasury has indicated that these bonds have already raised approximately R350 million and attract approximately R10 million of savings per day (Mnyanda, 2004:1). Some of the other problems experienced by banks include the requirement of adequate liquidity management; the necessity to adapt to the increasing sophistication of the financial services industry; competition from other non-banking entities; globalisation of the local banking branch of the financial services industry; and the trend of mergers and acquisitions among banking institutions (Cameron, 2003:2).

Banks are under continuous pressure to lower costs, deliver customer value and maximise shareholder returns. While the profitability of local banks is regarded as "good", it is not on a par with other developing markets, such as in Eastern European countries. The profitability of South African banks improved from 4.6% in 2002 to 9.8% in 2003 (South African Reserve Bank, 2004:12). The profitability of commercial banks depends on the level of saving from clients. Based on data from the South African Reserve Bank, the country's gross savings declined from 16,5% (2002) to 16% (2003). This figure is much lower than the saving rates of, for example, Asia's emerging markets such as Thailand (Mnyanda, 2004:1). Considering these challenges, banks have an unique opportunity to adapt their strategies to attract the savings of South Africans.

In this ever-increasing competitive, complex and challenging business environment, banks need to be determined to attract and retain clients, which will be attained only if high levels of service quality are delivered. Support and loyalty from clients are ensured through acceptable customer service that is delivered. The banking branch of the financial services industry is one of the most competitive industries as far as customer service is concerned (Banking, 2004:1). Clients are faced with an array of financial services and expect customised offerings, value, ease of access and personalisation from their financial service providers. These market forces lead to one overwhelming strategic imperative, namely a customer-focused strategy. Business success is defined by a firm's ability to build and sustain long and profitable relationships with its clients (Customer relationship management, 2004:1). It is a well established fact that the best customer service can be rendered through the implementation of relevant CRM strategies.

1.3 PROBLEM STATEMENT, RESEARCH QUESTIONS AND OBJECTIVES AND HYPOTHESES

Against the brief background provided on the importance of CRM and service quality and the banking branch of the financial services industry, the following section will outline the problem statement, research questions and objectives and hypotheses of the study.

1.3.1 Problem statement

This study addresses the need for a further understanding of the CRM and service quality required by banking institutions. Given the pivotal role of CRM and service quality in the positioning of banks, the problem statement is as follows:

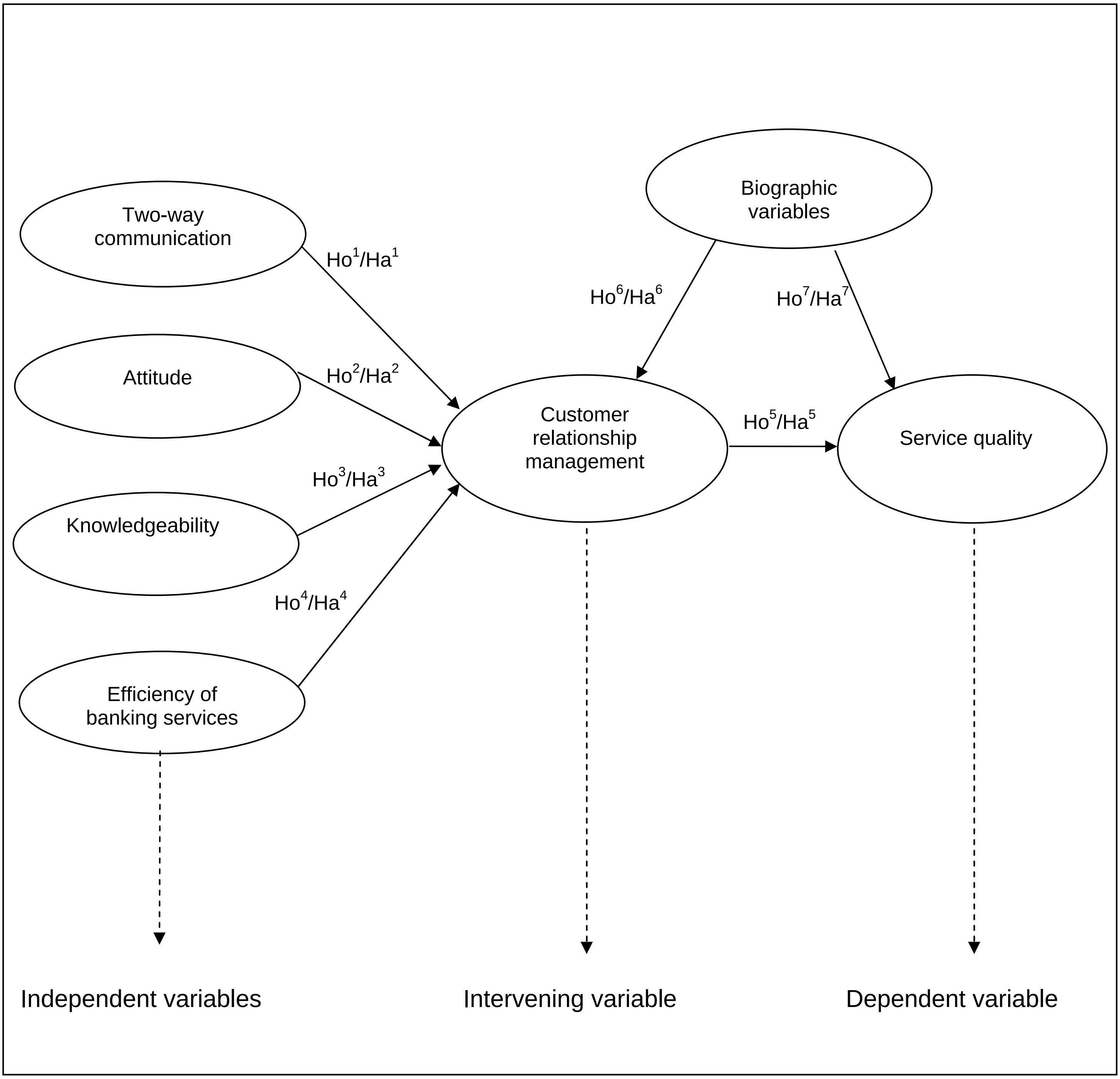
To investigate the variables that may have an impact on customer relationship management in the banking environment and the influence of customer relationship management on banks' service quality.

More formally, the purpose of this study is to identify the independent variables that influence the degree of *CRM* in banks (the intervening variable). According to Leedy and Ormrod (2005:218), an independent variable is a variable that is studied as a possible cause of something else. The intervening variable may be defined as the factor that affects the observed phenomenon, but cannot be seen, measured, or manipulated; its effect must be inferred from the effects of the independent variables on the observed phenomenon (Blumberg, Cooper & Schindler, 2005:49). The intervening variable, *customer relationship management*, refers to the degree and manner of purposeful relationships formed between a bank and its clients. These relationships are important, as they can influence the loyalty and support of banking clients. Additionally, the purpose of this study is to identify the degree of influence of *customer relationship management* on the *service quality* of banks (the dependent variable). According to Hussey and Hussey (1997:143), a dependent variable is a variable whose values are predicted by the independent and intervening variables. The dependent variable in this study, *service quality*, refers to the perceptions that banking clients have regarding the extent of the quality of the services of a specific banking institution. The possible influence of the selected variables on *customer relationship management* and the possible influence of *customer relationship management* on *service quality* are indicated in the conceptual model as depicted in Figure 1.1.

Service firms can benefit from superior CRM and service quality, as clients focus on the service aspect and interaction with the service provider when evaluating a service firm, as no physical product is involved. It is evident that banking institutions need to be aware of the variables that influence their CRM activities and service quality. This would assist these institutions in adapting the required variables to ensure sufficient and beneficial CRM and the desired service quality.

The independent variables constitute a number of selected variables, as identified in literature on CRM. These variables are *two-way communication; attitude; knowledgeability;* and the *efficiency of banking services*. In this study, each variable's influence will be assessed in an empirical investigation.

Figure 1.1: Conceptual framework



1.3.2 Contextualisation of independent variables

- *Communication* is the delivering of a message or information, through various means, from one individual or group to another (Joiner, 1994:124). A firm would not be able to function without *communication*, as its management would not be able to convey important information to employees (downward *communication*) and *vice versa* (upward *communication*) or to customers/clients (*two-way communication*). For the purpose of this study, *two-way communication*, in other words, the degree of appropriate and sufficient *communication* from bank management to clients, and *vice versa*, will be investigated.

- *Attitude* refers to a state of “readiness” or tendency to respond in a specific manner, as it consists of favourable or unfavourable judgements concerning objects, people and/or situations (Robbins, 1998:140; Mullins, 1996:116). *Attitude* determines a person’s behaviour in any given situation and forms the basis for a person’s interpersonal relations, as *attitudes* are linked to perception, personality and motivation (Gibson, Ivancevich & Donnelly, 1997:102,119). Therefore, *attitudes* determine the reaction, response or behaviour displayed by employees towards various aspects of their jobs. *Attitude* indicates how an employee “feels” about his/her job and how he/she reacts, based on this feeling. This study will investigate the influence of the clients’ perceived *attitude* of bank employees on a bank’s *CRM*.

- *Knowledgeability* is the level of insight employees have regarding specific aspects, products and/or services of their employer firm. Specifically, employees may require formal, academic *knowledge* and/or tacit *knowledge*. Academic, theoretical *knowledge* refers to the ability to remember formulas and information. Tacit *knowledge* is more practical and action-orientated in nature; a person with extensive tacit *knowledge* knows “how to get things done” (Greenberg & Baron, 2000:118). For example, in a banking institution, an employee’s *knowledgeability* will depend on his/her insight into and ability to remember banking procedures, policies, products and services. Additionally, it will depend on his/her ability to practically implement banking procedures and perform duties regarding banking service delivery through the relevant banking systems. In this study, the influence of banking employees’ *knowledgeability*, as perceived by clients, on the bank’s *customer relationship management* will be investigated. The perceived *knowledgeability* of employees may influence aspects within a bank and within its external environment.

- *Efficiency* refers to the degree to which a task or activity is performed correctly (Marx, Van Rooyen, Bosch & Reynders, 1998:349). The *efficiency of banking services* may be defined as the degree to which a task or activity for the clients of a bank is performed correctly or as desired. The influence of the degree of perceived *efficiency of banking services* on *customer relationship management* will be investigated in this study. For the purpose of this study, various dimensions within the service delivery of banking institutions are included in the variable *efficiency of banking services*, namely confidentiality of personal information; security of personal funds; ethical behaviour of the institution; variety of services offered; bank charges; and technical development within the institution. An explanation of each of these dimensions is provided below.

Mutual trust should underlie any interaction between two parties (Malhotra, 1993:45) Mutual trust between a bank and its clients can be ensured through confidentiality, security and ethical behaviour.

Confidentiality is the extent to which a person or firm is discreet and ensures secrecy and privacy of information (Brennan, 2003:81). In this study, this aspect refers to the degree of privacy in terms of clients' banking information delivered by the bank.

Security indicates safety, or freedom from danger. In a banking institution, security refers to the safety of clients' deposited and invested funds within the bank (Goosen, Pampallis, Van der Merwe & Mdluli, 1999:92,187).

Ethical behaviour refers to conforming to acceptable standards of behaviour, based on custom, practice and personal conscience (McDonald & Leppard, 1990:27). A bank's ethical behaviour is the degree to which it operates within socially acceptable and legal ways.

Variety indicates the availability of a collection or selection of products, services or components. The variety of services refers to the different types of services and options clients may have with regard to banking services (Financial services Industry in South Africa, 2003:3).

Bank charges refer to the costs for clients to make use of a bank's services, for example, the fees payable for transfers (Holland, Lockett & Blackman, 1996:2).

Technical development is the ability of a firm to use technology in various forms, for example, by using computers and the Internet, to perform a multitude of different tasks and activities (Greenberg & Baron, 2000:562). The technical development of a bank includes its employment of technologically advanced systems and processes.

These independent variables may have an influence on the *customer relationship management* of a bank. It is the aim of this study to identify the extent of the influence of each of these selected variables on *customer relationship management* in banking institutions.

1.3.3 Research questions

The following research questions were identified:

- What is the current situation in the South African banking branch of the financial services industry regarding customer relationship management and service quality?
- How important is customer relationship management and service quality in firms, especially service rendering firms, for example, banks?

- Which variables influence customer relationship management in banking institutions, and what is the extent of this influence?
- Are there any mutual relationships between the variables influencing the customer relationship management of banks?
- Does the degree of customer relationship management in banks influence these institutions' service quality?
- How can banking institutions adapt certain variables in order to improve their customer relationship management and service quality?
- Do the biographic variables of banking clients (such as gender, population group, age and education level) influence clients' view of the degree of customer relationship management and service quality in their bank?

1.3.4 Research objectives

The primary objective of this study is to investigate the influence of the selected independent variables (*two-way communication; attitude; knowledgeability;* and *efficiency of banking services*) on the intervening variable (*customer relationship management*) and the influence of the intervening variable (*customer relationship management*) on the dependent variable (*service quality*) of banks. In other words, the conceptual framework in Figure 1.1 will be empirically tested.

More specifically, the following research objectives were identified:

- *Research objective one*: To identify and implement the most appropriate research methodology to address the problem statement and research objectives;

- *Research objective two*: To execute a secondary study relating to *customer relationship management*, *service quality* and the banking branch of the financial services industry;
- *Research objective three*: To investigate the importance of *customer relationship management* and *service quality* in the banking branch of the financial services industry;
- *Research objective four*: To conduct an empirical investigation in order to investigate the influence of selected variables on *customer relationship management* in banking institutions;
- *Research objective five*: To identify the influence of *customer relationship management* on *service quality* in banking institutions;
- *Research objective six*: To perform a cross-analysis on the possible influence of selected biographic variables on *customer relationship management* in banking institutions;
- *Research objective seven*: To perform a cross-analysis on the possible influence of selected biographic variables on *service quality* in banking institutions;
- *Research objective eight*: To accurately report on the findings of the above-mentioned empirical investigation; and
- *Research objective nine*: To make recommendations on methods through which banking institutions can adapt these variables to improve *customer relationship management* and *service quality* in the banking branch of the financial services industry.

1.3.5 Research hypotheses

To give effect to the problem statement, a number of null hypotheses were formulated, stating that no relationships exist, as depicted in the conceptual diagram in Figure 1.1. Alternative hypotheses were formulated, stating that relationships exist, as depicted in the conceptual diagram in Figure 1.1.

Specifically, the null and alternative hypotheses are:

(a) Relationships between the independent variables and the intervening variable (*CRM*)

Ho^1: There is no relationship between the perceived *two-way communication* and *customer relationship management* in banks.

Ha^1: There exists a relationship between the perceived *two-way communication* and *customer relationship management* in banks.

Ho^2: There is no relationship between the perceived *attitude* of bank employees and *customer relationship management* in banks.

Ha^2: There exists a relationship between the perceived *attitude* of bank employees and *customer relationship management* in banks.

Ho^3: There is no relationship between the perceived *knowledgeability* of bank employees and *customer relationship management* in banks.

Ha^3: There exists a relationship between the perceived *knowledgeability* of bank employees and *customer relationship management* in banks.

Ho^{4}: There is no relationship between the perceived *efficiency of banking services* and *customer relationship management* in banks.

Ha^{4}: There exists a relationship between the perceived *efficiency of banking services* and *customer relationship management* in banks.

(b) Relationship between the intervening variable (*CRM*) and the dependent variable (*service quality*)

Ho^{5}: There is no relationship between *customer relationship management* and the perceived *service quality* of banks.

Ha^{5}: There exists a relationship between *customer relationship management* and the perceived *service quality* of banks.

(c) Relationship between the biographic variables and the intervening variable (*CRM*)

Ho^{6}: There is no relationship between biographic variables (including gender, population group, age and education level) and *customer relationship management* in banks.

Ha^{6}: There exists a relationship between biographic variables (including gender, population group, age and education level) and *customer relationship management* in banks.

(d) Relationship between the biographic variables and the dependent variable (*service quality*)

Ho^{7}: There is no relationship between biographic variables (including gender, population group, age and education level) and *service quality* in banks.

Ha[7]: There exists a relationship between biographic variables (including gender, population group, age and education level) and *service quality* in banks.

1.4 RESEARCH DESIGN AND METHODOLOGY

As the first research objective involves a decision on which research paradigm will be adopted, the following section will elaborate on the research methodology, and introduce the data collection and data analysis methods to be adopted. Chapter five will discuss the sourcing and analysis of the primary data in some detail. Below is a brief introduction of the research methodology.

1.4.1 Research methodology

A distinction can be made between two opposing research paradigms, namely the phenomenological and positivistic research paradigms (Hussey & Hussey, 1997:47). The positivistic paradigm, also called the quantitative paradigm, attempts to identify the facts and causal relationships of social phenomena. The positivistic paradigm is associated with the measurement of variables and produces specific, precise and quantitative data. Social phenomena in the context of this study should be seen as the two-way communication, attitude, knowledgeability and efficiency of banking services and their influence on the CRM and service quality in banking institutions. The phenomenological paradigm is concerned with understanding human behaviour (Hussey & Hussey, 1997:52).

Although certain aspects of this research are phenomenological in nature, the aim of this study is to quantify the significant relationships among the selected variables; therefore, the positivistic paradigm will be used. A dedicated chapter, Chapter five, will describe and fully motivate this decision.

Research may be classified as exploratory, descriptive, analytical or predictive research (Hussey & Hussey, 1997:10). *Exploratory* research aims to find patterns, ideas or hypotheses and focuses on gaining familiarity with a subject area. *Descriptive* research is conducted if phenomena are described as they exist. When research attempts to understand phenomena by discovering and measuring the causal relationships among them, *analytical* research is applied. Analytical research explains why or how phenomena are happening. Finally, *predictive* research attempts to formulate predictions based on hypothesised or general relationships (Hussey & Hussey, 1997:10-11). Considering the nature of the study, the problem statement and all related issues, and because cause-and-effect relationships will be empirically tested, this study may be classified as *analytical*.

1.4.2 Data collection

Extensive secondary and primary data sources will be used for this research. Secondary sources include books, journals, newspapers and information from Internet websites. Three chapters cover the use of the secondary sources, which provide an explanation of the theoretical concepts CRM and service quality, a detailed description of the banking branch of the financial services industry, and a review of the selected independent variables influencing CRM.

In terms of primary sources the following aspects are relevant. Primary data will be collected from clients of the four largest banking groups in South Africa. The population includes all banking clients in South Africa. Random and stratified sampling will be used, and the sample will consist of 250 clients of the four largest banking groups in the Nelson Mandela Metropolitan area. The research instrument, a questionnaire, will be designed relevant to the problem statement and related to the research objectives. In addition to self-developed items, items from the questionnaires of previous research will be included. For example, items from the SERVQUAL instrument will be adapted in order to relate to this specific study. The questionnaire will be pre-tested with five respondents. The questionnaire will consist of two sections. Section A will be in the format of a seven-point ordinal Likert-type scale. This section will cover all the aspects of the conceptual model (see Figure 1.1) and measure the perceptions of banking clients on the CRM strategies and service quality of their bank. Section B will gather biographic information from the respondents. Fieldworkers will distribute and collect questionnaires from clients at bank branches. Additionally, structured interviews will be conducted with Customer Relationship Managers from the banking institutions. This will assist the researcher in developing the questionnaire and provide the desired information on the CRM and service quality, from the service provider's viewpoint. The complete data collection process will be discussed in Chapter five.

Due care will be taken to ensure validity, reliability and generalisability (Hussey & Hussey, 1997:57) by performing various statistical procedures, for example, factor analyses, and by calculating the Cronbach Alpha coefficients of items and factors.

1.4.3 Data analysis

Data collected from the above mentioned sources will be processed by means of exploratory factor analysis, using the computer program BMDP4M in order to evaluate the validity of the measuring instrument (Frane, Jennrich & Sampson, 1990). Thereafter, a reliability analysis, based on Cronbach Alpha coefficients, will be conducted in order to establish the reliability of the research instrument. The computer program SAS (SAS Institute, 1990) will be used to perform the reliability analysis. SAS will also be used to perform regression analyses, in order to determine the structural relationships suggested by the theoretical model (Figure 1.1).

1.5 PREVIOUS RESEARCH ON CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY AND CONTRIBUTION OF THIS STUDY

The Business Source Premier and ISAP by the National Library of South Africa databases have been used to scan prior research on CRM and service quality. Limited research has been conducted in the fields of CRM and service quality in South Africa, and no study has focused exclusively on CRM and service quality within banking institutions in the country.

Prior research within South Africa, as well as internationally, includes studies conducted for the purpose of investigating CRM in specific firms, for example, the research regarding customer loyalty programmes undertaken for South African Airways and Discovery Health (Eyles, 2003). Various studies focused on the best method to incorporate effective CRM in firms, whether through information technology, e-business and e-commerce (Thomas, 2003). Additional studies focused on the extent to which CRM could enhance profitability in firms (Kennedy, 2004). International research has led to the development of various service quality models, including the Grönroos model, the Lehtinen and Lehtinen model, and the Parasuraman-Zeithaml-Berry model. SERVQUAL, an instrument developed to measure perceived service quality, was developed from the Parasuraman-Zeithaml-Berry service quality model.

The main focus of prior research was customer service and service quality; both can be the result of superior CRM. However, this research differs from prior studies, as it identifies the variables influencing CRM and considers the possible influence of CRM on service quality in banking institutions in South Africa.

It is proposed that this research, focusing on CRM and service quality in banking institutions, will be beneficial for the South African banking branch of the financial services industry, especially in the Nelson Mandela Metropolitan area. The results and conclusions drawn from this study may be used to ensure higher levels of CRM and improved service quality in banks. As these are of prime importance to clients, it is hoped that this study will in some way serve to ensure the success of banks.

The findings of this research could create a greater awareness among South African banks of the advantages of superior CRM and service quality, the variables influencing it, and in what manner they can adapt these variables to positively influence their CRM and service quality. Ultimately, this could lead to benefits for banks, their clients and the South African economy as a whole.

In conclusion, it is proposed that this study will contribute to theoretical and empirical knowledge on CRM and service quality in the banking branch of the financial services industry in South Africa.

1.6 SCOPE OF THE RESEARCH

This study focuses on identifying the variables influencing the CRM and the service quality of the four largest banking groups in the South African market within the Nelson Mandela Metropolitan area. Specifically, the study focuses on the CRM and service quality of the four largest commercial banks, namely, Absa, Standard Bank, FirstRand and Nedcor in the Port Elizabeth, Uitenhage and Despatch areas of the Nelson Mandela Metropolitan Municipality.

1.7 STRUCTURE OF THE DISSERTATION

The study follows a logical structure and is presented in seven chapters. Chapter one serves as an introductory chapter and explains the research problem and purpose. A brief explanation of the methodology used is also presented in Chapter one. The literature review is divided into three chapters, namely Chapter two, Chapter three and Chapter four. Chapter two covers the aspects of customer relationship management and service quality. Chapter three examines the importance of the South African banking branch of the financial services industry and the challenges facing it. Chapter four examines on the influence of the selected independent variables on customer relationship management and service quality in the banking branch of the financial services industry. Data sourcing and the methods of analysis are presented in Chapter five. The results of the empirical investigation are presented in Chapter six. In this chapter, the researcher will integrate the theory of Chapters two, three and four with the results of the empirical study. Conclusions and recommendations follow in Chapter seven.

As services are important in today’s economy and this research was conducted from the CRM and service quality perspectives, Chapter two covers the aspects of CRM and service quality.

CHAPTER TWO

CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY IN PERSPECTIVE

2.1 INTRODUCTION

This chapter will present a detailed theoretical discussion on CRM and service quality; previously identified as the second research objective. The focus will be on the nature of CRM, the purpose of CRM in service firms, the definition of service quality, and the importance thereof.

Over the past decade, service industries have proliferated in many countries. There is a growing emphasis on the importance of services in the world economy (Rust & Oliver, 1994:1; McDonald & Leppard, 1990:3). This is reflected in the increasing number of academic articles devoted to topics such as services marketing and services quality and the growing number of firms reemphasising their relationship with their clients. Service industries contribute to the Gross Domestic Product (GDP) of countries. In Scotland (Grönroos, 2000:1), this contribution rose from 53% in 1960 to 66% in 1995. The same level of contribution can be expected in other countries. In South Africa, the service industry contributed to 65.2% of the GDP in 2003 (Structure of Gross Domestic Product, 2004:1). The service industry is the dominant employer and generator of economic growth in countries (Beckford, 2002:12). It is expected that the growth in the service industry will continue and even accelerate in the future. As the service industry contributes to the economy, clients receive the benefits of a greater variety of services and easy access to services. The steady entry of new service firms into the industry, has created an increasingly competitive business environment. This fierce competition, together with the challenges posed by the complex and ever-changing modern business world, are forcing service firms to evaluate and often adapt their management styles, business practices and especially their marketing activities (Teare *et al.* 1990:1).

An important focus for service firms in this complex, competitive business environment is their CRM. CRM can be used by service firms to secure a competitive advantage.

Due to the trends in service industries and clients' desire for high quality services, service firms can ensure support and loyalty from clients, and ultimately success through high standards of service quality. Therefore, it is important for firms, including service firms, to have extensive knowledge of and insight into the subjects of CRM and service quality.

2.2 DIFFERENTIATION BETWEEN CONSUMER, CUSTOMER AND CLIENT

It is important to clarify the concepts consumer, customer and client before commencing with a discussion of CRM. These three concepts have been identified in referring to the target market of any firm. No precise differentiation between the concepts of consumer and customer has been made (Gray, 2005:66). Many authors use the concepts consumer and customer interchangeably, without offering an explanation why one concept is preferred to the other in a particular context. Additionally, the concepts customer and client are used interchangeably by some authors. For the purpose of this study, the concept consumer is used to describe a person in the context where services, and particularly banking services, are referred to in more broader or global terms. Secondly, the narrower concept customer refers to a person who purchases a particular physical product. Thirdly, a client refers to a person making use of a service, particularly, in this study, the services of a commercial bank.

It is important to note that customer relationship management (CRM) is a widely used concept. CRM does not only refer to the management of the relationships a producer and/or marketer of physical products has with customers, but is also applicable to the management of a service firm's relationships with its clients.

2.3 DIFFERENTIATING BETWEEN CUSTOMER RELATIONSHIP MARKETING AND CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship marketing and customer relationship management (CRM) are both business practices focused on clients. Service firms can grow in one or more of the following ways (Swartz & Iacobucci, 2000:319):

- Attract new clients;
- Encourage existing clients to more regularly make use of its service;
- Encourage existing clients to purchase higher-value services to ensure higher profits;
- Reduce the extent of turnover of existing clients to competition; and
- Terminate unsatisfactory client relationships and recruit new clients.

All these growth strategies involve customer relationship marketing and/or CRM. In a service relationship, a client and service firm expect to have repeated contact over a period. Over time, the two parties develop a history of shared interaction. In service relationships, both parties are interdependent and will benefit if both cooperate, in other words, if the service firm provides an adequate level and manner of service and if the client behaves appropriately. Expecting to interact in the future an infinite number of times are what induces both parties to cooperate to their mutual gain (Swartz & Iacobucci, 2000:371).

As markets become increasingly competitive, the development of relationships that can be maintained in the face of the many inducements to switch service providers, is seen as a method of creating a sustainable competitive advantage. This holds true also for service industries, where competitive moves are often quickly emulated by competitors (Swartz & Iacobucci, 2000:317). Many professional services, including law, consulting, banking and advertising services, are rated and rewarded by the client relationships they manage (Swartz & Iacobucci, 2000:323). Therefore, their relationships with clients are vitally important for service firms.

A relationship with a client may be conceived as comprising two stages: firstly, attracting the client and, secondly, building and managing the relationship over time so that the economic and social objectives of both parties are achieved. The first phase of “attracting”, “establishing” or “creating”, entails customer relationship marketing that centres on developing or establishing a continuous or long term relationship between a service provider and a client, for their mutual benefit (Swartz & Iacobucci, 2000:320,322). Relationship marketing is viewed as building relationships and networks and ensuring interaction (Baker, 2003:33). The second phase, during which the service provider attempts to maintain and enhance relationships and retain the clients, is customer relationship management (Swartz & Iacobucci, 2000:322). The CRM concept suggests that a firm should rather focus on maintaining relationships with its markets (Payne, Christopher, Clark & Peck, 1995:4).

2.4 CUSTOMER RELATIONSHIP MANAGEMENT DESCRIBED

In recent years, CRM has emerged as a top commercial priority. CRM is not simply a method used by leading firms to gain a competitive advantage: it has become a necessity for their survival (Buttle, 2004:1). The focus is increasingly on CRM, with the dominant business environment evolving from a production orientation to a marketing orientation. While, in the past, firms focused on increasing profits by reducing production costs, they have adopted a sales orientation, in terms of which the main objective is increasing profits through increasing sales volume. Previously, firms were expected to identify client needs and provide value to clients. Presently, firms focus on satisfying client needs, at a profit. This requires that the focus of the entire firm must be on identifying and meeting client needs. With CRM, the client helps the firm to provide the benefit bundle that the client values. Value is thus created *with* clients, not *for* them (Gordon, 1998:9). The overall provision of service delivery can thus be customised for the individual client, according to his/her needs.

More specifically, CRM can be regarded as a core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted clients, at a profit (Buttle, 2004:34). According to Gordon (1998:9), it is an ongoing process of identifying and creating new value with clients and then sharing the benefits from this over a lifetime of association.

2.4.1 Benefits from customer relationship management to clients

Successful relationships with clients involve a mutual fulfilment, with benefits to both parties, namely the service firm and the client (Swartz & Iacobucci, 2000:327).

A client will desire a relationship with a specific service provider if he/she finds that the benefits to be received, will significantly exceed the associated costs of obtaining such benefits. Clients want firms to manage all client interactions and focus on building a relationship over time (Wilmshurst & Mackay, 2002:115). Clients are willing to build long term relationships based on trust and mutual respect with firms that provide differentiated and personalised services (Customer Relationship Management in Financial Services, 2001:1). According to Finch (1994:41), a strong relationship with clients is one in which the client is completely satisfied; feels appreciated; has learned he/she can trust and depend on the service provider; and is satisfied that the services offered are reliable.

As CRM is a fairly recent marketing concept, limited research has been undertaken on the dimensions of a relationship between a service provider and its clients. However, five dimensions of such a relationship have been repeatedly identified in research, namely trust; bonding; concern; reciprocity; and loyalty (Swartz & Iacobucci, 2000:330-331).

- Trust refers to the confidence in the dependability of one party to act in the long term interests of the other party. A party to a relationship has trust, if the feeling that the other party can be depended on exists (Beckwith, 2001:180).

In the banking branch of the financial services industry, for example, clients will trust the bank if they believe the bank will always act in their best interests.

- The mutual state where two parties act in such a way that a bond is developed, is called bonding. In the banking branch of the financial services industry, for example, clients will have a strong bond with their bank if they would not switch to another bank and if they feel part of the bank's valued client base.

- Concern exists if two parties have an appreciation of, and caring, emotional feeling for each other. Based on such concern, each party will consider the viewpoint of the other party in negotiations and interactions. In the banking branch of the financial services industry, for example, concern will be evident if clients and bank employees care about each other and show respect during negotiations.

- Reciprocity occurs when the cooperation between two parties leads to benefits for both parties. In the banking branch of the financial services industry, for example, reciprocity will occur when a banking relationship leads to benefits for both the banking institution (such as income in the form of bank charges) and the client (such as the security of funds).

- Loyalty refers to the emotional and psychological commitment between parties. In the banking branch of the financial services industry, for example, clients will be loyal to a specific bank if they always return for existing and new banking products and services. Banks will be loyal if they always listen to their clients' enquiries and focus on assisting them in all their banking needs.

Therefore, the degree of a relationship with a client will depend on the extent of these dimensions in the interaction between the service provider and the client. However, it is important to remember that many other possible dimensions exist in this complex aspect of a relationship between a service provider and its clients.

Specific benefits to clients through relationships with service providers, as a result of CRM, include confidence benefits, social benefits, and special treatment benefits. Confidence benefits represent psychological benefits to clients: they trust the service provider, experience less anxiety when purchasing a service, and are confident that the service will be delivered correctly and as desired. In the banking branch of the financial services industry, for example, a client will experience confidence benefits if he/she completely trusts the bank with personal funds and believes that it will correctly provide services regarding his/her financial matters. Social benefits include the advantage of being recognised by service provider employees and developing friendships with these employees. An example of social benefits experienced by a client in the banking branch of the financial services industry is if a client is personally known by bank employees. Special treatment benefits include advantages for clients such as being placed on priority lists or receiving special prices (Swartz & Iacobucci, 2000:328). In the banking branch of the financial services industry, for example, a client will receive a special treatment benefit if he/she is awarded reduced banking charges on transactions.

As a result of the above-mentioned benefits, clients specifically may experience beneficial customised and valuable services, increased customer satisfaction and decreased prices (Customer Relationship Management Benefits, 2004:1). Through CRM, firms get to know their clients on a more personal level and may even alter their service rendering process to the desired service delivery of a specific client. If a firm focuses on a specific client, the firm will provide a service to him/her with added value, according to the client's specifications. If a firm implements CRM strategies, its clients will possibly experience higher levels of customer satisfaction. This indicates that clients will have a higher level of satisfaction at individual service encounters. The implementation of sufficient CRM strategies may lead to higher levels of efficiency and cost reduction for a firm. This may possibly lead to lower price levels for clients. Thus, in the banking branch of the financial services industry, additional benefits to clients from CRM may include individualised services, higher customer satisfaction during banking services encounters, and special decreased bank charges.

2.4.2 Benefits from customer relationship management to service firms

The value of CRM is well recognised by many firms, especially by service firms (Lin & Su, 2003:715). As CRM is a strategic approach incorporating a process of maintaining valuable, long term relationships with clients, it provides the firm with an enhanced opportunity to understand its clients (Christopher, Payne & Ballantyne, 2002:16). It allows a firm to target clients more closely and implement "one-on-one" marketing strategies. CRM therefore provides a firm with the opportunity to acquaint itself with its clients' needs and change its service delivery to suit their needs. In effect, this generates substantial benefits for the firm.

The fundamental motivation why firms should build relationships with clients and successfully manage these relationships is of an economic nature (Buttle, 2004:16). It is a key objective of CRM strategies that firms should generate better results when managing clients by identifying, satisfying and retaining the most profitable clients. CRM helps to accelerate the revenue and profit growth of firms. Many owners and/or managers have stabilised or grown their firms by viewing their investment in CRM as a main priority (Kennedy, 2004:5). Firms realise that in order to remain competitive, they need to build relationships with their clients (Erwee, 2004:1).

CRM influences a firm’s client retention, client loyalty and client service. The assumption is that strong, mutually beneficial relationships between service providers and clients build repeat business and promote client loyalty (Schnaars, 1998:189). The loyalty of clients is important, as long term clients ensure higher profitability for a firm. This can be attributed to the following: regular clients frequently visit the service provider, therefore, they usually cost less to serve; longer-established clients tend to make use of more services; satisfied clients may sometimes pay premium prices; retaining clients makes it difficult for competitors to enter a market or increase their market share; satisfied clients often refer new clients to the service provider, at virtually no cost. In addition, the cost of acquiring and servicing new clients could be substantial (Payne *et al.* 1995:249). Many firms found that it is more cost-effective to keep current clients than to attempt to attract new clients. A bank executive, for example, found that increasing client retention by two percent could have the same effect on profits as reducing costs by 10% (Lamb, Hair & McDaniel, 1996:350). Various authors view CRM as a complex application or process to gather client data in order to improve client retention, client loyalty and profitability (Lin & Su, 2003:715; Payton & Zahay, 2003:316). CRM is the key to the retention of clients. If the client retention rate increases, the profitability of a firm also increases.

The growth of CRM has been extensive, yet the CRM opportunity is rarely fully exploited by firms (Nancarrow, Rees & Stone, 2003:26). Additionally, high levels of CRM failure have been reported recently (Buttle, 2004:1). In South Africa, it was found that only 16% of all CRM initiatives sufficiently improved firms' performances (Swartz, 2003:1). This can be attributable to many variables that are possibly influencing CRM. CRM is a useful marketing strategy especially in service firms.

2.5 ROLE OF SERVICES

South Africa is shifting from a resource-based economy to a service-based economy, due to the need for local firms to compete in world markets (Moreo, 1996:1). However, the service quality delivered and marketed by South African firms is often described as of a less than satisfactory standard (Nel, Boshoff & Mels, 1992:1). Service is a vital part of the country's economy, as it is an important factor in the success or failure of firms. When firms offer similar services at the same prices, the factor determining which firm the clients will support, will be the quality of the service provided.

2.6 DEFINITION OF QUALITY

For the purposes of this study, it is important to define the term "quality" before elaborating on the term "service quality". Quality is an elusive an indistinct construct. Quality and its requirements are not easily articulated by consumers, firms and researchers, and is therefore also difficult to measure. However, its importance to firms and consumers is unequivocal (Parasuraman, Zeithaml & Berry, 1985:41). For the purpose of this study, it is important to briefly discuss the evolution of the concept “quality”. Quality in general (pertaining to physical products) and more specifically service quality will be discussed.

In the seventies, quality was considered as the satisfactory compliance with specifications and design in order for the product and/or service to provide contentment and a feeling of trust (Parry, 1973:15). Crosby (1979:17) viewed quality as the meeting of certain specifications.

Broh (1982:3-6) measured quality according to the extent of excellence at a reasonable price. However, the management of change in the product and/or service should occur at acceptable costs. Juran (1988:4-5) described two important dimensions of quality in order to define the term, namely product performance and freedom from any imperfections.

Garvin (1988:39-46) identified five different perspectives regarding quality. Firstly, the quality of a product was the excellence thereof; quality will only be recognised by customers through experience with the firm, resulting from continuous exposure. Secondly, a product based approach to quality; i.e. quality is a measurable variable. The third perspective is consumer-orientated; different customers have different needs, and quality and maximum satisfaction are considered synonymous. Fourthly, quality is production-oriented and proposal-orientated; focusing on internally developed specifications. The last perspective is based on value and describes quality in terms of value and price. Thus, the product should comply with certain specifications and have an acceptable price that reflects its value.

Another view on quality was put forth by Morris (1992:352), who described quality according to three major quality categories; product quality, support quality; and delivery quality. Product quality refers to the accuracy of a product's requirement specifications in terms of customer needs and its design's conformance to the specifications. Additionally, the performance of the product after delivery - its reliability, maintainability, durability and safety - determines the product quality. Support quality refers to the degree of customer service at the time of sale, the after-sales service, and the availability of assurance documentation. Delivery quality depends on whether promised delivery schedules are met.

Boyd, Walker and Larrèchè (1995:451-452) state that the quality of a product/service depends on various aspects, including its degree of performance, durability, conformance to specifications, variety of features, reliability, extent of prompt and competent after-sale service, and aesthetics.

Evidently, many different definitions and viewpoints regarding quality exist. Generally, when referring to the quality of a product, the product should adhere to certain specifications, determined by both the firm and its customers. Quality may influence a firm in a variety of ways and it is therefore important for any firm to spend adequate time and attention to the quality of its products and/or services.

2.7 SERVICE QUALITY DESCRIBED

It is widely acknowledged that efforts to define and measure the quality of products have been more successful than the definition and measurement of service quality (Mudie & Cottam, 1999:81). Ideas and premises concerning product quality are not always directly transferable to service quality. Parasuraman, Zeithaml and Berry (1990) mention that service quality is more difficult for the consumer to evaluate than product quality. Service quality perceptions result from a comparison of consumer expectations with actual service performance. Additionally, service quality evaluations are not based solely on the outcome of a service, but also involve the evaluation of the process of service delivery. The client has fewer tangible aspects to evaluate when purchasing a service than when purchasing a product. For example, it is easier for a consumer to determine the quality of a motor vehicle than to measure the level of quality of banking services.

The definition of service quality is more difficult due to the unique nature of services, including the intangibility, heterogeneity and inseparability of services. The majority of services are intangible. Services are performances and precise, standardised manufacturing specifications concerning uniform quality, as in the case of physical products, cannot be set. Services, especially those with a high labour content, are heterogeneous. The performance of these services differs from firm to firm, from consumer to consumer, and varies each day. Consistency in the behaviour of service employees cannot be assured. The delivery and consumption of services are inseparable. Quality occurs during the interaction between the client and service provider. Thus, the level of service quality depends on the client's influence and participation in the service delivery. Therefore, service quality is intangible and instantaneous (Beckford, 2002:12). A consequence of these characteristics of services is that there exists no single definition for service quality (Grönroos, 1984:36).

Three theories have been considered in order to define service quality, namely the Attribute theory; the Customer satisfaction theory; and the Interaction theory (Chase & Bowen, 1988:3-4). These three theories can be used independently or jointly in order to define service quality.

- In terms of the Attribute theory, the focus is on the characteristics of the service delivery process. The theory indicates that the management of a firm can manipulate the characteristics of service quality. In the banking branch of the financial services industry, for example, the manner in which a bank branch is managed may influence the way the service is delivered, and ultimately influence clients' perception of the bank's service quality.

- The Customer satisfaction theory indicates that service quality is the difference between the expected service and the service actually delivered. In the banking branch of the financial services industry, for example, the perceived service quality for clients will be the difference between the level of service they expect to receive from bank employees and the actual level of service they receive from them.

- In terms of the Interaction theory, service quality is seen as being developed through personal interaction between the employees and clients of a service firm. Both parties' needs are satisfied in this process. In the banking branch of the financial services industry, for example, the level of service quality will depend on the degree of interaction between bank employees and clients.

Based on the above theories on service quality, various definitions of the concept have emerged. Selected definitions are summarised in this section. Service quality refers to the extent to which a firm's service satisfies its clients' expectations (Mudie & Cottam, 1999:81). Additionally, service quality can be viewed as the clients' judgment about the overall excellence or superiority of a service (Zeithaml, 1988:3). Service quality can be regarded as the overall impression or appraisal by clients on the relative inferiority or superiority of a firm and its services (Rust & Oliver, 1994:77).

Generally, service quality is viewed as a multidimensional concept, as clients assess and evaluate a variety of dimensions when considering the services of a firm. Research by Parasuraman *et al.* (1985) has revealed that, regardless of the type of service, consumers basically use similar criteria in evaluating service quality. These criteria fall into ten key categories, labelled "service quality determinants". These dimensions are: reliability; responsiveness; competence; access; courtesy; communication; credibility; security; understanding; and tangibles. A service quality model, namely SERVQUAL, was developed by Parasuruman, Zeithaml and Berry (1988). The ten service quality dimensions and their descriptions served as the basic structure of the service-quality domain, from which items were derived for the SERVQUAL scale. In this model, 22 items are used to measure the ten service quality dimensions, in order to determine perceived service quality. Further research has reduced these ten dimensions to five dimensions (Parasuraman *et al.* 1988:20), namely reliability; responsiveness; assurance; empathy; and tangibles. Each of these dimensions is explained in Table 2.1.

Table 2.1: Service quality dimensions

Service quality dimensions	Explanation
Reliability	Reliability is the extent to which the service provider can perform the service dependably and accurately. This dimension is important for clients using banking, transport and delivery services, for example, motor vehicle repair services.
Responsiveness	The willingness to help clients and to provide prompt service refers to the responsiveness dimension of a service provider. This dimension is particularly important when clients have requests, questions, complaints and problems surrounding the service.
Assurance	Assurance refers to employees' knowledge and courtesy and the service's ability to inspire trust and confidence in the clients. Specifically, assurance is prevalent for clients of health, financial and legal services.
Empathy	The caring, individualised attention from a service provider to its clients refers to its empathy. Clients of service providers, both small and large service firms, require personalised attention.
Tangibles	The tangibles of a service firm include the appearance of the physical facilities, equipment, employees and communication materials. These tangibles project the image of the service firm to clients and are specifically important where the physical presence of the client at the service firm is necessary for the purchasing of the service, for example, at a hotel.

Source: Adapted from Parasuraman *et al*. (1988:23) and Mudie & Cottam (1999:86)

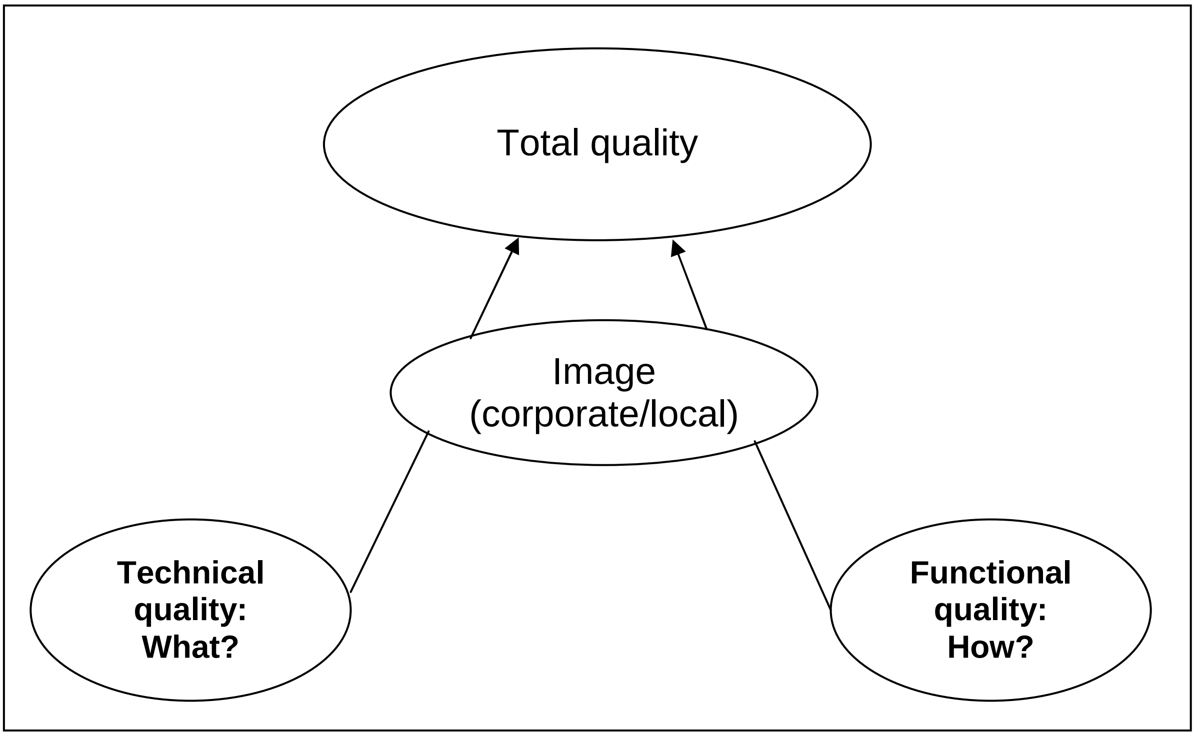
Service quality needs to be understood and managed throughout a service firm. Specifically, four areas within the firm may be considered to address the quality of services from the firm (Mudie & Cottam, 1999:82-84). The service quality dimensions need to be considered within these areas. The first area is the service encounter, which represents the interaction between the firm and its clients. Secondly, the service design or the process through which the client goes to obtain the service. Thirdly, the service productivity, which is the relationship between the quantity and quality of services produced considering the resources used and, lastly, the culture of the service firm and its organisational structure.

Three service quality models will now be presented and evaluated for the purpose of this research, namely the Grönroos, Lehtinen and Lehtinen and Parasuraman-Zeithaml-Berry service quality models.

2.7.1 Grönroos service quality model

Grönroos (1984:36-44) contends that the conceptualisation of the term service quality should be client-orientated. The most important element of the service quality model is client orientation. In terms of this model, service quality is dependent on the equation of two variables, namely the service that the client expects and the perception of the service actually delivered. The result of the equation shows the perception of quality of the service delivered. The Grönroos model is depicted in Figure 2.1.

Figure 2.1: Grönroos service quality model



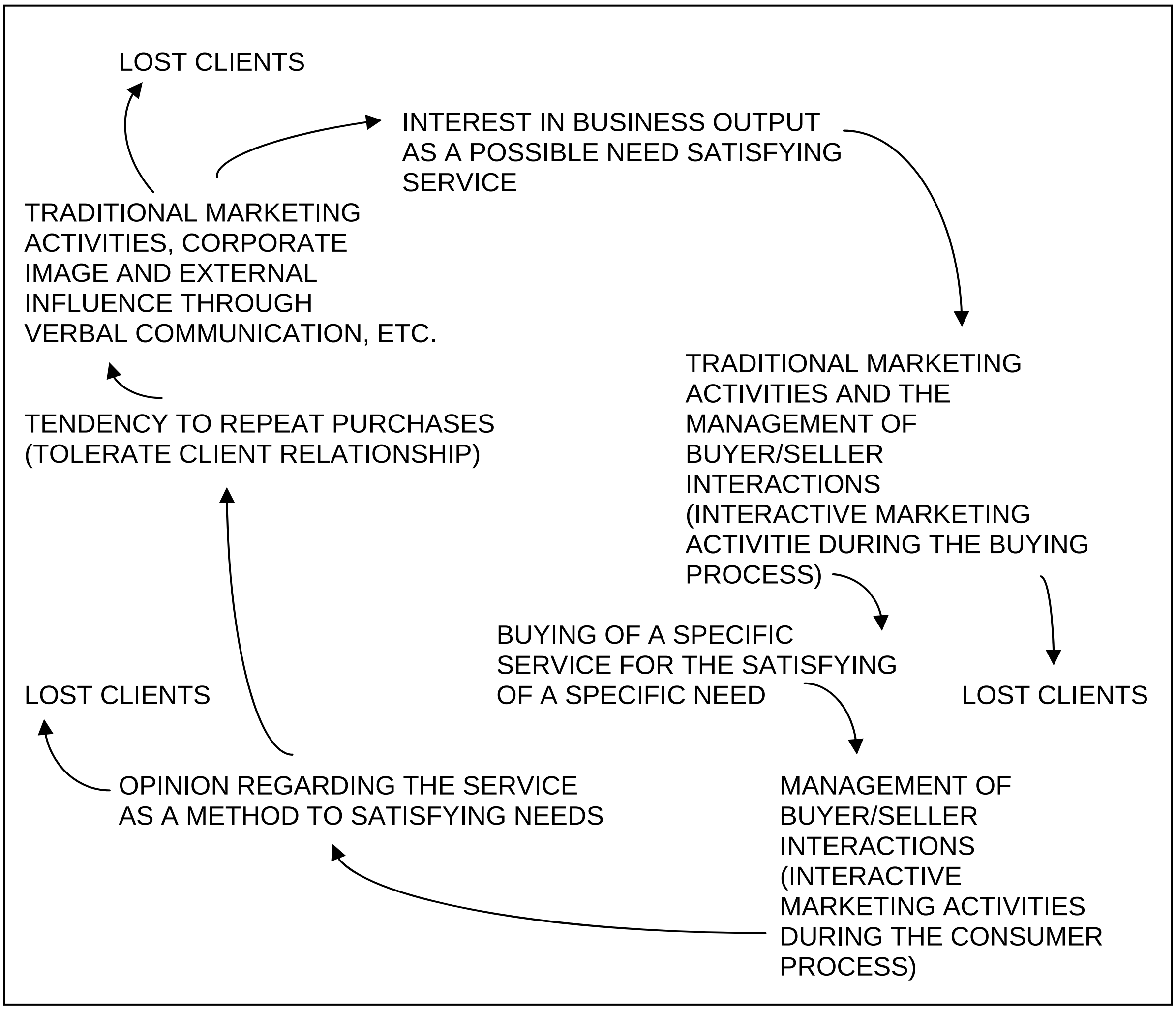
Source: Grönroos (1984:40) in Tait (1996:83)

Clients' expectations of a service may, for example, be influenced by promises made by the business through one of the traditional Four P's in the marketing mix. Other aspects influencing service expectation include tradition, oral communication and previous experience with the service provider (Tait, 1996:83).

The Grönroos model, as depicted in Figure 2.1, indicates that a positive perception of quality can be the result of ensuring that clients positively experience both the technical and functional dimensions of the service. Technical quality refers to *what* the client receives, for example, the managing of bank accounts by a banking institution. Functional quality focuses on *how* the client receives a service, for example, the professionalism of the teller of the banking institution.

Additionally, Grönroos uses the model to explain the methods through which the perceptions of service quality can be managed. Figure 2.2 shows the various methods through which technical and functional quality, that influences a firm's image and quality expectations, can be enhanced. Technical quality can be increased through the enhancement of the technical proficiency of employees or by implementing more advanced technology. Functional quality can be increased through the effective management of internal employee relations.

Figure 2.2: The management of the perception of service quality



Source: Adapted from Tait (1996:84)

2.7.2 <u>The Lehtinen and Lehtinen service quality model</u>

Lethinen and Lehtinen (1985) describe the nature of services in terms of predetermined service quality dimensions. Their model provides two approaches, namely the two and three dimensional approaches to service quality.

- Two-dimensional approach to service quality

The two-dimensional approach describes service quality from the consumer's perspective. The two dimensions of this approach are process and output quality.

The concept of process quality proclaims that service quality and consumption cannot be separated, as the client is actively involved in the production process. Process quality refers to the client's qualitative evaluation of his/her involvement in the production- (service delivery-) process. The client observes the service delivery process and identifies him-/herself with the process. The level of process quality will depend on the extent of involvement, of both the service provider and client, in the service delivery process.

- Three-dimensional approach to service quality

The three-dimensional approach describes service quality in terms of physical quality, interactive quality and corporate quality. Physical quality refers to the quality of the resources and facilities used for service delivery. Interactive quality is the result of interaction between the client and the interactive elements. The corporate quality of a firm refers to the quality perception among its clients built over an extensive time period. The Lehtinen and Lehtinen model views corporate quality as the only quality dimension that clients can evaluate before service purchases. It is important to take note of the interdependency of these three dimensions.

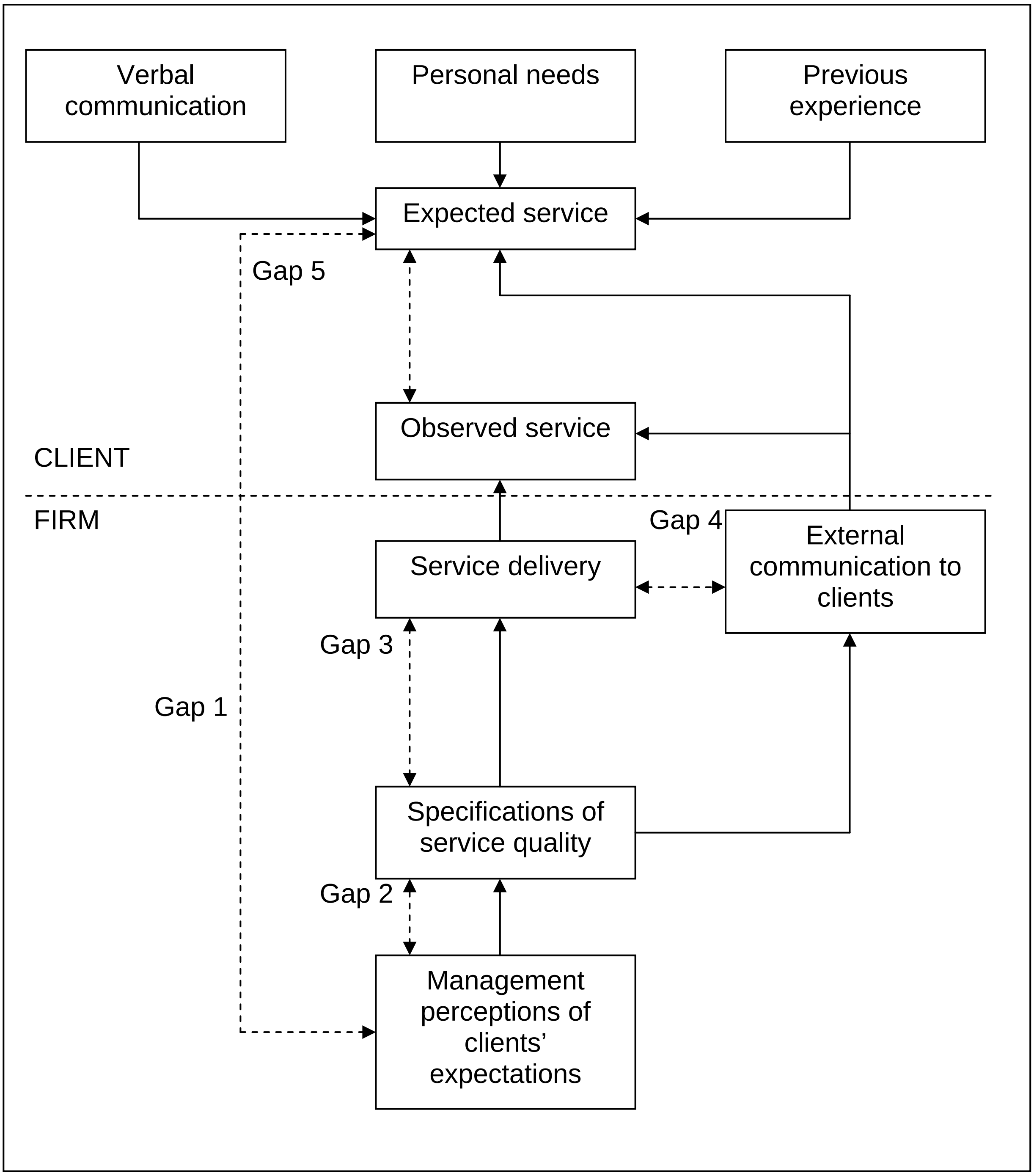
2.7.3 The Parasuraman-Zeithaml-Berry service quality model

This model is based on the following three principles (Parasuraman *et al.* 1985:41-50):

- The nature of services, specifically the intangibility of services, restricts the use of tangible aspects through which service marketers indicate quality to clients. This makes it more difficult for clients to determine the quality of services;
- Service quality perspectives are based on the equation between expectations before the service is delivered and the actual service delivered; and;
- Service quality is based on the actual service delivered and the method in which the service is delivered.

The Gaps model on service quality, developed by Parasuraman *et al.* (1985:41-50), is shown in Figure 2.3. This model serves as a conceptual framework for understanding service quality delivery. The model views service quality as five potential gaps in which areas of service quality shortcomings could occur. The model defines service quality from the viewpoints of the client and the services marketer.

Figure 2.3: Parasuraman-Zeithaml-Berry service quality model



Source: Parasuraman *et al.* (1985:44)

The five gaps in the Parasuraman-Zeithaml-Berry service quality model and their potential causes (see Figure 2.3) are the following:

- Gap one refers to the gap between the service expectations of clients and the service expectations that a service firm believes clients have. Managers and employees of service firms do not always have an accurate understanding of what clients want or how they evaluate a firm’s service delivery. In the banking branch of the financial services industry, for example, the bank employees might have an inaccurate perception of what clients regard as superior service quality.

- Gap two represents the gap that occurs when the management of a service firm fails to design service standards that meet client expectations. Even if a service firm’s management and employees clearly understand their clients’ needs, this understanding might not be translated into effective service delivery. In the banking branch of the financial services industry, for example, the bank might understand what the clients regard as a high level of service quality, but may be unable to translate this into an effective service delivery process.

- Gap three refers to the gap between the service delivery systems, including the people, technology and processes of a service firm, and the specified service standards. In other words, the service firm fails to deliver according to the agreed service standards. In the banking branch of the financial services industry, for example, the bank might understand what the clients regard as a high level of service quality, but the bank's service delivery actions (including the use of technology and/or a bank employee's actions) may not deliver the expected high quality services.

- Gap four represents the difference between the actual service delivered and the communications to clients surrounding the level of service performance. High levels of service quality might even be disappointing to clients if the firm's marketing communications created unrealistically high expectations of service quality. In the banking branch of the financial services industry, for example, the level of service actually provided by the bank might be disappointing to the clients when compared to the service levels promised to them by the bank.

- The above-mentioned service quality gap, in other words, the gap between the expected service and the actual service delivered, is gap five. Thus, gap five is the product or result of gaps one, two, three and four. This indicates the difference between the perceptions of management on service quality and the service quality expected by clients.

Further research from Parasuraman *et al.* (1988:12-40) indicates the influence of specific variables on the service delivery component of the above-mentioned model. Thus, various variables influence gaps one to four, which creates gap five. The previously mentioned SERVQUAL instrument focuses on measuring client perceptions of service quality along the five service quality dimensions, known as gap five in the model.

Two main reasons exist for the discussion of the three service quality models. Firstly, this study utilises the pioneering work of Grönroos (1984) and Parasuraman *et al.* (1985) who were among the first to conceptualise and model service quality. It was important to fully understand the concept of service quality, as formulated by earlier researchers, before this study was undertaken. Secondly, it was important to study the models, especially the Parasuraman-Zeithaml-Berry model, as selective items from the questionnaire used in the empirical investigation of this study were adapted from the SERVQUAL measuring instrument. As service quality is the dependent variable of this study, selected items from the highly regarded SERVQUAL model were adapted for the measuring instrument.

2.7.4 The importance of service quality for service firms

Understanding how clients view service quality is essential to the effective management of a service firm (Rust & Oliver, 1994:2). Very often a gap exists between the service provider and the client over expectations and perceptions of quality. It is important for a service provider to be acquainted with client expectations and to ensure that these expectations are met in service quality.

Quality services can be interpreted as an important prerequisite for the future stability and growth of any country. A survey by Price-Waterhouse indicated that the majority of firms in the United States of America (78%) regarded quality as one of their main priorities (Rust & Oliver, 1994:23). Also, in South Africa, the South African Quality Institute (SAQI) was established in 1993 to create an awareness of and ensure a the focus on quality by firms (South African Quality Institute, 2004:1).

The importance of service quality can be explained by examining the influence of service quality on three aspects of a firm. These aspects include profitability, employee turnover, and market share.

Research findings have shown that the profitability of a firm will increase as the service quality increases (Zeithaml, 2000; Buzzell & Gale, 1987). A service of high quality has a positive influence on the profitability of the total assets of a firm (Anderson, Forwell & Lehmann, 1994:53-66). These statements, based on research results, indicate that a firm should be more profitable as the quality of its services increases.

High employee turnover tends to decrease the level of service quality. The opposite can also occur: problems with service quality can lead to a high employee turnover rate (Tait, 1996:68). Aspects in the service delivery process that dissatisfy clients, for example, when clients need to wait in long queues before being served, may irritate “good” employees. These employees may ultimately leave the firm, which in turn may lead to negative employee morale, higher training costs and a negative image of the firm among clients. Thus, a poor level of service quality could negatively influence the employee turnover rate of a firm.

Firms can increase their market share through three possible strategies, namely to attract new clients; to more regularly have interaction with existing clients to retain them; and to decrease the number of clients switching to competitors. Research by the Technical Assistance Research Programs (TARP) indicated that a client who is dissatisfied with the service quality of a firm may share his/her negative experience with at least ten other people. Only nine percent of disappointed clients will support the service provider again. A satisfactory experience is usually shared only with five other people (Tait, 1996:70). This high possibility of negative publicity if a firm delivers a service of a poor quality may lead to a decrease in the market share and have a negative influence on profitability. Additionally, the switching of clients to competitors that satisfy their service needs, negatively influences the percentage of market share of a firm.

Over the past decades, client evaluations of service quality have been advanced to account for client loyalty, as positive evaluations of service quality instigate clients to favour service providers with their patronage. Client loyalty in service firms is considered as the key factor for the development of a sustainable competitive advantage (Swartz & Iacobucci, 2000:348). Service quality drives client retention and client loyalty (Rust & Oliver, 1994:3). Therefore, service quality is vitally important for service firms.

Research conducted by the Gallup Organisation indicated that clients asked about the meaning of service quality, responded that employee contact skills, including courtesy, attitude and helpfulness, ensure service quality (Rust & Oliver, 1994:140). Parasuraman *et al.* (1988) indicated the existence of a relationship between service quality and interpersonal contact between service providers and their clients. Additionally, empirical evidence for the positive relationship between service quality and the relationships between firm and clients exists, as the service quality of advertising agencies is dependent on the relationship between the firm and its clients

(Venetis, 1997). These findings reinforce the statement that interpersonal contact is vital for service firms.

Service quality is an abstract concept and is likely to be influenced by many variables (Rust & Oliver, 1994:77). The perceptions of clients on the service quality of a service firm might be influenced by the degree of CRM of the service firm.

2.8 SUMMARY AND CONCLUSIONS

This chapter placed the concepts of CRM and service quality in perspective. The definition, importance and benefits of adequate CRM have been highlighted. Selected service quality models have been discussed.

Because of the unique nature of services, as compared to physical products, many service firms experience problems with their service quality. In order to minimize these problems, it is important for any firm to truly understand the terms quality, service quality and the dimensions of service quality. Additionally, it is evident that superior CRM may possibly increase firms' levels of service quality. Therefore, it is important for firms to equip themselves with the necessary knowledge regarding this new business concept. Through effective CRM strategies and high levels of service quality, clients will receive the manner and level of service delivery that they desire. In effect, this would increase client satisfaction and support and possibly increase the success of the service provider.

The business environment of specifically banks, and the CRM and service quality of banks, will be discussed in the following chapter.

CHAPTER THREE

THE BANKING BRANCH OF THE FINANCIAL SERVICES INDUSTRY

3.1 INTRODUCTION

Having discussed the theoretical dimensions of CRM and service quality in Chapter two, it is now apt to focus on the business environment of banks and its linkage to CRM and service quality. This chapter will first focus on role of the banking branch of the financial services industry in South Africa. Finally, the various aspects of CRM and service quality, as presented in the previous chapter, will be applied to banks.

This chapter will address both the second and third research objectives, namely, to execute a secondary study relating to the banking branch of the financial services industry and to investigate the importance of CRM and service quality in banks. Therefore the chapter will provide a secondary study relating to the banking branch of the financial services industry in South Africa and also investigate the importance of CRM and service quality in the banking branch of the financial services industry.

In particular this chapter will commence with a discussion on the importance and role of the South African banking branch of the financial services industry. The challenges for banks, internationally and locally, will be examined. Finally, the CRM and service quality in banks will be discussed.

3.2 THE IMPORTANCE AND ROLE OF THE BANKING BRANCH OF THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

The financial stability of a country is an important prerequisite towards economic growth. In this regard the financial services sector, specifically the banking branch of the financial services industry, plays a decisive role in the economic growth of South Africa. The banking, insurance, accountancy, legal and other services that comprise the financial services industry in South Africa account for 20% of the country's Gross Domestic Product (GDP). This contribution amounts to approximately R161 billion of the GDP. Financial service firms listed on the Johannesburg Securities Exchange (JSE Ltd.) represented more than 20% of the total market capitalisation in 2004. Market capitalisation refers to the firms' number of issued shares multiplied by the current share prices. The figure indicates that, in terms of their size, the financial services firms represent the top 20% of the All Share Index. The actual figure amounted to 31.91% in May 2004 (Profile's Stock Exchange Handbook, 2004). The financial services industry employs 7% of the total working population in South Africa (Financial Services Industry in South Africa, 2003:1).

The efficiency of South Africa's financial system, including its banking branch of the financial services industry, is of paramount importance to ensure the efficiency of the complete economy (Competition in South African Banking, 2004:4). If a country wishes to attract investment it must have a solid and profitable banking branch of the financial services industry (Goosen *et al.*1999:187). The functions performed by the banking branch of the financial services industry affects all aspects of a country's economy and are central to the overall performance of the economy.

Banks are important to the economy as they provide a channel for linking those with excess funds with those in need of funds. They play an important role in determining the quantity of money in the economy and their financial products and services have expanded the methods currently available to invest savings and finance needs (Thomas, 2006:3,7; Heffernan, 2005:1).

Banks offer in principle five main categories of services, namely cash accessibility, asset security, money transfers, loans and financial advice (Meidan, 1996:8). Clients' funds need to be made available to them by banks through various mediums, as required. Banks provide asset security to its clients through safes and by ensuring the safety of money deposits. Money transfers refer to the service of banks to move clients' funds from one account to another, including payment services. A bank needs to provide the service of loans or deferred payment to its clients. Additionally, banks provide financial advice, including advice on investments, wills, taxation, leasing, mergers and personal financial planning.

South Africa's commercial banks, or clearing banks, are engaged in practically every monetary transaction that takes place in the country. This ranges from cheque processing, the provision of cash, the electronic transmission of funds and the handling of credit and debit card transactions. These transactions are handled through a substantial distribution network of branches, agencies and automated teller machines (ATMs). Additionally, banking services are provided through telephone, cellular phone and Internet banking. The major banks offer services to both individual and corporate clients.

According to the Banks Act (Act No. 1 of 1990), in South Africa, only a public company that is registered as a bank with the Registrar of Banks is permitted to conduct financial services (Industry Overview and Database of the South African Banking Industry, 2001:3). At the end of December 2002, 42 banks, including branches of foreign banks, were registered with the Office of the Registrar of Banks (South Africa Yearbook 2003/04:290).

As stated in Chapter one, four major groups dominate the country’s banking branch of the financial services industry, namely Amalgamated Banks of South Africa (ABSA) Group Limited; Standard Bank Investment Corporation Limited; FirstRand Holdings Limited; and Nedcor Limited. These groups are present in all nine provinces of South Africa and collectively hold 82% of the total assets (approximately R1 101 billion) of the banking branch of the financial services industry (South Africa Yearbook 2003/04:290).

The success of banks in South Africa is important, due to their contribution to national employment rates and financial stability. According to the South Africa Yearbook (2003/04:290), the banking branch of the financial services industry collectively employed 115 734 employees at 8 438 branches and agencies in 2002. The South African banking branch of the financial services industry compares well with most of the other banking branch of industries in First World countries. Yet, it serves a market that is relatively small compared to international standards; and the South African banking branch of the financial services industry grows by only five to six percent annually (Banking, 2004:150).

3.3 THE CHALLENGES OF THE BANKING BRANCH OF THE FINANCIAL SERVICES INDUSTRY

Although South Africa, within the global banking community, constitutes only a small percentage of the global financial industry, banks in the country need to adjust to international trends and standards due to globalisation.

The South African banking branch of the financial services industry is under pressure to change and will confront many new issues in the future. These challenges include political pressure to accommodate a largely un-banked population; to grow volumes; to retain market share; to comply with a new accounting standard and Basel II; and to adapt tp advanced information technology systems. In addition, there is pressure on profit margins, due to decreasing interest rates (Russell, 2003:1). Advancements in information technology, deregulation and globalisation are impacting on the structure of the banking branch of the financial services industry. These forces create an unstable banking environment in which new entrants and innovation are reducing the income streams of banks (Holland *et al.* 1996:1). Traditionally, the banking branch of the financial services industry has been relatively stable and bank profits have been, and still are, high. Income from interest on loans to clients and bank charges generates the most profit for a bank (Holland *et al.* 1996:2). However significant changes, including innovation within the banking branch of the financial services industry and the entry of new banking products from outside the branch of industry, are destabilising the *status quo*. Further in section 3.3 below, the challenges facing the South African banking branch of the financial services industry are discussed.

3.3.1 Globalisation

Various mergers and acquisitions have recently occurred in the banking branch of the financial services industry. Deregulation and technological advancement have affected the competitiveness of these firms, necessitating such merges and acquisitions (Moore & Siems, 2003:1). The most recent development (July 2005) in the South African banking branch of the financial services industry was the acquiring by Barclays Bank PLC of a majority or controlling stake in ABSA, South Africa's largest retail bank (ABSA Group Limited Annual report 2005:41); Barclays in talks for SA bank, 2004:1). Such developments have increased the pressure on banks to perform well in order to ensure support and loyalty from clients to successfully oppose the possibility of a takeover by a competitor.

Another factor that has increased competition in the banking branch of the financial services industry, is the fact that foreign banks have become very active in the country since 1994. In the year 2001, altogether 79 foreign banks were operating in South Africa, with 15 branches and 55 representative offices. A further nine banks were incorporated in South Africa in 2001, but controlled by foreign shareholders (Industry Overview and Database of the South African Banking Industry, 2001:5). These figures are expected to increase. Local banks need to be prepared to face increased competition from foreign banks.

3.3.2 Increased competition

Historically, a bank's primary role was to act as an intermediary between the client and the financial markets by using its own products. Through new electronic delivery channels and the deregulation of the financial services industry in many countries, it is now possible for new entrants to offer banking and other financial services directly to the final consumer. This disintermediation of the traditional banking structures lowers banks' profit margins and makes economies of scale more difficult to realise for banks with expensive, but old, technical systems. It also raises the expectations of the banking market as a whole, with superior products being offered from competitors (Thomas, 2006:89-90; Mishkin, 2004:242). New, non-traditional competitors, for example, unit trust companies, are offering tailored financial products and services; which lead to reduced market share and lower profits for established banks. Non-financial services firms, for example retailers and cellular phone operators, increase competition for banks by providing financial services such as payment systems (Cameron, 2003:2). Therefore, banks are challenged to decrease costs and ensure support in order to successfully compete with other institutions (Glennon, 2002:1).

Banks are primarily funded with the deposits of clients, but a reality is that since 2002, the personal savings of South Africans are at an all-time low, placing banks under pressure to compete for the dwindling savings. Savings with commercial banks have decreased from six percent of individuals' disposable incomes in 1993 to an average of only a half percent (Kemp, 2002:1). One of the reasons for this phenomenon is the rise in the use of unit trusts as an alternative to conventional saving methods. This may indicate that banks compete with the unit trust market for the savings of clients. Additionally, as confirmed by the head of fixed interest at Old Mutual Asset Managers, government retail bonds provide external competition to commercial banks (Mnyanda, 2004:1). The government's retail bonds, launched in June 2004, are changing the savings sector and increasing competition for banks. In

August 2004 the Deputy Director-General for Asset and Liability Management at the Treasury stated that government retail bonds already raised approximately R350 million and attracted approximately R10 million of savings per day (Mnyanda, 2004:1). The banking branch of the financial services industry is faced with the challenge to increase the savings of clients with banks.

3.3.3 Government intervention

The regulatory requirements of the banking branch of the financial services industry have been substantially transformed. The banking branch of the financial services industry was previously solely regulated through the Banks Act (Act No. 1 of 1990) and legislation administered by the Registrar of Banks and the Financial Services Board. However, since February 2001, the Competition Act (Act No. 89 of 1998 – amended in February 2001) has become a force in the banking branch of the financial services industry. The changing regulatory legislation in the banking branch of the financial services industry has resulted in greater compliance with international standards, but the adjustment poses the challenge for South African banks to meet world-class standards.

A major development in the field of banking regulation has been the finalisation of the New Capital Accord (Basel II) in June 2004 (Background on Basel II, 2004:17). As previously mentioned, the Basel II Capital Accord is an amended regulatory framework that requires all internationally active banks to adopt consistent risk-management practices for tracking and reporting exposure to risks. The purpose of Basel II is to improve financial stability through better risk management and to ensure that banks operate above minimum regulatory capital ratios and hold capital in excess of the minimum (Background on Basel II, 2004:17). Banks need to have sufficient and effective technology for data capturing and storage. They can either replace systems and implement the most advanced technology, or adapt and modify their existing systems. Firms providing financial services, including banks, should view Basel II as an opportunity to review their processes and infrastructures to ensure flexibility and profitable firm growth (Roche, 2004:1). However, South African banks are challenged to have Basel II implemented by the year 2006 (Mboweni, 2002:1).

Banks need to be fully familiar with and equipped with knowledge regarding the new accounting standard. The new accounting standard affects the accounting treatment of financial instruments, as the emphasis is now placed on the fair market value of those instruments, versus the historical cost (South African Banking Industry, 2004:1). The accounting standard 133 represents a significant change in the accounting of financial instruments. It requires firms to measure, record and disclose information relating to their financial instruments by using fair market values (Banks face year of tough challenges, 2004:1). This valuation may ultimately dictate the tax treatment of financial instruments and may assist banks, if efficiently and effectively implemented, in their challenge to minimise direct tax costs and achieve a tax-efficient capital structure.

Additionally, the South African government recently (2004) implemented a regulation that forced all banks to possess complete and current information on all their clients. This includes clients' accurate identification, proof of address, employment information, and telephone numbers. This was a difficult and comprehensive task for banks (the information of clients needed to be completed before the end of June 2005).

3.3.4 Technology

South Africa has the largest and most sophisticated banking system in Africa, comparable with some of the best in the world. South African banks are nevertheless characterised by certain old technical systems that are inflexible and expensive. New technologically advanced information systems are not regularly implemented. South African banks require advanced and flexible systems in order to reduce costs and gain business agility. Modern banking systems adhere to the requirements of automated workflow and personalised and consistent client experience through various methods.

Few service industries have felt the impact of technology more than the banking branch of the financial services industry. Until several years ago, most bank transactions were paper-based and took place face-to-face inside a branch bank. Currently, technology is transforming banks: with transactions and services using ATMs, debit cards, credit cards, 24-hour telephone access and online banking over the Internet. This poses the major challenge to banks to ensure effective and efficient technological systems. In addition, banks are challenged to ensure client satisfaction and loyalty, despite the decreasing personal interaction with clients.

3.3.5 External partnerships

During the past decade (1995 - 2005) many banks entered into partnerships with other non-banking firms, for example Pick-'n-Pay, to broaden the breadth and depth of their offerings and to sell their products and services to a wider client base (Financial services Industry in South Africa, 2003:3). This poses new challenges for banks, such as selecting the correct partner firm and gaining additional product and service knowledge.

Additionally, deregulation, together with the use of information technology, has created opportunities for regional banks to compete in other geographical areas through alliances that share the use of technology platforms, including ATMs and payment processing systems. This increases the pressure on bank to acquire financial expertise across product ranges and geographic boundaries (Mishkin, 2004:242; Holland *et al.* 1996:1).

3.3.6 The un-banked segment of the South African market

As indicated in Chapter one, in 2004, two out of three South Africans were un-banked. There are approximately 45 million South Africans, of whom only 15 million are currently making use of banking services (Da Costa, 2004:1). Demands on South African banks to extend their activities to accommodate the banking needs of the underprivileged are also increasing. This un-banked section of the population is unaware of the benefits of banking, and many cannot afford banking services. The four major banks have received criticism for their expensive personal banking services (Rivals and regulation give them grey hairs, 2002:1). It is evident that banks need to implement ways to increase market share and client base. This will enable banks to gain the needed transaction volumes and contribute to an improved South African standard of living.

Currently, banks are faced with a new challenge with regard to this un-banked segment of the South African market, namely the implementation and successful running of the new National Bank Account, Mzansi. Mzansi is a new low-cost National Bank Account that has increased competition in the mass market after its implementation on 25 October 2004 by the majority of the retail banks (Stovin-Bradford, 2004:4). Mzansi will ensure an increase in the number of ATMs and bank branches, as the concept underpinning Mzansi is to provide 80% of the lower income groups (LSMs 1 – 5) with ATM banking services within ten kilometres of their homes. Additionally, the aim is to provide them with affordable, full, first-order banking services within a 20 kilometres radius of their homes (Von Keyserlingk, 2004:7). Mzansi will ensure a limited range of basic banking services to these specific market segments and will be a debit card-based savings account. The only costs will be bank charges for the transactions made. Banks need to focus on the successful implementation and long term success of Mzansi.

3.3.7 Changing client behaviour

Changing client behaviour has also influenced the banking branch of the financial services industry. Longer life spans, increasing urbanisation, more women in employment, increased home ownership and generally higher incomes have all contributed to changing client behaviour with respect to banking services (Meidan, 1996:14). An increasing number of clients engage in financial planning and rely on banks to guide and manage all their financial services needs. Clients are more demanding, more financially educated, more price conscious and are using several banks simultaneously. The shift in power from the service provider to the client has produced pressure on financial services institutions. Clients are faced with a variety of financial products and services and expect customised offerings, value, ease of access and personalisation from their providers. Clients are sensitive to the quality of service and advice and are expecting increased levels of individual attention and responsiveness from banks (Mikdashi, 2001:30). This increases the challenges for banks to retain clients. Therefore, a client-focused strategy is vitally important.

Additionally, there is increased willingness among clients to switch banks (Holland *et al.* 1996:2). Research in South Africa has shown that it will only matter to 45% of banking clients if they could no longer bank with their current banking institution (Project Pulse, 2003:1). This re-emphasises the need of banks to focus on their clients' needs.

Although the banking branch of the financial services industry has reflected significant technological advancement, approximately 50% of clients still physically visit a branch every month. This indicates the necessity of sufficient and effective branches. Spain, the country with the best ratio between bank branches and citizens, has one branch for every 1 000 citizens. Contrary, South Africa has only one bank branch for every 12 000 citizens (Russell, 2003:1). A further indication of the importance of branch infrastructure is that of the clients that do online banking research and basic transactions, only one in four purchases banking products online. Research by the Swedish Institute for Working Life has indicated that although banks steer their clients towards self-service, for example, to purchase banking products and services online, the flow of clients to bank branches has increased. This research has also indicated that clients who mainly used their branch are more satisfied with their bank than clients who are more inclined to use Internet banking

(Gadea, 2003:1). Additionally, research has indicated that 21% of banking clients do not make use of online banking, as they prefer face-to-face contact with bank employees (Greenspan, 2003:1). This increases the challenge for banks to ensure sufficient contact with clients.

The business environment within which banks operate and the banking needs of clients, indicate the importance of CRM and service quality for banks. These above-mentioned challenges for banks influence the CRM and service quality in these institutions.

3.4 CUSTOMER RELATIONSHIP MANAGEMENT IN THE BANKING BRANCH OF THE FINANCIAL SERVICES INDUSTRY

South African banks face many challenges, especially to retain clients in a branch of industry where little differentiation and extensive competition exist, as the retention of clients is the key for growth (Mikdashi, 2001:30). The priority is to reduce the administration overheads, which in the past have met client expectations, to create one-on-one client intimacy, and to implement technologically advanced systems. Additionally, the relationship between a bank and its clients is very important to both parties, as the bank is entrusted with a scarce resource of the client, which must be managed in the client's best interest to ensure support for the bank (Goosen *et al.* 1999:187). Customer service and CRM is essential to commercial banks in South Africa, including ABSA, Standard Bank, First National Bank and Nedbank. By adopting a strategic approach of CRM, these service firms can retain and develop their best and most profitable clients (Customer Relationship Management in Financial Services, 2001:1).

Despite the importance of CRM, as identified in theory, it was empirically ascertained that approximately 50% of banks are not satisfied with the returns they receive on their large investments in CRM (Payant, 2004:7). This indicates some shortcomings in many banks' CRM initiatives. This may be due to variables influencing CRM that are not presently considered by banks.

It is therefore important for banks to gain knowledge regarding the variables that can possibly influence its CRM.

3.5 SERVICE QUALITY IN THE BANKING BRANCH OF THE FINANCIAL SERVICES INDUSTRY

Service excellence is a key strategy, emphasising that service quality is *the* marketing strategy for the financial services industry, including the banking branch of the financial services industry (Meidan, 1996:209). The service quality of a bank is important, as it distinguishes it from its competitors (Goosen *et al.* 1999:189). Although clients' expectations of financial service quality are increasing and they are becoming more critical of the service they experience, the complex, competitive and ever-changing business environment within which banks operate, causes many banks to experience problems with their service quality.

The National Service Delight Index (NSDI) is a benchmark that measures the service quality of firms across various service industries. Approximately 35 South African firms participate. The index determines to what extent clients experience moments of superior service quality when their expectations are exceeded

(Customer care comes first, 2004:18). The index is used to evaluate service delivery among competitors. In 2004, in the banking branch of the financial services industry, ABSA was rated as the best firm in terms of service quality. ABSA was ahead of its major competitors, including Standard Bank, First National Bank and Nedbank (Customer care comes first, 2004:18). However, the banking branch of the financial services industry was rated fourth only, behind the telecommunications, medical and assurance industries. In order words, firms' service quality in these service industries was rated higher than the service quality of banks.

Therefore it is important for banks to have knowledge surrounding the variables that can possibly influence their service quality.

3.6 SUMMARY AND CONCLUSIONS

Banks and the competitive business environment in which they operate, were discussed in this chapter. The chapter indicated the importance of the banking branch of the financial services industry and placed the current South African banking branch of the financial services industry into perspective. The importance of CRM and high levels of service quality in banks, in order to ensure support and loyalty from clients, were emphasised in this chapter.

It is evident that banks play a very important role in the South African economy. Banks are a strong driving force of the economy, *inter alia* due to their contribution to the GDP of the country and their high employment figures. The total assets of banks in the South African banking branch of the financial services industry had grown to the large sum of R 1 436 trillion by the end of October 2004 (Mboweni, 2004:2). The important role of banks in the growth of the economy cannot be over-emphasised. Therefore, higher levels of CRM and service quality in banks are necessary to ensure their survival, and consequently the growth of the economy.

It can also be concluded from this chapter that South African banks face many challenges and that they are influenced by many different variables. Banks' success, and therefore the growth of the national economy, may depend on their levels of CRM and service quality, which in return may be influenced by other variables.

The focus of the study is the CRM and service quality of banks. Therefore, Chapter four will examine the influence of selected variables on CRM and the influence of CRM on service quality in banks.

CHAPTER FOUR

VARIABLES INFLUENCING CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY IN THE BANKING BRANCH OF THE FINANCIAL SERVICES INDUSTRY

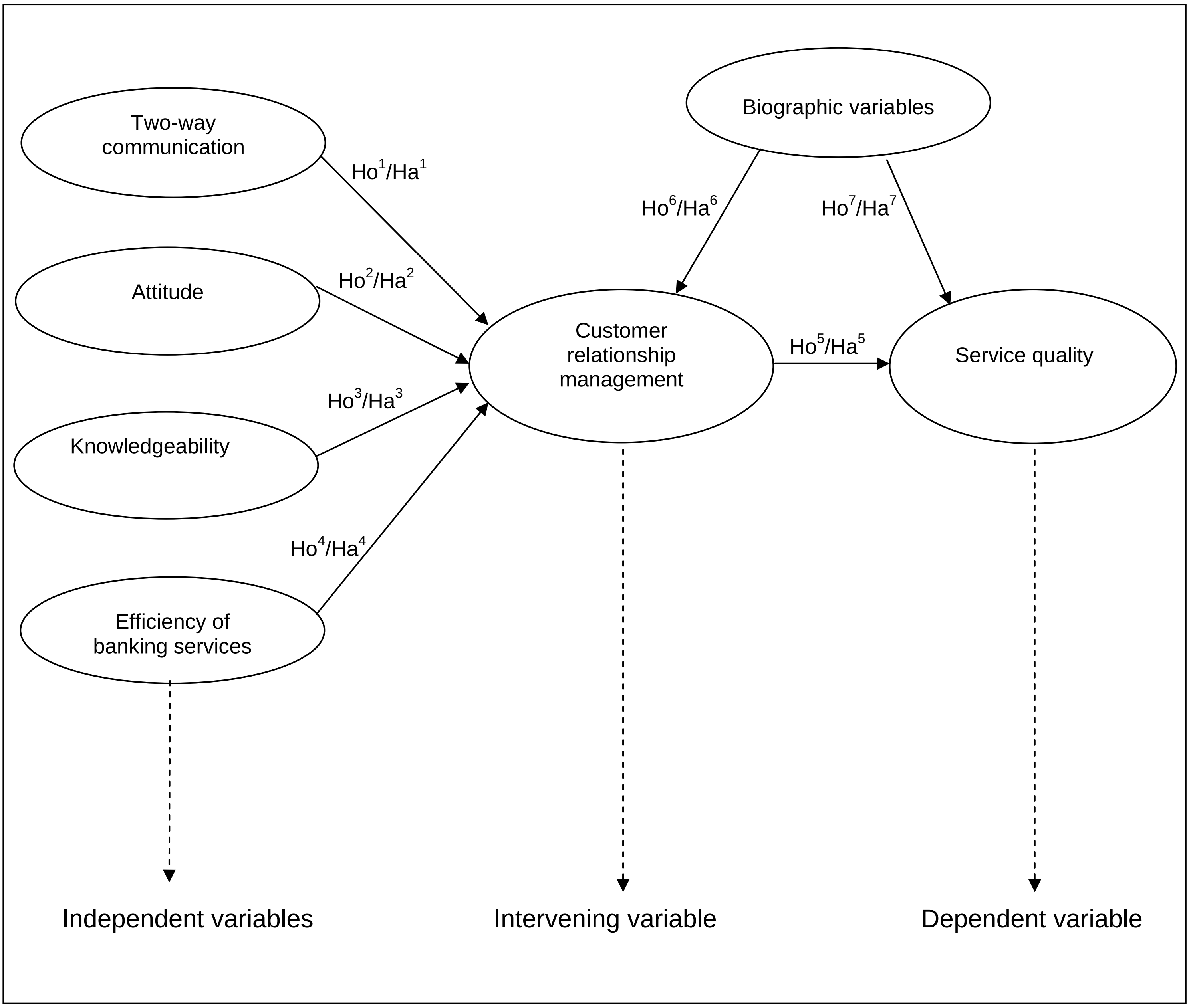
4.1 INTRODUCTION

Chapter two and three provided a background to Chapter four, as these chapters were used to develop the conceptual model in Figure 1.1. The literature overview in Chapter two explained *customer relationship management* as a core business strategy, implemented by firms to maintain valuable relationships with their clients. It is a comprehensive set of activities undertaken to interact with and support clients, so that customer satisfaction can be achieved over the long term and benefits, including customer loyalty, can be accrued by the firm (Wilmshurst & Mackay, 2000:169,346). Additionally, it was indicated that the *service quality* of a firm can be viewed as the overall impression of clients of the relative inferiority or superiority of a firm and its services (Rust & Oliver, 1994:77). Chapter three elaborated on the role of the banking branch of the financial services industry and indicated the importance of *customer relationship management* and *service quality* in banks.

With the background and understanding gained by the overview of secondary sources, specific variables were identified for the empirical investigation. A discussion of these variables and their possible influence on CRM will be the focus of this chapter. This will partially ensure the attainment of the fourth research objective, namely to identify the influence of selected variables on CRM in banking institutions.

In order to ensure high levels of *customer relationship management* and *service quality*, a number of independent variables that can influence the extent and quality of the *CRM* strategies and *service quality* of a service firm, need to be analysed. For the purposes of this study, specific independent variables have been identified, as listed in Figure 1.1. These variables include *two-way communication*; *attitude*; *knowledgeability*; and *efficiency of banking services*. In this study, it is proposed that *customer relationship management* can possibly be influenced by these specific variables and that *service quality* can possibly be influenced by *customer relationship management*. For ease of reference, Figure 1.1 of Chapter one is now reproduced as Figure 4.1. This hypothesised model specifies *service quality* as the dependent variable; *CRM* as the intervening variable; and *two-way communication*, *attitude*, *knowledgeability* and *efficiency of banking services* as independent variables. These selected variables, introduced in Chapter one, will be discussed in more detail in this chapter. In each section of the chapter, the relevant variable will be examined. Thereafter, the potential influence of each variable on *CRM* and *service quality* will be discussed. The empirical findings follow in Chapter six.

Figure 4.1: Conceptual framework



This research is based on the pioneering work of Grönroos (1984) and Parasuraman *et al.* (1985) who were some of the first researchers to conceptualise and model *service quality*. The first attempt to measure the construct with a validated instrument called SERVQUAL was proposed by Parasuraman *et al.* (1988). This model suggests that *service quality* perceptions are formed by a comparison of pre-service encounter expectations with actual service delivery experiences. Identifying potential antecedents extended this model and the causal model of this study was based on the extended model of Parasuraman *et al.* (1990). The model, however, differ from the Parasuraman *et al.* (1990) model in three ways:

- a multi-item, seven-point ordinal Likert-type scale was used to measure the dependent variable (*service quality*) rather than Gap scores (difference scores);
- the possibility that the *CRM* of a service firm may influence the quality of service was considered; and
- alternative variables that may influence *CRM* were proposed.

The latter two statements imply that this study will consider *CRM* as an intervening variable between the variables modelled, as well as consider the influence of *CRM* on *service quality*. Therefore, this chapter focuses on the fourth and fifth research objectives of Chapter one. The chapter provides a discussion on the influence of selected variables on *CRM* and the influence of *CRM* on the *service quality* of banking institutions.

4.2 LINKS BETWEEN CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY

Previous research findings indicated that high levels of *service quality* may lead to increased customer loyalty, higher profitability, lower employee turnover and an increased market share in the financial services industry (Tait, 1996:67-71). This confirms that clients are more satisfied with the firm and may suggest that they have positive perceptions of the firm and view their relationship with it as satisfying. The reverse may also hold true: if a client feels that he/she has a stable and satisfying relationship with a firm, he/she may perceive that firm to have a high level of *service quality*.

Research findings suggests that banks and other financial service firms approximately spend US $7 billion on *CRM* per year, and this figure is expected to increase (Young, 2004:18). In South Africa, research has shown that 75% of firms, which include service firms, plan to spend the same amount of money or more on *CRM* in 2005, as in the year 2004 (CRM for the many, not just the few, 2005:1). As a result of this, these firms expect a reduction in costs and ultimately an increase in return on investment. However, the consequences of the implementation of *CRM* may prove to be the same as the consequences following the implementation of ATMs and Internet banking. The results of these technological advancements in the banking branch of the financial services industry were increased client satisfaction, client loyalty and client retention. The implementation of *CRM* could yield the same results and this may suggest that, ultimately, clients could rate the *service quality* of the bank higher.

Additionally, the implementation of *CRM* strategies addresses the business strategy of "delivering high quality service", and this may suggest that *CRM* ultimately influences a firm's *service quality* (CRM, 2004:112).

The Banking Council Co-ordinator has emphasised this by stating that the degree to which front-line bank employees relate to the client (*CRM*) is vitally important in the service delivery process of a bank (Bedford, 2004:10). This may suggest that *CRM* may influence the perceived *service quality* of a bank.

As depicted in Figure 4.1, *CRM* is specified as an intervening variable with a possible direct influence on *service quality*, the dependent variable.

A discussion on the different specified independent variables and their possible influences on *CRM* and *service quality* follows.

4.3 TWO-WAY COMMUNICATION

The concept *two-way communication* was introduced in Chapter one. It is now necessary to amplify this concept by also explaining the *communication* process, the *communication* methods and *two-way communication* in the banking branch of the financial services industry. Additionally, the influence of *two-way communication* on the *CRM* and the *service quality* of banks will be examined.

4.3.1 <u>The concept: two-way communication</u>

Communication, in general, is the delivering of a message or information, through various means, from one individual or group to another (Dodd, 2004:4; Joiner, 1994:124). Through *communication*, information is transferred, and the use of different methods or media creates an understanding between two or more parties.

Two-way communication refers to the *communication* between a firm and its clients. Effective and efficient *communication* with external markets is a fundamental marketing responsibility of any firm. Business *communication* between a service provider and clients is often crucial in the service delivery process (Marx & Van der Walt, 1993:334). Little and Marandi (2003:30) also states that partnerships or relationships, between firms and their consumers, are built on and maintained by communication. This is emphasised by Mudie and Cottam (1999:189) that state that *communication* can add value to the service in the eyes of the consumer. *Communication* is a continual series of dialogue or “conversations” with clients, with the goal being to get them to view the service firm as a partner (Swartz & Iacobucci, 2000:416). *Communication* with clients should be viewed as a two-way mechanism rather than as a one-way “promotion”. Clients want to be heard and really listened to, rather than being promoted to (Wilmshurst & Mackay, 2002:114).

Without sufficient *communication* with clients, a service firm will not be able to transmit important facts regarding a service to clients. Additionally, a service provider will not be able to convey important information to a target market, which may convince them to repeatedly make use of a service. *Two-way communication* will ensure that a firm generates new knowledge surrounding the business environment conditions, market opportunities and competition threats.

4.3.2 The communication process

The communication process constitutes a sender, a channel and a receiver. A sender transmits a specific message with a determined goal and desired reaction to a receiver. Instructions, ideas, opinions, plans and information can be transferred (Marx *et al.* 1998:384). The formulation of the message and choice of *communication* channel is important. Noise from various external influences may obstruct or distort the transmission of the message, causing the incorrect interpretation of the message. A person's ability and psychological aptitude at a particular moment may also influence the formulation and/or interpretation of the message. An opportunity for feedback is necessary in order to ensure correct interpretation by the receiver.

A formal *communication* channel and network aid service providers to ask questions like the following:

- Are the clients adequately educated to understand the language and terms used in the firm's communication?
- Is the message presented clearly?
- Has the firm determined the parties to be present in the communication channel?
- Do the clients know why they are receiving the message?
- Do the clients understand why the information is being requested and/or provided?

These questions can be asked to ensure that the *communication* between a firm and its clients is applicable, simple to understand, the layout and structure are sufficient and that it emphasises the main points (Marx *et al.* 1998:384). The sample questions may be asked when service providers plan their degree and methods of *two-way communication* with clients.

4.3.3 Two-way communication methods

The *communication* methods used by both service firms and clients do not always lead to *two-way communication*. *Two-way communication* does not always lead to in-depth listening by and learning in the other party. However, the value of *two-way communication* is evident because of its potential for spontaneity and creativity. Firms create value for clients through *communication* methods that ensure *two-way communication* (Buttle, 2004:254).

A service provider needs to evaluate the interaction situation with a client and establish what will motivate him/her. The service provider should use *communication* techniques that will motivate a client to make use of the service. Firms *communicate* with clients through specific *communication* tools, namely mail, e-mail, websites, telephone, fax, chat-rooms, contact centres, help-desks and complaints lines. Firm-client *communication* interaction can occur through conventional or new direct-to-customer (DTC) methods. The conventional elements include advertising, sales promotion, public relations, and personal selling (Marx *et al.* 1998:545).

Communication can occur through various media, such as advertising on television, radio and/or in magazines, which provide clients with information about the service and/or firm (Rust & Oliver, 1994:97). Personal selling occurs when a service provider has interpersonal contact with one or more potential clients (Bovee, Houston & Thill, 1995:523). For example, the firm may make a sales presentation to these clients. Sales promotion entails personal and impersonal communication methods, aimed at obtaining short term benefits (Marx *et al.* 1998:546-547). A service firm would apply sales promotion if, for example, discount-entitling coupons are provided to clients. Firms can implement corporate communication (traditionally known as public relations), as a free form of communication, to influence public opinion of the firm and its products and/or services (Bovee *et al.* 1995:522). Except for personal selling, methods are non-interactive. New DTC methods are available and made possible through three processes that create value for clients, namely disintermediation; personalisation; and interactivity (Buttle, 2004:254). New, advanced technology has led to the emergence of DTC tools, including e-mail, direct mail and cellular phones. Firms can directly *communicate* a message to clients. High-quality databases and DTC tools can ensure the personalisation of services for individual clients. The Internet ensures interactivity between firms and clients. E-mail and the Internet enable firms and clients to interact regularly and effectively.

4.3.4 Two-way communication in the banking branch of the financial services industry

Two-way communication in the banking branch of the financial services industry is very important. Bank employees have found that their role has shifted to financial counselling, which involves the processes of listening, aligning and matching (Duncan & Moriarty, 1998:2). These processes require bank employees to possess *communication*, listening and persuasion skills. Specifically, in the banking branch of the financial services industry, banks can *communicate* with clients through a variety of media. Messages can be *communicated* through individuals (personal *communication*) and/or the mass media (impersonal *communication*). Clients can receive information through the mail, which can constitute letters, statements or brochures, e-mail, telephone, SMS, radio, television, the press and through interaction within the physical banking branch.

4.3.5 The influence of two-way communication on customer relationship management

The increasing need to manage relationships with consumers has brought forth a variety of “new” marketing approaches, including customer-focused, market-driven, one-on-one marketing, relationship marketing and integrated marketing *communication* approaches (Duncan & Moriarty, 1998:1). Each of these approaches emphasises *two-way communication*.

It can justly be argued that a relationship can only be established if dialogue or *communication* with a client is started (Jarvis, 2004:1). *Communication* is a human activity that connects people and creates relationships between them. Firms can make use of effective *communication* to shape client relationships (Swartz & Iacobucci, 2000:354). In a firm-client relationship, *communication* has to become a two-way process or dialogue (Christopher *et al.* 2002:220). *Two-way communication* occurs when firms listen to their consumers, and with better interaction between consumers and firms. *Communication* before, during and after transactions can build and maintain relationships. Effective *communication* is of the utmost importance in order to ensure a successful firm and relationships with clients (Mudie & Cottam, 1999:89; Duncan & Moriarty, 1998:1). Service providers need to listen to and interact with clients, and accordingly design and provide a service that will lead to continued value exchanges between the two parties (Christopher *et al.* 2002:221). If a firm listens to its target market through effective *communication*, it will know exactly what its clients want, how they want it, when they want it and what they are willing to pay for the service (Anderson & Zemke, 1991:53). The service firm will be able to deliver its promises, as expected, to its clients.

Additionally, research has confirmed many benefits resulting from effective *communication*. These benefits include unbiased marketing, cost savings, a higher quality of service, increased impact on clients, elimination of misconceptions about the service, and greater professional expertise provided to clients (Baker, 2003:408). Several of these benefits are beneficial for clients, for example, professional service delivery, and may therefore ensure an increased positive perception of a service firm. According to Dodd (2004:4), *communication* is necessary in order to understand what clients really expect. Additionally, Tschohl (1991:170) indicates that a firm's *communication* with its clients is important, as such *communication* will inform the firm whether clients are satisfied, which services clients use, what clients expect and are willing to pay, and what clients' preferences are. Therefore, sufficient *two-way communication* is important for service firms, including banks, and may influence the degree of *CRM* of such firms.

Egg Plc, Europe's highest profile Internet bank, which has 2.9 million clients, follows a *CRM* approach by implementing various strategies, including a customer data warehouse and improved cross-channel *communication*, to maintain client relationships (Jarvis, 2004:1-2). Egg Plc focuses on increasing its response rate from clients, in order words, its *two-way communication*. The bank implemented *CRM*, in the belief that this strategy would ultimately accelerate its financial growth. Subsequently, the bank reported acquiring and successfully retaining 340 000 clients and an operating profit increase of 300% in the first six months of 2003 (Jarvis, 2004:2). This example amply illustrates the potential influence of *two-way communication* on *CRM*.

4.3.6 The influence of two-way communication on service quality

It has been found that a firm's *communication* can affect consumer expectations. Discrepancies between service delivery and external *communications*, including exaggerated promises and/or the lack of service delivery information (influencing expectations), may influence consumers' perceptions of the *service quality* of a firm (Zeithaml, Berry & Parasuraman, 1988:44). Therefore, *two-way communication* may influence the degree of *service quality* of a firm.

In this study, *two-way communication* is specified as an independent variable with a possible direct influence on *CRM* and a possible indirect influence on *service quality*.

4.4 ATTITUDE DESCRIBED

The concept of *attitude*, the components of attitude, and the different types of *attitudes* require elaboration. Additionally, the influence of *attitudes* on the *CRM* and *service quality* of banks will also be investigated.

4.4.1 The concept: attitude

Attitude can be described as a tendency to respond in a specific way, based on positive or negative judgements regarding objects, people and/or situations (Robbins, 1998:140; Mullins, 1996:116). *Attitudes* are more specific than the broad values of people and refer to specific "likes" "and dislikes", that result in predispositions to behave in a certain manner towards something and/or someone (Schermerhorn, 1996:136).

It is important to consider the following aspects regarding *attitudes*: it is learned, it defines a person's predispositions toward specific aspects of his/her life, and it provides the basis for a person's interpersonal relations and identification with others. In addition, *attitudes* are organised and part of a person's personality (Gibson *et al.* 1997:102). *Attitudes* are relatively stable feelings, beliefs and formed behaviours; once an *attitude* is formed, it tends to persist. However, as it is a psychological variable, it is subject to change.

4.4.2 The components of attitude

Attitude consists of three components, namely cognitive, affective and behavioural components (Robbins, 1998:140-141). The cognitive component reflects the belief or opinion that resulted in the specific *attitude*. It consists of a person's values, perceptions, thought processes and logic (Robbins, 1998: 140; Gibson *et al.* 1997:103). The affective component comprises the emotional or feeling segment of the *attitude*. This component can be learned from parents, friends, managers and peer employees. The behavioural component refers to the intentional behaviour resulting from the *attitude*. *Attitudes* determine a person's behaviour in situations, as *attitudes* are linked to a person's perception, personality and motivation (Gibson *et al.* 1997:102,119). This study considers how the *attitudes* of bank employees, as perceived by clients, influence the *CRM* of banks. Therefore, the behavioural component of *attitudes* is relevant for the study.

4.4.3 Types of attitudes

Different types of *attitudes* can be identified. Due to the nature of the research in question, where clients' perceptions of the *attitudes* of bank employees are considered, the understanding of work-related *attitudes* is important. Work-related *attitudes* are those *attitudes* relating to any aspect of work or any work setting (Greenberg & Baron, 2000:170). *Attitudes* determine an employee's reaction, response to or behaviour towards various aspects of his/her job. An *attitude* indicates how an employee "feels" about his/her job, and how he/she reacts because of this feeling.

(a) Job satisfaction

One work-related *attitude* is job satisfaction. The degree of job satisfaction experienced by employees may predict the occurrence of their workplace behaviours (Schermerhorn, 1996:136). The term job satisfaction refers to individuals' general *attitude* towards their jobs. This *attitude* results from employees' perception of their jobs (Robbins, 1998:142; Gibson, *et al.* 1997:106). It describes the internal state of an employee (Mullins, 1996:520). Job satisfaction is experienced when employees are able, through their jobs, to satisfy one or all of their physiological, security, social, status and self-actualisation needs. A person with a high level of job satisfaction holds positive *attitudes* to his/her the job, while a person who is job dissatisfied holds negative *attitudes* to his/her job. Additionally, job satisfaction may be viewed as the difference between the level of rewards employees receive and the level they believe they should receive (Robbins, 1998:25).

Job satisfaction is a complex concept and difficult to measure objectively. Job satisfaction can be viewed and understood by considering many approaches. One approach suggests that an employee’s degree of job satisfaction depends on a range of variables relating to individual, social, cultural, organisational and environmental factors (Mullins, 1996:521). The individual factors that may influence an employee’s job satisfaction include his/her personality, level of education, intelligence, age and marital status. Social factors include the employee’s relationships with co-workers, group working and norms. Cultural factors refer to the underlying *attitudes*, beliefs and values of the employee. Economic, social, technical and governmental influences are the environmental factors determining an employee’s job satisfaction. Job satisfaction depends on various organisational factors evident in the work environment, including the supervisor’s style, policies and procedures, work group affiliation, working conditions and fringe benefits (Gibson *et al.* 1997:106).

According to these factors, job satisfaction can be subdivided into two categories, namely intrinsic and extrinsic job satisfaction (Kreitner & Kinicki, 1992:59). Extrinsic job satisfaction is created by various factors, including a satisfactory salary and task satisfaction. Intrinsic job satisfaction is caused by internal factors, including self-actualisation. Herzberg’s Two-Factor Theory suggests that job satisfaction is experienced through the presence of intrinsic factors. Job dissatisfaction stems from the lack of extrinsic factors (Gibson *et al.* 1997:133).

Another five models specify the causes of job satisfaction. They are the need fulfilment model; the discrepancy model; the value attainment model; the equity model; and the trait/generic component model (Jooste, 2000:66):

- The need fulfilment model suggests that job satisfaction is determined by the extent to which the job's characteristics allow an employee to fulfil his/her needs.

- The discrepancy model proposes that job satisfaction results from expectations that are being met. Expectations that are met are the difference between what an employee expects to receive, including a reasonable salary, and what he/she actually receives. If expectations are more than what are received, an employee will be dissatisfied. An employee will be satisfied if he/she receives outcomes that are in excess of his/her expectations.

- The value attainment model states that job satisfaction occurs from the fulfilment of an employee's work values.

- The equity model evaluates job satisfaction as how "fairly" an employee is treated at work. Job satisfaction will occur if an employee perceives his/her outcomes, relative to inputs, as comparing favourably with other employees' outcomes and inputs.

- The trait or generic model suggests that job satisfaction depends on both the employee's personal characteristics and generic factors.

This research will explicitly measure the influence of *attitude*, including job satisfaction, on the *CRM* of banks.

(b) Organisational commitment

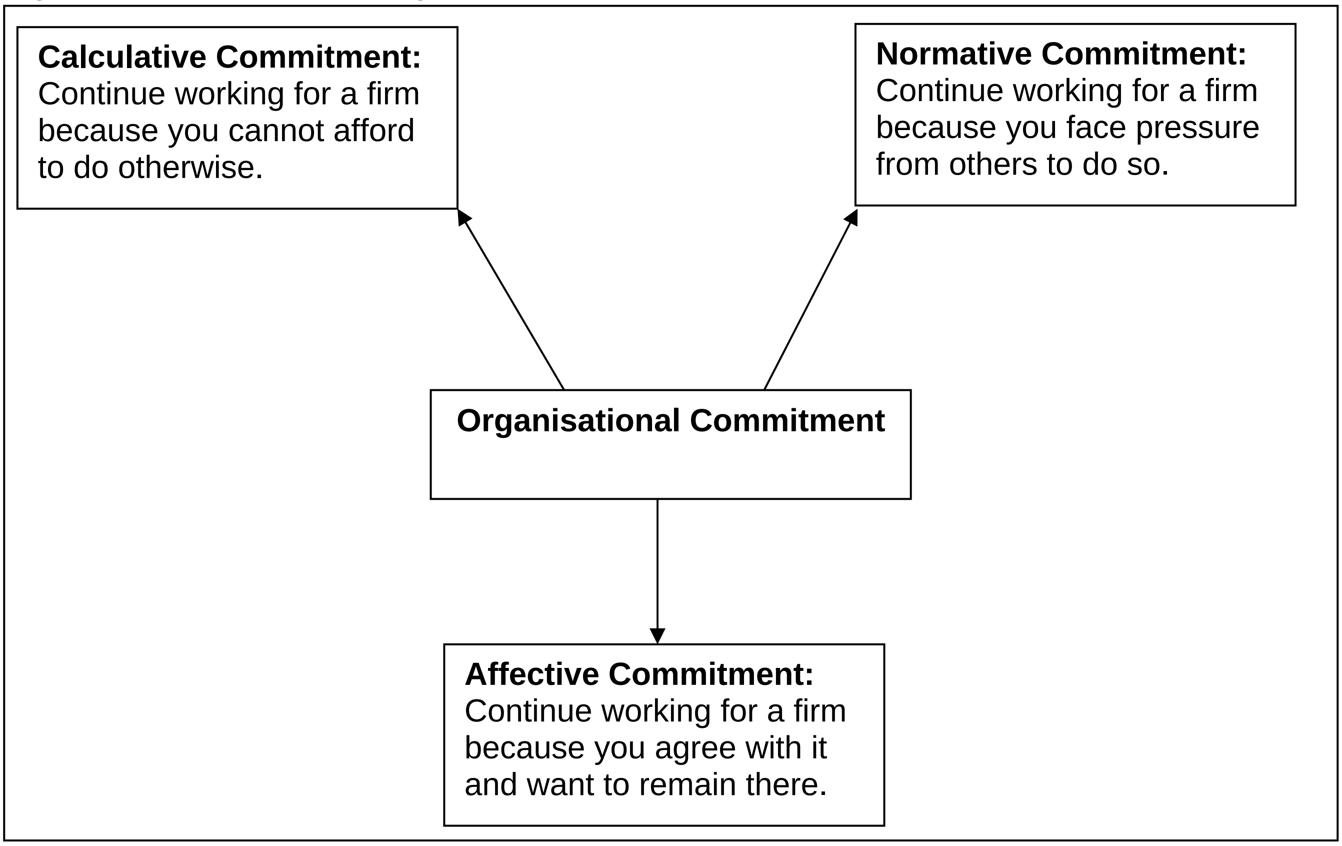
Another work-related *attitude* is the organisational commitment of an employee. Organisational commitment is the degree to which employees identify with the specific firm they are employed by and the degree to which they identify with the firm's goals (Robbins, 1998:142). If employees wish to maintain membership of the firm, their organisational commitment is high. Greenberg and Baron (2000:181) view organisational commitment as the extent to which an employee is involved with his/her firm and the degree of interest he/she has in remaining on as an employee.

Variables that determine organisational commitment can be grouped into four categories, namely personal characteristics; job-related characteristics; job experiences; and structural characteristics (Tait, 1996:98). Age, qualifications and gender are examples of personal characteristics. Job-related characteristics include, amongst others, the degree of challenge in an employee's job. Job experiences indicate the degree of dependability that an employee assigns to the firm. Structural characteristics are reflected by the ways in which the firm is structured and levels of authority are designed.

It is possible to differentiate between three forms of organisational commitment (Morrow, 1993:71). Organisational commitment can be viewed as a function of calculative (continuance), normative or affective (attitudinal) involvement. These three forms of organisational commitment are depicted in Figure 4.2.

Calculative organisational commitment refers to the strength of an employee's desire to remain working for a firm due to his/her belief that it may be costly to leave (Greenberg & Baron, 2000:182). The concept focuses on those aspects that an employee may loose when leaving the firm, for example seniority, insurance and fringe benefits (Morrow, 1993:74). The individual is only bound to the firm because of these interests. If employees of a bank are unwilling to leave the banking institution as they are not prepared to loose aspects they invested in the institution, for example, close friendships and retirement plans, these employees have a high level of calculative organisational commitment.

Figure 4.2: Three forms of organisational commitment



Adapted from: Greenberg and Baron (2000:182)

Normative organisational commitment reflects a feeling of obligation to remain with a firm, as an employee faces pressure from others to remain with the firm. Additionally, employees with high levels of normative organisational commitment feel they have the responsibility to remain loyal to their firms. If an employee of a bank remains with the bank because he/she is reluctant to disappoint others and concerned about what they may think of him/her leaving the institution, the employee has a high level of normative organisational commitment.

Affective or attitudinal organisational commitment refers to the strength of an employee’s desire to continue working for a firm because he/she agrees with its underlying goals and values (Greenberg & Baron, 2000:183). If employees have high levels of affective organisational commitment, they will endorse the firm and will contribute to the firm’s achievement of its mission and vision. Such employees will have a strong identification with the firm. For example, in a banking institution, employees who are not prepared to leave the bank because they fully support the mission, vision, goals and underlying values of the institution, display extensive affective organisational commitment. This research will explicitly measure the influence of *attitude*, including affective organisational commitment, on the *CRM* of banks.

In addition, organisational commitment can be viewed from two perspectives, namely the attitudinal perspective and the behavioural perspective (Tait, 1996:97). These two perspectives reflect the two different ways in which individuals attach themselves to the firm (Miner, 1992:124). The attitudinal perspective views organisational commitment as an employee’s physiological connection with the firm where he/she works. The behavioural perspective focuses on the behaviour of the individual. This perspective views organisational commitment as inferred from the employee's actions (Arnolds, 1993:50).

For the purpose of this research the behavioural perspective is followed, as it can be argued that the behaviour displayed by bank employees, as a result of the level of their affective organisational commitment *attitude*, may influence the degree of *CRM* of the bank.

4.4.4 The influence of attitude on customer relationship management

As an employee's *attitude* influences his/her behaviour, the manner in which he/she interacts with clients will obviously be influenced. This, in turn, might influence the degree of *CRM*, or the successful maintenance of client-firm relationships, of a firm.

The work-related *attitude*, job satisfaction, can be beneficial for firms. Research has shown that employees with high job satisfaction increase a firm's performance. Additionally, when employees are satisfied with their jobs their degree of satisfactory task performance increases (Greenberg & Baron, 2000:178). Job satisfied employees portray positive *attitudes* and may display favourable feelings in their interaction with clients. This may influence the *CRM* of the firm.

It can be argued through the behavioural perspective of organisational commitment that the behaviour displayed by employees towards clients, as a result of their organisational commitment, may affect the clients' relationships with the firm. Thus, the work-related *attitude*, organisational commitment, may influence the *CRM* of a firm.

4.4.5 The influence of attitude on service quality

The *attitude* of employees towards clients, including their desire or willingness to deliver good client service, can positively or negatively influence a firm's service strategy (Walker, 1990:6,37). Additionally, it has been shown that 68% of the clients lost by firms left due to the poor attitude displayed by an employee (Jude, 1998: 36). Thus, *attitudes* may influence a firm's level of perceived *service quality*.

Research in the United States of America indicated that intrinsic job satisfaction, which forms part of *attitude*, has a positive influence on *service quality* (Eichar, Norland, Brady & Fortinsky in Tait, 1996:120). In other words, if an employee experiences a high degree of job satisfaction due to self-actualisation, the *service quality* of the firm will increase. However, extrinsic job satisfaction, another type of *attitude*, has no significant influence on *service quality*.

Research measuring the direct influence of organisational commitment, which forms part of *attitude*, on *service quality* indicated a positive influence by organisational commitment on *service quality* (Boshoff & Mels, 1995:23-42). It is possible that an employee with a higher level of organisational commitment may more effectively and efficiently perform work-related tasks. This may lead to higher levels of satisfaction for clients, and ultimately, to higher perceived levels of *service quality*.

According to the Banking Council Co-ordinator, it is important for front-line bank employees to realise that their *attitude* and how they deliver the service is vital in the client's banking experience (Bedford, 2004:10). This may suggest that the *attitude* of bank employees influences the perceived *service quality* of the bank.

In this study, the *attitude* of bank employees, as perceived by clients, is specified as an independent variable with a possible direct influence on *CRM* and a possible indirect influence on *service quality*.

4.5 KNOWLEDGEABILITY

What follows, are explanations of the concept of *knowledgeability* (and *knowledgeability* in the banking branch of the financial services industry). The influence of *knowledgeability* on the *CRM* and *service quality* of banks will be investigated.

4.5.1 <u>The concept: knowledgeability</u>

Knowledgeablity refers to the level of insight an employee has regarding specific aspects, products and/or services of a firm. Employees require academic and tacit *knowledge*. Academic *knowledge* is the ability to remember formulas and information, whereas tacit *knowledge* is the ability to be practical and action-orientated with regard to a firm's products and services (Greenberg & Baron, 2000:118). The tacit *knowledge* of an employee, as already explained in Chapter one, is not documented, but comprises his/her insights, intuitions, and emotions. Tacit *knowledge* comprises an employee's technical skills and cognitive abilities (Knowledge Management, 2004:100). Specifically, in the service industry, it is known that an increase in the tacit *knowledge* of employees leads to improved competitiveness for a service firm (Thompson & Mchugh, 2002:187).

Technological development has sharpened the focus on the *knowledge* and expertise of employees. Employees need to apply their theoretical and practical understanding of a specific area and produce valuable outcomes for the firm and its clients (Mullins, 1996:507). The degree of *knowledge* of employees can be perceived by clients as the employees' ability to create ideas and the level of value resulting from their applied *knowledge*. The *knowledge* of employees can depend on their task competence, peer and management support, task and role clarity, and firm awareness (Mullins, 1996:508). Thus, employees will gain increased *knowledge* if they perform their tasks in a satisfying manner, regularly interact with their peers and management, have clarity on their tasks and roles in the workplace, and are fully informed about the firm.

4.5.2 Knowledgeability in the banking branch of the financial services industry

In a banking institution, employees' academic *knowledge* will depend on their insight in and ability to fully understand banking procedures, policies, products and/or services. Banking employees' tacit *knowledge* will depend on their ability to practically implement banking procedures and perform duties regarding banking service delivery through the relevant banking systems. The above implies that an employee should have technical, product and firm knowledge (Walker, 1990:36).

4.5.3 The influence of knowledgeability on customer relationship management

If an employee of a service firm, for example a bank, has a high level of *knowledgeability* regarding the firm's services and the ability to share the required information, clients will always be better informed. Clients will be able to make more effective and efficient decisions with regard to, for example, personal financial planning. Additionally, clients will tend to have more trust in the service provider and feel more comfortable using its services. This suggests that clients may have increased positive feelings towards the firm and that the *knowledgeability* of the employees may ultimately influence the firm's *CRM*.

Specifically, in the banking branch of the financial services industry, assistance from bank employees and their level of *knowledge* are considered to be very important by clients. The business environmental threat most likely to influence a bank is the issue of recruiting good employees. A bank employee needs to possess the *knowledge* and expertise required to advise and assist clients in their financial matters. If relevant advice and assistance are provided, clients will feel valued by the bank and possibly have a better relationship with the bank.

4.5.4 The influence of knowledgeability on service quality

According to Walker (1990:6), the *knowledge* and skills of employees, specifically front-line employees, are crucial to a firm's ability to fulfil the service quality expectations of its clients. The principal asset for service firms is their employees, and the application of service employees' skills and *knowledge* is the key differentiator between "good" and "bad" service (Beckford, 2002:12). Banks are forced to invest even more in the quality of their employees, because bank employees are the key advisors to clients, and therefore their quality and level of *knowledge* will be the institution's quality (Mikdashi, 2001:30-31). In an interview with SA Banker, the Banking Council Co-ordinator stated that the client-contact employees are the interface between the client and the ambitions of the bank's chief executives. The client is concerned about what the bank employees do at the interface (Bedford, 2004:10). Thus, the *knowledge* of front-line bank employees may influence the level of perceived *service quality* of the bank. Through extensive *knowledge* and expertise, bank employees can help ensure that clients more effectively and efficiently conduct their financial transactions and decision-making regarding their financial affairs. If this is achieved, the perceived *service quality* of the bank may increase. Ultimately, the bank's services will contribute to higher levels of saving in the country and lead to economic growth.

In this research, the *knowledgeability* of bank employees, as perceived by clients, is specified as an independent variable with a possible direct influence on *CRM* and a possible indirect influence on *service quality*.

4.6 EFFICIENCY OF BANKING SERVICES

Efficiency is defined as the degree to which tasks or activities are performed correctly and as desired (Marx *et al.* 1998:349-350). A firm needs to direct its employees as *efficiently* as possible in order to satisfy the needs of its target market and to reach its objectives. For example, a bank needs to ensure that its employees conduct their tasks and responsibilities in an *efficient* manner. This would result in resources being utilised *efficiently* and tasks being performed successfully.

Various aspects in the banking environment may influence the overall *efficiency* of the banking services provided to clients. For the purpose of this research, six dimensions of banking services that influence a bank's *efficiency* were identified, namely confidentiality; security; ethical behaviour; variety of services; bank charges; and technology. Each of these dimensions will now be explained. Thereafter, the influence of the *efficiency of banking services* on the CRM and service quality of banks will be discussed.

4.6.1 Confidentiality of clients' banking information

Service consumption is more risky than the consumption of physical products and trust is therefore particularly relevant to service providers and clients (Swartz & Iacobucci, 2000:357). This may be attributed to the fact that when buying a physical product, customers may use specific tangible aspects of the product, for example its features, to evaluate the product and firm providing the product. However, when making use of a service different clients may view the quality of the service differently, due to the unique nature of services. Therefore, clients' confidence in service providers differs. Banks can ensure that their clients trust them through focusing on the implementation of strategies for the confidentiality of client information, the security of clients' funds, and explicit ethical behaviour.

Many reasons exist for clients' concern for the confidentiality of their information. Clients want their information to be private; they want to avoid unwanted intrusion, embarrassment, economic harm, and criminal harm. They might feel uncomfortable if others know their situations (Tsarenko, Stewart & Gabbott, 2004:797). These reasons may be applicable to banking clients. Clients want their financial and personal information to be kept private by their bank in order to avoid some - or all - of these consequences. Research in the United States of America in 2003 indicated that 6% of banking clients did not use online banking services, as they were concerned about the confidentiality of their information (Greenspan, 2003:2). This concern may very well be shared by South African clients. Clients want permanent access to their personal banking information and desire that their personal information be used by bank employees in order to provide relevant financial advice. However, clients value confidentiality and want their personal information to be protected by their bank (Cullen, 2002:1).

4.6.2 Security of funds

The personal funds of an investor are very important, as it is a scarce resource on which the investor is dependent and which is placed under the supervision of a bank. The security and protection thereof is important to all banking clients. Research findings have shown that the primary reason why banking clients do not make use of online banking, is their concern about security. The findings indicated that 26% of the respondents were in doubt about the security of online banking facilities (Greenspan, 2003:2).

4.6.3 Ethical behaviour

Ethical behaviour refers to the conforming to acceptable norms of behaviour, based on custom, practice and personal conscience (McDonald & Leppard, 1990:27). A bank's degree of ethical behaviour will depend on its conformance to socially acceptable and legal ways. For example, a bank will operate in an ethical manner if it operates according to the Banks Act (Act No. 1 of 1990) and the Competition Act (Act

No. 89 of 1998 – amended in February 2001) and according to the norms of the general public, including its target market. The bank will be structured, operating according to the law, and will not be involved in illegal practices.

4.6.4 Variety of services

Variety indicates a firm's availability of a selection of products and/services to clients. In the banking branch of the financial services industry, a bank's variety will depend on its different types of services and options to clients with regard to banking services (Financial Services Industry in South Africa, 2003:3). For example, a bank will have a variety of products and/or services if it provides clients with the options of banking at a physical branch, using an ATM, Internet, telephone and cellular phone banking. Additionally, a bank's variety of products and/or services will increase if it provides clients with various account options, including saving, cheque and credit card accounts. A bank's variety is extended through the availability of different types of transaction options, such as deposits, transfers, balance enquiries and the payment of accounts.

4.6.5 Bank charges and related costs

Bank charges refer to the fees charged by a bank for the services it renders, for example, transaction fees for transfers and general administration fees (Manage your bank charges, 2004:1). These fees are usually increased once a year and are determined by the head office of a bank. Bank fees are the same for all clients, but may vary in some instances, for example, the interest rate on a property bond may depend on a client's records with the bank and/or his/her assets. Specific bank packages may decrease a specific client's bank charges due to his/her use and implementation of the package. For example, some banking institutions provide decreased bank charges if clients permanently maintain a specific balance in their cheque accounts (Manage your bank charges, 2004:1).

A study conducted in South Africa in 2004, namely "Competition in South African Banking", suggests that banking fees in South Africa is of the highest globally and therefore it is impossible for a low-income earner to save (Stovin-Bradford, 2004:17). Earlier in 2004, the Banking Council mentioned that there was "an escalation of anger among banking clients over bank charges", and although the new Mzansi account (implemented at the end of October 2004) is primarily intended for the un-banked South Africans in the LSM 1 – 5 income groups, any person may use the account and save on bank charges (Stovin-Bradford, 2004:17; Van Rooyen, 2004:11). However, the Mzansi account features fewer functions than other bank accounts and it is therefore unlikely that South Africans in the middle and higher income groups will make use of it. Additionally, banking analysts believe that clients are generally reluctant to change their manner of conducting transactions in order to decrease bank charges (Stovin-Bradford, 2004:17).

4.6.6 Technology in the banking branch of the financial services industry

Increasingly, many services are being delivered with the help of technology. The majority of service clients will encounter situations where some component of a service they wish to use, requires interaction with some form of technology. Advances in technology have transformed service delivery in recent years, especially with regard to self-service options and service support (Swartz & Iacobucci, 2000:103). Service firms implement these technological developments to offer faster and better services, with increased availability and convenience. Delivering services through technology is a cost-effective, reliable and efficient method for service firms.

Developments in information technology are increasing competition in financial institutions worldwide. Therefore, the deployment of advanced technologies in a bank is fundamental to achieving a competitive advantage (Kamel & Hassan, 2003:1). Some of the major banking groups have indicated a double-digit increase in their spending on information technology (Young, 2004:19). Information flow, trading and investment are independent of time and place, thanks due to technology (Mikdashi, 2001:9). For example, banking services can be delivered at any time and at any place, not only in a physical banking branch during its opening hours.

The Internet accommodates different languages, enabling banks to increase their market share. Instead of geographical presence, the delivery of high quality services through technology has become one of the main determinants in competition between banks. The majority of banks view the Internet as an important tool in reducing costs and increase revenues. It should be noted, however, that only seven and a half percent of the South African population have access to the Internet (Research, 2004:27). According to the 2001 Price-Waterhouse & Coopers Banking Survey, eight out of nine banks indicated that they had employed strategies to encourage clients to use electronic channels of banking services (Industry Overview and Database of the South African Banking Industry, 2001:19). The usefulness of these strategies is evident in the growth of Internet and cellular phone banking in South Africa. At the end of 2003, there were one million online bank accounts, reflecting a growth of 28% from 2002. The expected growth for 2004 was 32%, indicating an expected 1.4 million online bank accounts at the end of the year (Banking, 2004:152). The number of cellular phone banking clients has grown rapidly, and it was expected that South Africa would approximately have 151 360 cellular phone banking clients by the end of 2004 (Banking, 2004:156). The banking branch of the financial services industry continuously focuses on processing information, and the information technology revolution increases the functionality of this activity. This provides banks with the opportunity to change old patterns and create new products and channels of distribution (Mikdashi, 2001:65).

The positive application of technology in the delivery of services can, however, be restricted by various negative consequences of technological advancement. Technological advancement limits the possibility of human error, but requires more extensive training of service employees. Banks need to more extensively educate and train their employees to adequately equip them with knowledge of the use of the technology (Buckley & Caple, 2004:64; Hirschowitz, 1986:27). Additionally, technological developments are changing the way service firms and their clients interact. Technology-delivered services limit the direct or indirect contact between a service provider and its clients (Swartz & Iacobucci, 2000:103). The prolonged absence of contact with a service provider, when the client becomes dependent on a technology-based means of accessing the service, could potentially erode the client relationship with the service provider, that was previously enhanced through employee contact (Swartz & Iacobucci, 2000:98). The use of more advanced technology minimizes the level of personal and customised service from banks to clients.

Presently (2005), self-service technology is challenging the service firm-client relationship, for example, banking transactions can be conducted through the use of a telephone, the Internet and television (Swartz & Iacobucci, 2000:103). This decreases physical interaction between a bank and its clients and may negatively influence the relationships the bank has with clients. The development of ATMs changed the method of interaction between banks and clients. Initially, ATMs were met with some resistance, because people were not used to interacting with a machine instead of a bank employee. Research in the United States of America in 2003 has shown that 21% of banking clients do not use online banking, as they prefer face-to-face interaction with a bank employee (Greenspan, 2003:2). This may also be the case for South African banking clients. Most banking clients, including Internet banking clients, still require a multi-channel approach, as there is still a need for physical interaction. Hence the need for a broad coverage of banking channels in order to provide a fully-integrated South African banking service (Banking, 2004:159).

4.6.7 The influence of the efficiency of banking services on customer relationship management

It is known that clients desire the following service benefits from a bank: availability; speed; reliability; transferability; ease of inquiry; and participation in the personal finances of the client (Hirschowitz, 1986:171). Clients want faster and better service delivery. Thus, the *efficiency* of services may influence a bank's *CRM*. Specifically, the confidentiality of client information, security of client funds, ethical behaviour, variety of services, bank charges and technology will possibly influence the bank's *CRM*.

If a bank uses client information without the permission of the specific clients, or if clients' information is accessible by another person, the clients will consider this occurrence as an invasion of their privacy. The majority of banking clients will view this as unacceptable. It may negatively influence the bank's relationship with its clients. The client affected may change to another competitor bank for banking services. However, if a bank implements sufficient measures to ensure that bank employees handle client information responsibly, clients will trust the bank and possibly have a high-quality relationship with the bank. Research indicated that confidentiality is important in the purchasing decision of banking clients (Cullen, 2002:1). The level of confidentiality upheld by a bank will determine clients' decisions whether to consolidate their business and relationships with the bank.

Banks protect a scarce resource of a client, namely their investments. Therefore, it is important for clients that a bank implements strict measures to ensure the safety of their funds. Clients' relationships with a bank may be negatively influenced if their funds are siphoned away and the bank cannot account for this occurrence. If high security systems are evident, clients will feel that their funds are safe with the bank and possibly feel more positive towards the bank.

Ethical considerations are a major determining factor for clients in choosing a bank. Research in the United Kingdom in 2002 has indicated that more than 20% of potential banking clients are influenced to open an account with a bank for ethical and environmental reasons (Ethical and Ecological Value Analysis, 2002:1). In 2002, 44% of the saving account clients of the Co-operative Bank in the United Kingdom indicated that ethics is an important factor when deciding on a bank, while 37%

indicated that ethics is the single most important factor (Ethical and Ecological Value Analysis, 2002:1). This shows that the ethical behaviour of a bank may influence the perception of its clients of its *CRM* strategies.

The confidentiality of information, the security of funds and the ethical behaviour of a bank are important for clients, as a bank protects their finances, and if a bank does not ensure confidentiality, and security and performs its services in a ethical manner, a client's trust in the bank will decrease; he/she may possibly even switch to another bank that can give him/her the assurance of confidentiality, security and ethical behaviour.

Clients require a bank that will provide them with personal attention and maximum service benefits at the lowest bank charges or fees (Hirschowitz, 1986:170). Additionally, through implementing *CRM*, Egg Plc found that banking clients desired more choice and better prices for banking products and services (Jarvis, 2004:2). Banking clients patently desire more variety in banking products and services and lower bank charges, and these aspects may influence clients' relationships with their bank. Additionally, client-bank relationships may be damaged due to excessively high bank charges, as unreasonable pricing can influence a client to move to another, competing, bank (Stovin-Bradford, 2004:17).

It is important to establish whether sufficient, effective and efficient *CRM* can exist with advanced technological systems (Swartz & Iacobucci, 2000:97). After implementing *CRM* strategies, firms often fail due to their dependence on technology to ensure client relationships (Jarvis, 2004:2). Banks generally overestimate the advantages of technical development. It is important for clients to have personal contact with an employee at a branch. *CRM* is about people and a sufficient process of interaction with clients, and not simply about the implementation of advanced technology. Thus, the use of new technology by a bank may influence its *CRM*.

4.6.8 The influence of the efficiency of banking services on service quality

Clients desire faster and better services, and therefore it can be argued that the efficiency of services, including banking services, may have a positive influence on the perceived *service quality* of a firm. Economic theory in general assumes a positive relationship between price and quality (Rust & Oliver, 1994:102). Higher prices for services, for example higher bank charges for banking services, may indicate a higher level of service quality for clients.

In this study, *efficiency of banking services* is specified as an independent variable with a possible direct influence on *CRM* and a possible indirect influence on *service quality*.

4.7 SUMMARY AND CONCLUSIONS

In this chapter, the possible direct influence of *CRM* on *service quality* was highlighted. Additionally, the possible influences of the selected independent variables on *CRM* (directly) and on *service quality* (indirectly) were reviewed. A short explanation of each independent variable was given. Finally, the possible influences of and relationships between the different independent variables, *CRM* and *service quality* were examined.

The probable relationship between the selected independent variables, namely, *two-way communication*, *attitude*, *knowledgeability* and *efficiency of banking services*, and *CRM* is well described in secondary sources. Additionally, the possible influence of *CRM* on *service quality* is supported by the secondary sources. The analyses of the secondary sources, as reported in this chapter, led to the development of the conceptual model (see Figure 1.1) to be tested in the empirical investigation. It is of the utmost importance for this research to establish the influence of these independent variables on the intervening variable (CRM) and the influence of the intervening variable on the dependent variable (service quality), specifically relating to the banking environment in South Africa. In other words, it is important to identify whether the relationships, as described in the secondary sources, will be accepted or rejected.

In order to examine the influences of these variables practically, Chapter five will present the data sourcing and analysis of the empirical investigation conducted amongst banking clients regarding the *CRM* and *service quality* of banks.

CHAPTER FIVE

SOURCING AND ANALYSIS OF PRIMARY DATA

5.1 INTRODUCTION

As argued in Chapter four, the services rendered by banks should be shaped around the CRM of their clients.

As stated in Chapter one, this research focuses on the influence of *CRM* on the *service quality* of banks. In order to respond to the research questions of this study, an empirical investigation was conducted amongst a sample of banking clients. This was done to establish the rating of the selected variables possibly influencing the *CRM* and *service quality* of banks.

This chapter is a continuation of the introductory section on the methodology of the study presented in Chapter one and therefore aims to satisfy the first research objective.

Table 5.1 is instrumental in providing convincing arguments in favour of the positivistic paradigm as the appropriate research approach for this study. Questions are posed in the first column of Table 5.1 and answered in terms of both the positivistic and phenomenological paradigms (second and third columns). These questions must also be linked to the research problem, research questions, research objectives and hypotheses of this study. It is evident that the responses given in terms of the quantitative paradigm (second column) mirrors the best when evaluating the conceptual model pertaining to the influence of *CRM* on *service quality* and the influence of the selected variables on the *CRM* of banks. The aim of this study is to quantify significant relationships among the selected variables.

Table 5.1: Motivation for the decision on a positivistic (quantitative) approach

Question	Positivistic (quantitative)	Phenomenological (qualitative)
What is the purpose of the research?	• To explain and predict • To confirm and validate • To test theory	• To describe and explain • To explore and interpret • To build theory
What is the nature of the research process?	• Focused • Known variables • Established guidelines • Predetermined methods • Somewhat context-free • Detached view	• Holistic • Unknown variables • Flexible guidelines • Emergent methods • Context-bound • Personal view
What is the data like, and how is it collected?	• Numeric data • Representative, large sample • Standardized instruments	• Textual and/or image-based data • Informative, mall sample • Loosely structured or non-standardised observations and interviews
How is data analysed to determine its meaning?	• Statistical analysis • Stress on objectivity • Deductive reasoning	• Search for themes and categories • Acknowledgment that analysis is subjective and potentially biased • Inductive reasoning
How are the findings communicated?	• Numbers • Statistics, aggregated data • Formal voice, scientific style	• Words • Narratives, individual quotes • Personal voice, literary style

Source: Adapted from Leedy & Ormrod (2005:96)

The phenomenological paradigm is not relevant for this study, because a conceptual model is to be tested empirically. Further, the research in question will focus on testing hypotheses rather than generating theories, as would apply in terms of the phenomenological paradigm.

As depicted in Figure 1.1 of Chapter one, relationships between the selected independent, intervening and dependent variables (based on the banking branch of the financial services industry) must be assessed in this study. The positivistic research paradigm and its associated data collection and data analysis methodologies are therefore regarded as the most suitable research paradigm to give effect to the research questions, research objectives and to test the hypotheses of this study, as stated in sections 1.3.3, 1.3.4 and 1.3.5 of Chapter one.

Specifically, this chapter will present the methods of data sourcing and methods of analysis of the empirical investigation conducted.

5.2 METHODS OF DATA SOURCING

Under this section, the primary data sourcing methods and the measuring instrument are discussed.

5.2.1 Primary data

As explained in Chapter one and above, the problem definition of this research requires that a positivistic, or quantitative, research paradigm must be adopted. The positivistic paradigm attempts to identify the facts and causal relationships of a phenomenon (Hussey & Hussey, 1997:52). The positivistic paradigm is associated with measurement and produces specific, precise and quantitative data.

The primary research conducted included an empirical investigation, during which a structured questionnaire was used for data collection and structured interviews were conducted.

5.2.2 Sample selection

The population of this study consisted of all the banking clients in the Nelson Mandela Metropolitan area. Random sampling was used, and questionnaires were distributed amongst a sample of 290 banking clients. A very satisfactory response rate of 91.03% was achieved, as 264 questionnaires were useable for analysis. Additionally, stratified sampling was used as banking clients were included in the sample according to their banking institution and location. Only banking clients of the four largest banking groups in the Nelson Mandela Metropolitan area were included in the sample.

5.2.3 The measuring instrument

The questionnaire was developed to identify the influence of selected variables on *CRM* and the influence of *CRM* on the *service quality* of banks. Additionally, the overall satisfaction of clients with the *CRM* and *service quality* of banks was measured by two separate items. The structured questionnaire included some adapted items from previously tested measuring instruments and items, for example, the SERVQUAL instrument from Parasuraman *et al.* (1988:38-40). In addition, structured interviews were conducted with three Customer Relationship Managers, of three different banking groups, in order to identify important aspects of CRM to assist in the development of the questionnaire items.

The questionnaires were distributed and collected by research assistants/fieldworkers to banking clients in various bank branches throughout the Nelson Mandela Metropolitan area.

The questionnaire consisted of two sections. Section A was in the format of a seven-point Likert-type scale, consisting of 47 items. The statements in this section referred to banking clients' perceptions regarding the *CRM* and *service quality* of banks. Items included, related to the bank's *CRM* and *service quality* in terms of the selected variables, namely *two-way communication*; *attitude*; *knowledgeability*; and *efficiency of banking services*. The statements' response continuum ranged from 1 to 7, where 1 = strongly disagree; 2 = disagree; 3, 4 and 5 = neutral; 6 = agree and 7 = strongly agree. Eight questions gathered the biographical data of the respondents in section B of the questionnaire, namely the gender, population group, age, years of being a client of the bank, the type of bank accounts the client uses, and the level of education of the respondents. The respondents were also requested to identify the bank(s) of which they were clients.

The specific items on the questionnaire, for each variable, will now be discussed. Refer to Figure 1.1 of Chapter one to examine each variable. The questionnaire is included in Annexure A.

(a) <u>Two-way communication</u>

Six items were phrased to measure the influence of *two-way communication* on *CRM*. These items were self-developed and included items 1, 6, 10, 19, 26 and 37 (represented by COMM1 – 6). Specifically, these items were phrased as follows:

1. My relationship with my bank depends on whether the bank sends account statements to me, e.g. through the mail or internet (COMM1 – statements).

6. My relationship with my bank depends on whether senior managers are always available for appointments (COMM2 – managers).
10. My relationship with my bank depends on whether my bank's employees communicate effectively (COMM3 – communicate).
19. If my bank regularly informs me of new or important banking information through various media, e.g. on the television or radio, I will have a better relationship with my bank (COMM4 – information).
26. The more extensively I communicate with my bank, the better relationship I develop with my bank (COMM5 – extensive).
37. If a bank regularly informs me when certain services will be available and/or unavailable, I will have a better relationship with my bank (COMM6 – availability).

(b) Attitude

Items measuring the influence of *attitude* on *CRM* were self-developed and included items 3, 12, 14, 18, 21, 24, 28, 35 and 44 (represented by ATT1 – 9). The wording of these items is:

3. The attitude of the employees of my bank towards clients influences my relationship with my bank (ATT1 – employee attitude).
12. If the employees of my bank appear satisfied with their jobs, I feel more positive towards my bank (ATT2 – job satisfaction).
14. My relationship with my bank depends on whether the employees of my bank seem like a coherent family, caring about each other and the institution (ATT3 – family).

18. If the employees of my bank proclaim it is satisfactory to work for the institution, I have a better relationship with my bank (ATT4 – proclaim satisfaction).
21. My relationship with my bank depends on the commitment displayed by the employees of my bank to the banking institution (ATT5 – commitment).
24. If an employee of my bank informs me that he/she is also a client of the bank, I will have a better relationship with my bank (ATT6 – employee client).
28. My relationship with my bank depends on whether the employees of my bank display a positive attitude towards their work (ATT7 – display positive attitude).
35. My relationship with my bank depends on whether the employees of my bank appear really happy and without stress (ATT8 – happiness).
44. I have a good relationship with my bank because the employees of my bank seem attached to the institution (ATT9 – attached).

(c) Knowledgeability

Five self-developed items, namely items 5, 16, 22, 32 and 42 (represented by KNOW1 – 5), measure the influence of *knowledgeability* on *CRM*. The statements read as follows:

5. My relationship with my bank depends on whether employees of my bank can fully inform me on banking products and services (KNOW1 – inform).
16. If the employees of my bank have extensive knowledge regarding the banking products and services, I will have a better relationship with my bank (KNOW2 – knowledgeable).

22. My relationship with my bank depends on whether the employees of my bank can inform me of banking policies and procedures (KNOW3 – policies).
32. I will have a better relationship with my bank if the employees of my bank can advise me on banking products and services (KNOW4 – advise).
42. I will have a better relationship with my bank if the employees of my bank know the bank's procedures of delivering services (KNOW5 – procedures).

(d) Efficiency of banking services

Items measuring the influence of *efficiency of banking services* on *CRM* were self-developed and included items 2, 7, 17, 20, 23, 25, 27, 30, 40 and 43 (represented by EFF1 – 10). The items were phrased as follows:

2. My relationship with my bank depends on the efficiency of its banking services (EFF1 – efficiency).
7. My relationship with my bank depends on whether it provides value for money (EFF2 – value).
17. I will have a better relationship with my bank if I know that my bank treats information exchanged confidentially (EFF3 – confidentiality).
20. My relationship with my bank depends on whether it implements strict measurements to ensure the security of my funds (EFF4 – security).
23. My relationship with my bank depends on whether it maintains high ethical standards in its service delivery (EFF5 – ethical).
25. My relationship with my bank depends on its variety of services (EFF6 – variety).

27. I am indifferent to the bank fees charged for transactions, e.g. bank charges for transfers (EFF7 – fees).
30. If my bank provides technologically advanced services, e.g. Internet banking, I will have a better relationship with my bank (EFF8 – technology).
40. I selected my bank based on its fees for services (EFF9 – fees selection).
43. My relationship with my bank will be better if I know with certainty that the bank operates within the boundaries of the law (EFF10 – law).

(e) Customer relationship management

Items 15, 29, 31, 33 and 41 were self-developed in order to measure the existence of *CRM* in banks (represented by CRM1 – 5). Specifically, the wording of these items is as follows:

15. I have a high concern for the success of my bank (CRM1 – concern).
29. I have confidence in my bank and know that my bank will always act in my best interest (CRM2 – confidence).
31. I feel that I have a strong bond with my bank (CRM3 – bond).
33. I receive many benefits due to my relationship with my bank (CRM4 – benefits).
41. I am completely committed to my bank (CRM5 – committed client).

(f) Service quality

Five items measure the *service quality* in banks, namely items 8, 11, 34, 39 and 45 (represented by SQ1 – 5). These items were adapted from the SERVQUAL model of Parasuraman *et al.* (1988:38-40) and read as follows:

8. Generally, my bank performs its services by the promised times (SQ1 – time).
11. My bank has a reputation for using highly skilled employees (SQ2 – skilled).
34. The employees of my bank know how to cope with all types of clients (SQ3 – cope).
39. My bank's physical facilities are visually appealing (SQ4 – physical facilities).
45. The employees of my bank never show that they are too busy to respond to my requests (SQ5 – response).

(g) <u>Influence of customer relationship management on service quality</u>

Items measuring the influence of the intervening variable (*CRM*) on the dependent variable (*service quality*) were self-developed and include items 4, 9, 13, 36 and 38 (represented by CRMSQ1 – 5). The wording of these items is:

4. My bank delivers a better service to clients, if it has extensive relationships with its clients (CRMSQ1 – extensive relationship).
9. My bank's service quality increases, as its interaction with clients increases (CRMSQ2 – interaction).
13. My bank's level of service quality depends on my relationship with the bank (CRMSQ3 – relationship).
36. My bank's service quality depends on whether it understands its clients' needs (CRMSQ4 – understands).
38. It is important for me that my bank measures client satisfaction and/or client service on a regular basis (CRMSQ5 – measures).

(h) Overall satisfaction with customer relationship management and service quality

Two separate items, namely items 46 and 47, measure the overall satisfaction of clients with the levels of *CRM* and *service quality* in their banks respectively (represented by OVER1 – 2). The inclusion of these two items supports the theory that, typically the dependent overall quality measure is a one-item statement (Rust & Oliver, 1994:75). In other words, to measure a customer or client's perception of the overall quality of a product or service, only one item is necessary, and not multiple items, as in the case of other variables. Therefore, in this study one item measure the overall satisfaction of clients with their bank's level of *CRM* and one item measure the overall satisfaction of clients with their bank's level of *service quality*. The relevant two items are:

46. I am satisfied with the overall relationship that I have with my bank (OVER1 – overall relationship).
47. I am satisfied with the overall service quality of my bank (OVER2 – overall service quality).

The questionnaire was pre-tested with five respondents, with similar characteristics than the sample, and was found to be reliable. These respondents understood all the individual items in the way it was intended.

5.2.4 Data analysis

Data processing and analysis was executed by using the computer programs BMDP4M (Frane *et al.* 1990), SAS (SAS Institute, 1990) and SPSS (SPSS Version 12.0 2004).

The data were analysed in four phases. During the first phase of analysis, the discriminant validity of the instrument used to measure *CRM* and *service quality* was subjected to an exploratory factor analysis. Once a clear factor structure emerged, the internal reliability of each factor was assessed, using Cronbach Alpha coefficient scores. The factors that emerged after the exploratory factor analysis phase were then used as independent variables in two subsequent multiple regression analyses to assess the relationships predicted by the five hypotheses and theoretical model depicted in Figure 5.1 (a reproduction of Figure 1.1, reproduced for ease of readability).

In order to generalise the findings from this study, in other words to apply the findings from the sample onto the population, a comprehensive understanding of the phenomena under scrutiny is necessary (Hussey & Hussey, 1997:58). This study has created a good understanding of banks; and all the variables, namely CRM; service quality; two-way communication; attitude; knowledgeability; and efficiency of banking services. Therefore, it would be accurate to state that the findings of this study will be relative to all banking clients in the Nelson Mandela Metropolitan area. However, due to the existence of, possibly, more variables, these findings may not be representative of all banking clients in South Africa.

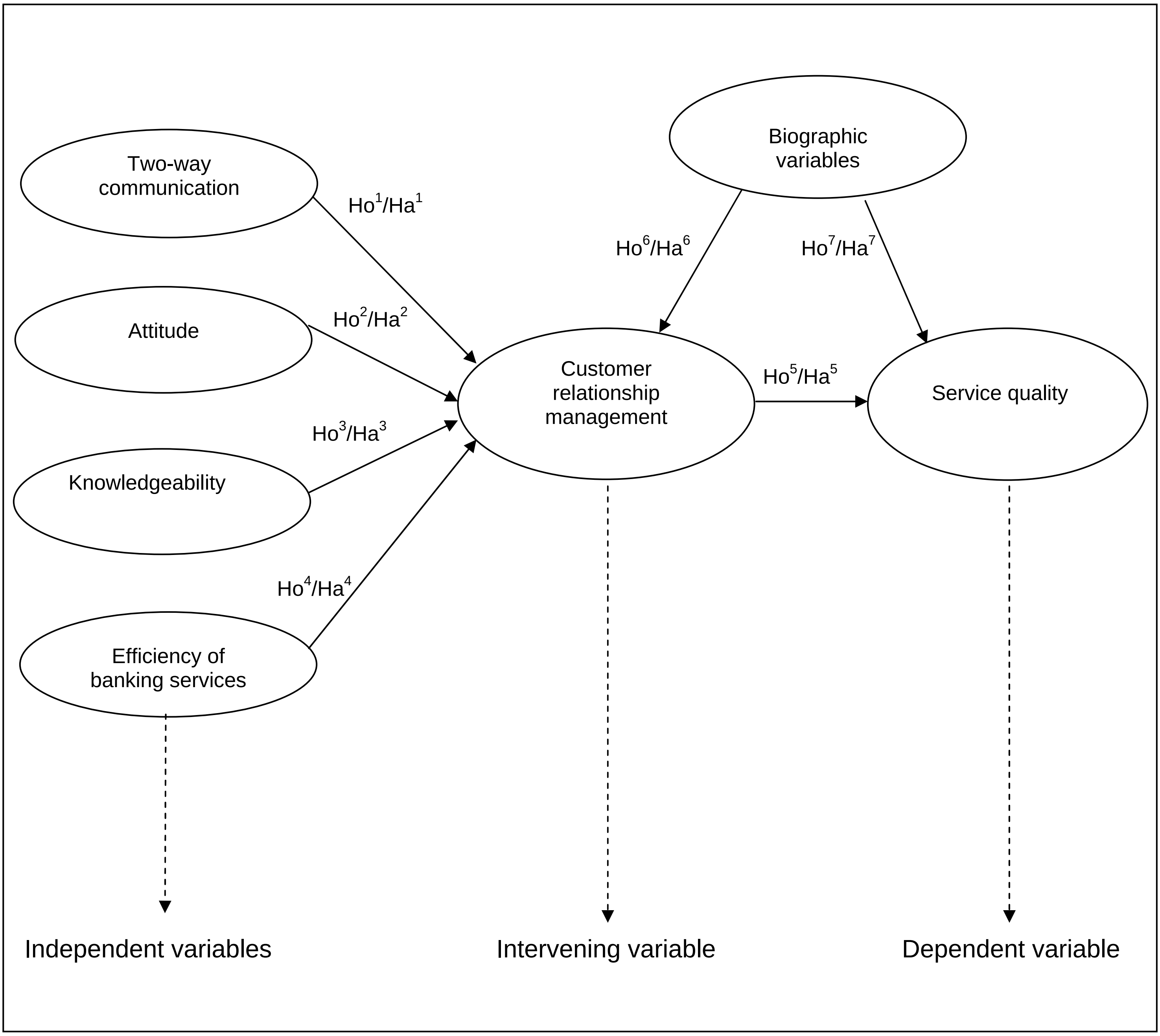
(a) <u>Validity of the measuring instrument</u>

As stated, the first phase of data analysis involved an assessment of the discriminant validity of the measuring instrument. The validity of a measuring instrument refers to the extent to which a measure or set of measures correctly represents the concept of the study. It is therefore concerned with how well the concept is defined by the measure(s) (Hair, Anderson, Tatham & Black, 1998:90).

An exploratory factor analysis was performed to assess the discriminant validity of the measuring instrument. The computer program BMDP4M was used to perform the exploratory factor analysis (Frane *et al.* 1990). Maximum Likelihood (ML) estimation was specified as the method of factor extraction.

A detailed discussion on the validity of the measuring instrument, based on the findings from the factor analyses, will follow in Chapter six.

Figure 5.1: Conceptual model



(b) Reliability of the measuring instrument

The second phase of the data analysis was to assess the internal reliability of the instrument used to test the variables in the theoretical model depicted in Figure 5.1. This was done by calculating Cronbach Alpha coefficient scores using the computer program SAS (SAS Institute, 1990).

Nunnally and Bernstein (1994:264-265) recommends Cronbach Alpha coefficient scores above the 0.7 threshold. The Cronbach Alpha coefficient scores and the reliability of the measuring instrument will be discussed in Chapter six.

(c) Multiple regression analyses

In phase three of the data analysis, the stated hypotheses were tested by means of regression analyses. Multiple regression analyses are used to determine the relationship between two or more independent variables on the one hand and a dependent variable on the other (Blumberg *et al.* 2005:730). In other words, in this research, multiple regression analyses were performed to assess whether the identified variables exerted a significant influence on *CRM* and *service quality*. The computer program SAS (SAS Institute, 1990) was used to perform the multiple regression analyses. Two separate multiple regression analyses had to be conducted, one for the intervening variable (*CRM*) and one for the dependent variable (*service quality*). For this purpose, the following null and alternative hypotheses were tested, as initially phrased in Chapter one:

Ho^1: There is no relationship between the perceived *two-way communication* and *customer relationship management* in banks.

Ha^{1}: There exists a relationship between the perceived *two-way communication* and *customer relationship management* in banks.

Ho^{2}: There is no relationship between the perceived *attitude* of bank employees and *customer relationship management* in banks.

Ha^{2}: There exists a relationship between the perceived *attitude* of bank employees and *customer relationship management* in banks.

Ho^{3}: There is no relationship between the perceived *knowledgeability* of bank employees and *customer relationship management* in banks.

Ha^{3}: There exists a relationship between the perceived *knowledgeability* of bank employees and *customer relationship management* in banks.

Ho^{4}: There is no relationship between the perceived *efficiency of banking services* and *customer relationship management* in banks.

Ha^{4}: There exists a relationship between the perceived *efficiency of banking services* and *customer relationship management* in banks.

Ho^{5}: There is no relationship between *customer relationship management* and the perceived *service quality* of banks.

Ha^{5}: There exists a relationship between *customer relationship management* and the perceived *service quality* of banks.

(d) Biographical characteristics of the sample

The computer program SPSS (SPSS Version 12.0 2004) was used to calculate frequency distributions from the biographical data in order to identify the percentage of respondents in each of the various groups within each biographical item. Thereafter, various statistical tests, including analysis of variance tests (ANOVA), were performed by using the SAS computer program (SAS Institute, 1990) in order to establish significant relationships between specific groups of respondents and their perceptions regarding the intervening variable (*CRM*) and the dependent variable (*service quality*). For this purpose, the following null hypotheses were tested, as initially phrased in Chapter one:

Ho^{6}: There is no relationship between biographic variables (including gender, population group, age and education level) and *customer relationship management* in banks.

Ha^{6}: There exists a relationship between biographic variables (including gender, population group, age and education level) and *customer relationship management* in banks.

Ho^{7}: There is no relationship between biographic variables (including gender, population group, age and education level) and *service quality* in banks.

Ha^{7}: There exists a relationship between biographic variables (including gender, population group, age and education level) and *service quality* in banks.

The findings from these tests will be provided and discussed in Chapter six.

5.3 SUMMARY AND CONCLUSIONS

The empirical investigation undertaken in this research was discussed in this chapter. The primary data sourcing and analysis, including the sample selection, measuring instrument and data analysis procedure, were briefly described.

It is evident from this chapter that a solid research design was developed for this research, that relevant secondary sources were consulted, and that the measuring instrument, namely the structured questionnaire, was well constructed.

The results of the empirical investigation will be discussed in the following chapter.

CHAPTER SIX

EMPIRICAL FINDINGS

6.1 INTRODUCTION

The methods used to source the primary data for this research were explained in Chapter five. The purpose of this chapter is to give effect to the eight research objective. Therefore, in order to report accurately on the findings from the empirical investigation, an evaluation of the theoretical model, based on the results from the empirical investigation, will be conducted in this chapter. The empirical findings together with a thorough discussion explaining the results, will be presented in this chapter.

6.3 EMPIRICAL FINDINGS

The findings obtained from the empirical investigation are presented in the following sequence: firstly, two sections dealing with the discriminant validity and the internal reliability of the measuring instrument respectively; then the findings of the multiple regression analyses; and, finally, the findings from the biographical data.

6.2.1 Discriminant validity of the measuring instrument

As mentioned in Chapter five, an exploratory factor analysis, specifying a Maximum Likelihood and a Direct Quartimin oblique rotation of the original factor matrix, was performed to assess the discriminant validity of the measuring instrument. A factor analysis is used to reduce many variables to a manageable number of variables that belong together and have overlapping measurement characteristics (Blumberg, *et al.* 2005:763). After considering a number of different solutions (12 factor rotations), 29 items of the questionnaire loaded on six distinct factors, explaining a total of 50.46% of the variance (R^2) in the data. Therefore, the most interpretable factor solution was a six-factor solution (see Table 6.1). A number of items did not demonstrate sufficient discriminant validity, by either cross-loading or not loading to a significant extent. In other words, these items' loadings were less than the cut-off point of 0.400. Consequently, these items were deleted from any further analysis.

(a) Discussion and naming of factor loadings

As stated, the questionnaire's items loaded onto six factors. Based on the commonalities of the loadings, each factor can be named. This chapter only focuses on providing the empirical results, Chapter seven will provide explanations on the empirical results, conclusions and recommendations. The specific relationships between the items which loaded onto each factor will therefore be discussed in detail in Chapter seven.

Table 6.1: Rotated exploratory factor analysis results

Items	Factor 1 (KNOW)	Factor 2 (CRM)	Factor 3 (ATT)	Factor 4 (EFF)	Factor 5 (SQ)	Factor 6 (COMM)
KNOW5 - procedures	**0.763**	0.000	0.000	0.000	0.000	0.000
KNOW4 - advise	**0.731**	0.000	0.000	0.000	0.000	0.000
COMM6 - availability	**0.699**	0.000	0.000	0.000	0.000	0.000
KNOW3 - policies	**0.618**	0.000	0.000	0.000	0.000	0.000
EFF10 - law	**0.558**	0.000	0.000	0.000	0.000	0.000
COMM4 - information	**0.532**	0.000	0.000	0.000	0.000	0.000
KNOW2 - knowledgeable	**0.505**	0.000	0.000	0.000	0.000	0.000
KNOW1 - inform	**0.481**	0.000	0.000	0.348	0.000	0.000
EFF4 - security	**0.409**	0.000	0.000	0.264	0.000	0.000
CRM3 - bond	0.000	**0.813**	0.000	0.000	0.000	0.000
CRM4 - benefits	0.000	**0.680**	0.000	0.000	0.000	0.000
CRM5 - committed client	0.000	**0.669**	0.000	0.000	0.000	0.000
CRM2 - confidence	0.000	**0.481**	0.000	0.000	0.319	0.000
ATT3 - family	0.000	0.000	**0.719**	0.000	0.000	0.000
CRMSQ3 - relationship	0.000	0.000	**0.567**	0.000	0.000	0.000
COMM2 - managers	0.000	0.000	**0.552**	0.000	0.000	0.000
ATT2 - job satisfaction	0.000	0.000	**0.477**	0.000	0.000	0.000
ATT8 - happiness	0.000	0.000	**0.400**	0.000	0.349	0.000
EFF1 - efficiency	0.000	0.000	0.000	**0.662**	0.000	0.000
COMM3 - communication	0.000	0.000	0.000	**0.579**	0.000	0.000
CRMSQ2 - interaction	0.000	0.000	0.000	**0.499**	0.297	0.000
EFF2 - value	0.000	0.000	0.000	**0.420**	0.000	0.287
SQ3 - cope	0.000	0.000	0.000	0.000	**0.707**	0.000
SQ2 - skilled	0.000	0.000	0.000	0.000	**0.558**	0.000
ATT9 - attached	0.000	0.000	0.000	0.000	**0.464**	0.000
EFF6 - variety	0.000	0.000	0.000	0.000	0.000	**0.687**
COMM5 - extensive	0.000	0.270	0.000	0.000	0.000	**0.507**
ATT6 - employee client	0.000	0.000	0.353	-0.285	0.000	**0.458**
EFF7 - fees	0.000	0.000	0.000	0.000	0.000	**0.454**
Cronbach Alpha	0.878	0.812	0.783	0.753	0.724	0.733

Factor one is named *knowledgeability* (KNOW), because all five items expected to measure *knowledgeability* loaded significantly (above 0.4) on this factor, including KNOW1 (inform), KNOW2 (knowledgeable), KNOW3 (policies), KNOW4 (advise) and

KNOW5 (procedures). Additionally, two items expected to measure *two-way communication*, COMM4 (information) and COMM6 (availability), and two items expected to measure the *efficiency of banking services*, EFF4 (security) and EFF10 (law), loaded significantly on this factor. The loading of these four items onto this factor can be explained through their relationship with *knowledgeability* (see Chapter seven).

All the items that significantly loaded (above 0.4) on factor two, CRM2 (confidence), CRM3 (bond), CRM4 (benefits) and CRM5 (committed client), were expected to measure *CRM*. Therefore factor two is named CRM (CRM). One item excepted to measure the degree of *CRM* (CRM1 – concern) was removed from any further analysis, as it did not load significantly on any factor.

Factor three is named *attitude* (ATT), because the items expected to measure *attitude* (ATT) loaded significantly (above 0.4) on this factor. This included the items ATT2 (job satisfaction), ATT3 (family) and ATT8 (happiness). Two additional items loaded on this factor, namely an item expected to measure *two-way communication* (COMM2 - managers) and an item expected to measure the influence of *CRM* on *service quality* (CRMSQ3 - relationship). As will be clarified in Chapter seven, the unexpected loading of these two items on factor three can be explained by their relationship with *attitude*. ATT1 (employee attitude), ATT4 (proclaim satisfaction), ATT5 (commitment) and ATT7 (display positive attitude), four items expected to measure *attitude* (ATT), did not load significantly on any factor and were subsequently removed from any further analysis.

The items expected to measure the *efficiency of banking services* (EFF) variable loaded significantly (above 0.4) on factor four. This included the items EFF1 (efficiency) and EFF2 (value). Therefore, factor four is named *efficiency of banking services* (EFF). Additionally, two items originally expected to measure *two-way communication* (COMM3 – communication) and the influence of *CRM* on *service quality* (CRMSQ2 – interaction) loaded on this factor. However, these two items are in some way or another related to the *efficiency of banking services* (see Chapter seven). Four items expected to measure the *efficiency of banking services*, EFF3 (confidentiality), EFF5 (ethical), EFF8 (technology) and EFF9 (fees selection) did not load significantly on any factor and were subsequently removed from any further analysis.

Service quality was measured by factor five, with two of the original five items expected to measure *service quality* (SQ2 – skilled and SQ3 – cope) loading significantly on this factor. Subsequently, factor five was named *service quality* (SQ). An item originally expected to measure *attitude* (ATT9 – attached), loaded significantly on this factor. The loading of this item onto factor five can be explained through its relation with *service quality*. Items SQ1 (time), SQ4 (physical facilities) and SQ5 (response) that were expected to measure the perceived level of *service quality*, did not load significantly on any factor and were subsequently removed from any further analysis.

Factor six consisted of items originally expected to measure the variables *two-way communication* (COMM5 – extensive), *attitude* (ATT6 – employee client) and *efficiency of banking services* (EFF6 – variety and EFF7 – fees). Since these four items all related to communication from a bank to its clients and vice versa, the factor was named *two-way communication* (similar to the independent variable in the theoretical model). One item expected to measure *two-way communication* (COMM1 – statements) did not load significantly on any factor and was subsequently removed from any further analysis.

Items specifically designed to measure the influence of *CRM* on perceived *service quality* (CRMSQ1-5) did not load on a separate factor, but loaded on the different factors. The item CRMSQ2 (interaction) loaded on the *efficiency of banking services* factor (EFF) and item CRMSQ3 (relationship) loaded on the *attitude* factor (ATT). The loadings of this group of items can be justified through the items' similarity with the other items that loaded onto each factor. Items CRMSQ1 (extensive relationship), CRMSQ4 (understands) and CRMSQ5 (measures) expected to measure the influence of *CRM* on perceived *service quality* were removed from any further analysis, as it did not load significantly on any factor (these items' loadings were less that the cut-off point of 0.400).

Thus, the four factors (independent), together with their various items that were retained were:

Factor 1: *Knowledgeability* (KNOW) with items KNOW1, KNOW2, KNOW3, KNOW4, KNOW5, COMM4, COMM6, EFF4 and EFF10

Factor 3: *Attitude* (ATT) with items ATT2, ATT3, ATT8, COMM2 and CRMSQ3

Factor 4: *Efficiency of banking services* (EFF) with items EFF1, EFF2, COMM3 and CRMSQ2

Factor 6: *Two-way communication* (COMM) with items COMM5, EFF6, EFF7 and ATT6

Factor 2 is the intervening variable and represents *CRM* (CRM), including items CRM2, CRM3, CRM4 and CRM5. **Factor 5** is the dependent variable and represents *service quality* (SQ), including items SQ2, SQ3 and ATT9.

6.2.2 Internal reliability of the measuring instrument

As mentioned in Chapter five, Cronbach Alpha coefficient scores were calculated in order to assess the internal reliability of the measuring instrument. Cronbach Alpha coefficient scores with a value of more than 0.70, as recommended by Nunnally and Bernstein (1994:264-265), were recorded for each of the six factors. The measuring instrument can therefore be considered as reliable (see Table 6.1).

The items that loaded on the various factors correlated sufficiently and positively with every other item in the specific factor. The Cronbach Alpha coefficient score of the *knowledgeability* factor (KNOW) was 0.878. All the items that loaded on the *CRM* factor (CRM) contributed to an increased Cronbach Alpha coefficient score of 0.812. All the items that loaded on the *attitude* factor (ATT) needed to be included in the analysis, as each contributed to a Cronbach Alpha coefficient score of 0.783. The Cronbach Alpha coefficient score of the *efficiency of banking services* factor (EFF) was 0.753. All the items that loaded on the *service quality* factor (SQ) contributed to a Cronbach Alpha coefficient score of 0.724. Each of the items loading on the *two-way communication* factor (COMM) contributed to a Cronbach Alpha coefficient score of 0.733.

Table 6.1 thus reports the score on the discriminant and the construct validity and the reliability of the instrument used to measure the independent and intervening variables used in the subsequent multiple regression analyses.

6.2.3 Multiple regression analyses

Multiple regression analysis is a descriptive tool used in three situations: to predict values for a criterion variable from the values of several predictor variables; to control variables to better evaluate the contribution of other variables; and to test and explain casual relationships (Blumberg *et al.* 2005:743). Specifically, for this study, multiple regression analyses were used to test and explain the casual relationships between variables. As indicated in Chapter five, multiple regression analyses were performed to establish the relationships between the independent, intervening and dependent variables. In this section, the findings of the multiple regression analyses will be discussed under two sub-headings, namely, firstly, the influence of the independent variables on the intervening variable and, secondly, the influence of the intervening variable on the dependent variable.

(a) Influence of the independent variables on the intervening variable

Multiple regression analyses were performed to assess the relationships between the independent variables and the intervening variable (*CRM*). The results are recorded in Table 6.2.

Table 6.2: Multiple regression results: Influence of independent variables on CRM

Dependent Variable: CRM

Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	4	1624.791	406.198	21.96	0.0001
Error	259	4791.693	18.501		
Corrected Total	263	6416.485			

R-Square	C.V.	Root MSE	CRM Mean
0.253221	23.15518	4.3012493	18.575758

Parameter	**Estimate**	**T for H0: Parameter = 0**	**Pr > ITI**	**Std Error of Estimate**
INTERCEPT	4.290	2.18	0.0301	1.967
KNOW	0.100	2.12	0.0353*	0.047
ATT	0.367	5.87	0.0001**	0.063
EFF	- 0.032	- 0.34	0.731	0.093
COMM	0.040	0.51	0.6117	0.079

* p <0.05

** p <0.001

Table 6.2 shows that only two of the four independent variables, namely *knowledgeability* (KNOW) and *attitude* (ATT), exert a statistically significant positive influence on the intervening variable *CRM* (CRM). The relationship between *knowledgeability* and *CRM* (point estimate 0.100; $p < 0.0353$) is significant at the 95% confidence level, while the relationship between *attitude* and *CRM* (point estimate 0.367; $p < 0.0001$) is significant at the 99% confidence level.

These relationships imply that more extensive *knowledgeability* of bank employees and bank employees with more positive *attitudes* lead to improved, maintained relationships between a bank and its clients. Table 6.2 shows that the independent variables in the multiple regression analysis explain 25.32% of the variance (R^2) in the intervening variable *CRM*. In other words, it can be said that 25.32% of a possible change in the level of *CRM* in a bank is caused by *knowledgeability* and *attitude*. The low variance (R^2) can be attributed to the fact that the influences of selected variables (based on literature) on *CRM* were investigated. Therefore, it is possible that other variables, which influences were not measured in this study, could have an influence on *CRM*.

Hypothesis Ho^2, which postulated no relationship between perceived *attitude* and *CRM*, is therefore rejected. Hypothesis Ha^2, which postulated a relationship between perceived *attitude* and *CRM*, is therefore not rejected. This implies that a positive relationship exists between perceived *attitude* and *CRM*. It further implies that, if *attitude* improves, *CRM* would increase. Hypothesis Ho^3, which states that no relationship exists between perceived *knowledgeability* and *CRM*, is therefore rejected. Hypothesis Ha^3, which states that a relationship exists between perceived *knowledgeability* and *CRM*, is therefore not rejected. This implies that there is a positive relationship between perceived *knowledgeability* and *CRM*. It also indicates that if *knowledgeability* increases, *CRM* would also increase.

Hypothesis Ho^1, which states that no relationship exists between perceived *two-way communication* and *CRM*, is not rejected. Hypothesis Ha^1, which states that a relationship exists between perceived *two-way communication* and *CRM*, is rejected. Additionally, hypothesis Ho^4, which proposed no relationship between perceived *efficiency of banking services* and *CRM*, is not rejected. In other words, hypothesis Ha^4, which proposed a relationship between perceived *efficiency of banking services* and *CRM*, is rejected.

(b) Influence of the intervening variable on the dependent variable

A multiple regression analysis was performed to assess the relationship between the intervening variable (*CRM*) and the dependent variable (*service quality*). The results are recorded in Table 6.3.

Table 6.3: Multiple regression results: Influence of intervening variable on service quality

Dependent Variable: SQUAL					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	1	802.215	802.215	116.10	0.0001
Error	262	1810.316	6.910		
Corrected Total	263	2612.530			
	R-Square	C.V.	Root MSE	SQUAL Mean	
	0.307064	18.36828	2.6286121	14.310606	
Parameter	**Estimate**	**T for H0: Parameter = 0**	**Pr > ITI**	**Std Error of Estimate**	
INTERCEPT	7.742	12.28	0.0001	0.631	
CRM	0.354	10.78	0.0001*	0.033	
* p <0.001					

According to Table 6.3, the intervening variable (*CRM*) positively influences the dependent variable (*service quality*). The relationship between *CRM* and *service quality* (point estimate 0.354; $p < 0.0001$) is significant at the 99% confidence level.

This relationship implies that if a bank successfully maintains relationships with its clients, the bank's level of perceived service quality would increase. Table 6.3 indicates that the intervening variable in the multiple regression analysis explains 30.7% of the variance (R^2) in the dependent variable. In other words, it can be said that 30.7% of a possible change in the level of *service quality* in a bank is caused by *CRM*. The low variance (R^2) can be attributed to the fact that only the influence of *CRM* on *service quality* was measured. It is possible that other variables, which influences were not measured in this study, could have an influence on *service quality*.

Hypothesis Ho^5, which states that no relationship exists between *CRM* and perceived *service quality*, is therefore rejected. Hypothesis Ha^5, which states that a relationship exists between *CRM* and perceived *service quality*, is therefore not rejected. This implies that there is a positive relationship between *CRM* and *service quality*, in other words, if *CRM* strategies improve, *service quality* would also improve.

6.2.4 Empirical findings on biographic variables

The biographical data of the respondents are indicated in Tables 6.4 (a) to 6.4 (d).

Table 6.4 (a): Gender of respondents

GENDER	**FREQUENCY**	**PERCENTAGE**
Male	118	44.7
Female	146	55.3
Total	264	100.0

According to Table 6.4 (a), it is evident that the majority of the respondents were female (55.3%; n = 146). The rest of the respondents consisted of 118 males (44.7%).

Table 6.4 (b): Population group of respondents

POPULATION GROUP	FREQUENCY	PERCENTAGE
White	202	76.5
Coloured	23	8.7
Black	28	10.6
Asian	6	2.3
Not willing to say	5	1.9
Total	264	100.0

The majority of the respondents were from the White population group (76.5%; n = 202). The balance of the respondents consisted of Blacks (10.6%; n = 28), Coloureds (8.7%; n = 23) and Asians (2.3%; n = 6). Only a small percentage of the respondents were not willing to state their population group (1.8%; n = 5).

Table 6.4 (c): Age of respondents

AGE	FREQUENCY	PERCENTAGE
Between 17 – 24 years	125	47.3
Between 25 – 34 years	42	15.9
Between 35 – 44 years	32	12.1
Between 45 – 54 years	35	13.3
Between 55 – 64 years	18	6.8
65 + years	12	4.5
Total	264	100.0

The majority of the respondents belonged to the younger (17 – 24 years) age group (47.3%; n = 125). The smallest percentage of respondents, with regard to age, belonged to the 65+ years age group (4.5%; n = 12).

Table 6.4 (d): Education level of respondents

EDUCATION LEVEL	FREQUENCY	PERCENTAGE
Grade 11 or equivalent qualification or lower	22	8.3
Grade 12 or equivalent qualification	89	33.7
Grade 12 and diploma(s)/ certificates(s)	47	17.8
Grade 12 and degree(s)	68	25.8
Grade 12 and diploma(s)/ certificate(s) and degree(s)	38	14.4
Total	264	100.0

The respondents' level of education is high, with 33.7% (n = 89) possessing a Grade 12 or equivalent qualification. The second largest percentage of respondents with regard to education level (25.8%; n = 68) had a Grade 12 qualification and a degree(s). Only 22 (8.3%) of the respondents possessed an educational level equal to or lower than a Grade 11 qualification.

An item on the questionnaire related to the number of years respondents had been clients of their bank. The findings are presented in Table 6.5.

Table 6.5: Years of being a client of current bank

YEARS	FREQUENCY	PERCENTAGE
Between 1 – 4 years	69	26.1
Between 5 – 8 years	51	19.3
Between 9 – 18 years	86	32.6
19 + years	58	22.0
Total	264	100.0

Due to the extensive number of years that the majority of the respondents indicated that they were clients of their current bank, the conclusion can be made that the majority of the respondents would rather remain as clients of their current bank than change to another. This is confirmed, with the highest percentage of respondents (32.6%; n = 86) having remained clients of their current bank for between nine and 18 years.

Table 6.6: Type of accounts held by respondents

ACCOUNT	FREQUENCY	PERCENTAGE
Savings	130	49.2
Cheque	25	9.5
Combination of accounts	109	41.3
Total	264	100.0

The most popular type of account among the respondents was a savings account; 49.2% (n = 130) of the respondents had this type of account only. A combination of a savings, cheque, credit card and money market account was also popular, with 41.3% (n = 109) of the respondents making use of this option. A small percentage of respondents (9.5%; n = 25) made use of a cheque account only.

Table 6.7: Sample as per bank

BANK	FREQUENCY	PERCENTAGE
ABSA	107	40.5
First National Bank	35	13.3
Nedbank	15	5.7
Standard Bank	54	20.5
Combination of above	53	20.1
Total	264	100.0

The majority of the respondents were clients of ABSA (40.5%; n = 107), followed by Standard Bank (20.5%; n = 54), First National Bank (13.3%; n = 35) and Nedbank (5.7%; n = 15). A small percentage of respondents (20.1%; n = 53) were clients of a combination of these four banks.

(a) Relationships between the biographic variables and the intervening variable

To give effect to the sixth research objective, which states that this research attempts to identify whether selected biographic variables influence the intervening variable (*CRM*), multiple regression analyses were done. These will also be used to test the hypothesis (Ho^6) suggesting that no relationships exist between the biographic variables, including gender, population group, age and education level, and *CRM*. Consequently, the alternative hypothesis Ha^6 suggesting that there exists a relationship between the biographic variables, including gender, population group, age and education level, and CRM, will be tested. The findings of the multiple regression analyses are presented in Table 6.8.

Table 6.8: Multiple regression results: Relationships between biographic variables and CRM

Dependent Variable: CRM					
Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	2	430.514	215.257	9.39	0.0001
Error	261	5985.970	22.945		
Corrected Total	263	6416.485			

R-Square	C.V.	Root MSE	CRM Mean
0.067095	25.78104	4.7890242	18.575758

Parameter	**Estimate**	**T for H0: Parameter = 0**	**Pr > ITI**	**Std Error of Estimate**
INTERCEPT	16.336	15.51	0.0001	1.053
AGE	1.527	4.22	0.0001*	0.362
EDU	- 0.154	- 0.64	0.5241	0.241

* p <0.001

According to Table 6.8, there is only a positive relationship between the age of respondents and the intervening variable (*CRM*). The relationship between age and *CRM* (point estimate 1.527; $p < 0.0001$) is significant at the 99% confidence level.

This relationship implies that the higher the age of a banking client, the more that client considers the CRM of a bank to be important. Table 6.8 indicates that the age of respondents in the multiple regression analyses explains 6.7% of the variance (R^2) in the intervening variable (*CRM*). In other words, it can be said that 6.7% of a possible change in clients' perceived level of CRM in a bank is caused by age. The low variance (R^2) can be attributed to the fact that the influences of selected biographical variables on *CRM* were investigated. Therefore, it is possible that other biographical variables, which influences were not measured in this study, could have an influence on *CRM*.

Hypothesis Ho^6, which postulated no relationship between the biographic variables and *CRM*, is therefore not rejected, specifically for the biographic variables gender, population group, and education level. Therefore, hypothesis Ha^6, which postulated a relationship between the biographic variables and *CRM* is therefore rejected, specifically for the biographic variables gender, population group, and education level. However, hypothesis Ho^6 is rejected for the biographic variable age. In other words, hypothesis Ha^6 is not rejected for the biographic variable age. This implies that a positive relationship exists between the age of banking clients and the *CRM* of banks. This indicates that the higher the age of a bank client, the more the banking client views the CRM of the bank to be a fundamental aspect of a bank's service strategy.

(b) Relationships between the biographic variables and the dependent variable

Multiple regression analyses were done to establish whether significant relationships existed between selected biographic variables, namely gender, population group, age and education level, and the dependent variable (*service quality*). This would satisfy the seventh research objective, namely that this research attempts to establish whether biographic variables influence the dependent variable (*service quality*). The multiple regression analyses will test the hypothesis (Ho^7), suggesting that no relationships exist between the biographic variables, including gender, population group, age and education level, and *service quality*. The findings are presented in Table 6.9.

Table 6.9: Multiple regression results: Relationship between biographic variables and service quality

Dependent Variable: SQUAL

Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	2	101.961	50.981	5.30	0.0055
Error	261	2510.569	9.619		
Corrected Total	263	2612.530			

R-Square	C.V.	Root MSE	CRM Mean
0.039028	21.67244	3.1014574	14.310606

Parameter	**Estimate**	**T for H0: Parameter = 0**	**Pr > ITI**	**Std Error of Estimate**
INTERCEPT	15.022	22.02	0.0001	0.682
AGE	0.344	1.47	0.1428	0.234
EDU	- 0.435	- 2.78	0.0058*	0.156

* p <0.01

Table 6.9 indicates that there exists only a significant negative relationship between the respondents' education level and the dependent variable (*service quality*). The relationship between the education level and *service quality* (point estimate -0.435; p< 0.0058) is significant at the 90% confidence level.

This relationship implies that as banking clients' education level increases, the importance of their bank's service quality decreases and, conversely, a banking client with a lower level of education regards the service quality level of a bank as more important than higher qualified clients. Table 6.9 indicates that the education level in the multiple regression analysis explains 3.9% of the variance (R^2) in the dependent variable (*service quality*). In other words, it can be said that 3.9% of a possible change in clients' perceived level of service quality of a bank is caused by their education level. The low variance (R^2) can be attributed to the fact that the influences of selected biographical variables on *service quality* were investigated. Therefore, it is possible that other biographical variables, which influences were not measured in this study, could have an influence on *service quality*.

Hypothesis Ho^7, which postulated no relationship between the biographic variables and *service quality*, is therefore not rejected, specifically for the biographic variables gender, population group, and age. Hypothesis Ha^7, which postulated a relationship between the biographic variables and *service quality*, is therefore rejected, specifically for the biographic variables gender, population group, and age. However, hypothesis Ho^7 is rejected for the biographic variable education level. In other words, Ha^7 is not rejected for the biographic variable education level. This implies that a negative relationship exists between the education level of banking clients and the *service quality* of banks. This indicates that banking clients with higher education qualifications regard the service quality of banks to be less important than other lower qualified banking clients.

(c) Analysis of variance test with regard to biographic variables, the bank of the clients and CRM

An analysis of variance test (ANOVA) was conducted with the SAS (SAS Institute, 1990) computer program. The ANOVA statistical method compares the effects of one variable on a continuous dependent variable (Blumberg *et al.* 2005:676). This was done in order to identify which type of banking client mostly regarded the CRM of banks to be important. The findings are presented in Table 6.10.

Table 6.10: Analysis of variance test (ANOVA) with regard to biographic variables, the bank of the clients and CRM

Dependent Variable: CRM

Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	12	795.665	66.305	2.96	0.0007
Error	251	5620.820	22.394		
Corrected Total	263	6416.485			

R-Square	C.V.	Root MSE	CRM Mean
0.124003	25.47513	4.7321988	18.575758

Parameter	**DF**	**ANOVA SS**	**Mean Square**	**F Value**	**Pr > F**
GENDER	1	95.499	95.499	4.26	0.0400*
POP	1	20.655	20.655	0.92	0.3378
AGE	2	501.963	250.981	11.21	0.0001**
EDU	4	108.865	27.216	1.22	0.3048
BANK	4	68.692	17.173	0.77	0.5477

* $p < 0.05$

** $p < 0.001$

This test indicated that the group of respondents that placed the highest importance on *CRM* was female banking clients older than 45 years (see Table 6.10). The relationship between gender and *CRM* (F=4.26) is significant at the 95% confidence level, while the relationship between age and *CRM* (F=11.21) is significant at the 99% confidence level. Additionally, although not significantly, non-white respondents, banking clients with an education level equal to or lower than a Grade 11 qualification, and clients using a combination of different banks, viewed *CRM* as a very important aspect in banks.

(d) <u>Analysis of variance test with regard to biographic variables, the bank of the clients and service quality</u>

A second analysis of variance test (ANOVA) was conducted to determine the type of banking clients who mostly regarded the service quality of banks to be important. The findings are presented in Table 6.11.

Table 6.11: Analysis of variance test (ANOVA) with regard to biographical variables, the bank of the clients and service quality

Dependent Variable: SQUAL

Source	**DF**	**Sum of Squares**	**Mean Square**	**F Value**	**Pr > F**
Model	12	295.469	24.622	2.67	0.0022
Error	251	2317.062	9.231		
Corrected Total	263	2612.530			

R-Square	C.V.	Root MSE	SQUAL Mean
0.113097	21.23117	3.0383090	14.310606

Parameter	**DF**	**ANOVA SS**	**Mean Square**	**F Value**	**Pr > F**
GENDER	1	120.432	120.432	13.05	0.0004**
POP	1	18.044	18.044	1.95	0.1633
AGE	2	41.220	20.610	2.23	0.1094
EDU	4	99.625	24.906	2.70	0.0313*
BANK	4	16.147	4.037	0.44	0.7816

* $p < 0.01$

** $p < 0.001$

This ANOVA test showed that the group of respondents that placed the highest importance on *service quality* was female bank clients with an education level equal to or lower than a Grade 11 qualification (see Table 6.11). The relationship between gender and *service quality* (F=13.05) is significant at the 99% confidence level, while the relationship between education level and *service quality* (F=2.70) is significant at the 90% confidence level. Additionally, although not significantly, white banking clients, clients older than 45 years of age and Standard Bank clients, regarded *service quality* to be a very important aspect in banks.

6.2.5 The empirical model

The empirical model, based on the findings of the empirical investigation, is presented in Figure 6.1.

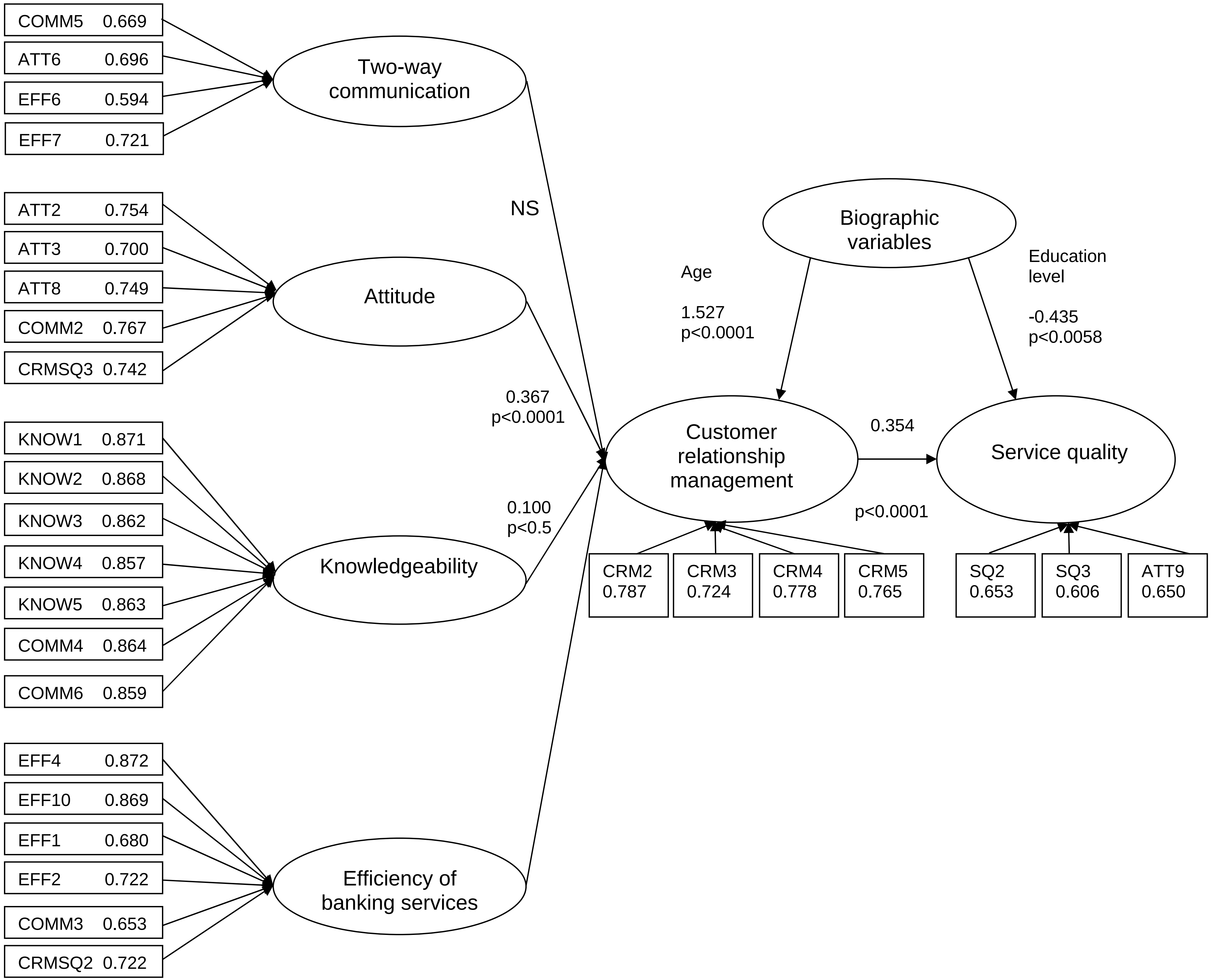


Figure 6.1: Modified empirical model

The following conclusions can be made to complement the empirical model (Figure 6.1):

- There is no significant relationship between *two-way communication* and *CRM*. Therefore, Ho^{1} is not rejected, while Ha^{1} is rejected.
- There is a positive relationship between *attitude* and *CRM*. Therefore, Ho^{2} is rejected (at the 99% significance level), while Ha^{2} is not rejected.
- There is a positive relationship between *knowledgeability* and *CRM*. Therefore, Ho^{3} is rejected (at the 95% significance level), while Ha^{3} is not rejected.
- There is no significant relationship between *efficiency of banking services* and *CRM*. Therefore, Ho^{4} is not rejected, while Ha^{4} is rejected.
- There is a positive relationship between *CRM* and *service quality*. Therefore, Ho^{5} is rejected (at the 99% significance level), while Ha^{5} is not rejected.
- Ho^{6} is not rejected for the biographic variables gender, population group and education level. However, Ho^{6} is rejected for the biographic variable age, as there is a positive relationship between the age of banking clients and *CRM* (at the 99% significance level). In other words, Ha^{6} is rejected for the biographic variables gender, population group and education level, while Ha^{6} is not rejected for the biographic variable age.
- Ho^{7} is not rejected for the biographic variables gender, population group and age. However, Ho^{7} is rejected for the biographic variable education level, as there is a negative relationship between the education level of banking clients and *service quality* (at the 90% significance level). In other words, Ha^{7} is

rejected for the biographic variables gender, population group and age, while Ha^7 is not rejected for the biographic variable education level.

- The Cronbach Alpha coefficients of the individual items are indicated next to each item's designation.
- The point estimates of the existing relationships are also indicated.
- The questionnaire which was administered is reproduced in Annexure A.

6.3 SUMMARY AND CONCLUSIONS

The objective of this study was to identify the influence of *CRM* on the *service quality* of banks. Specifically, the theoretical model emphasised the influence of selected independent variables (*two-way communication*, *attitude*, *knowledgeability*, *efficiency of banking services*) on the intervening variable (*CRM*) and the influence of the intervening variable (*CRM*) on the dependent variable (*service quality*). Based on this model, an empirical investigation was conducted with the banking clients of the four major banks located in the Nelson Mandela Metropolitan area.

The empirical results of this study were discussed in this chapter. The results were provided in four different categories, according to the discriminant validity and internal reliability of the measuring instrument, the multiple regression analyses and the biographic data of the respondents.

It may be concluded that no significant relationships exist between *two-way communication* and *CRM*, and between *efficiency of banking services* and *CRM*. Therefore Ho^1 and Ho^4 are not rejected, while Ha^1 and Ha^4 are rejected.

The empirical findings revealed a positive relationship between *attitude* and *CRM* (at the 99% significance level). Therefore, Ho^2 is rejected, while Ha^2 is not rejected. Additionally, the empirical investigation indicated a positive relationship between *knowledgeability* and *CRM* (at the 95% significance level). Therefore, Ho^3 is rejected, while Ha^3 is not rejected. It can also be concluded that there is a positive relationship between the intervening variable (*CRM)* and the dependent variable (*service quality*) (at the 99% significance level). Therefore, Ho^5 is rejected, while Ha^5 is not rejected.

The hypothesis Ho^6 is not rejected for the biographic variables gender, population group and education level, as the empirical findings revealed that no relationships existed between these biographic variables and CRM. However, Ho^6 is rejected for the biographic variable age, as there is a positive relationship between the age of banking clients and *CRM* (at the 99% significance level). Therefore, Ha^6 is rejected for the biographic variables gender, population group and education level, but not for the biographic variable age. The hypothesis Ho^7 is not rejected for the biographic variables gender, population group and age. There exists no relationship between these biographic variables and service quality. However, Ho^7 is rejected for the biographic variable education level, as there is a negative relationship between the education level of banking clients and *service quality* (at the 90% significance level). Therefore, Ha^7 is rejected for the biographic variables gender, population group and age, but not for the biographic variable education level.

These findings have led to the development of a empirical model. In the next chapter, the final summary, conclusions and recommendations will be provided.

CHAPTER SEVEN

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

This chapter will present, firstly, a brief summary of the research. Conclusions from the empirical findings of the theoretical model will form the basis of this chapter.

The impact of the findings on the acceptability of the theoretical model developed in Chapter one, the achievement of the research objectives and the acceptability of the research hypotheses will be discussed in this chapter. The impact on the theoretical model and the modified model will also be discussed. Various recommendations that follow from these conclusions will be made in order to assist banks in their service provision.

The chapter will conclude with the limitations of the study and possible areas for future research.

7.2 SUMMARY OF THE STUDY

The main objective of this study was to establish the influence of *CRM* on the *service quality* of banks and to determine the importance placed by clients on the selected variables influencing the *CRM* of banks.

This research is based on the pioneer research by Parasuraman *et al.* (1988:12-40), conducted to identify the influence of variables on service quality.

A conceptual theoretical model was developed (Figure 1.1) that specified *two-way communication*, *attitude*, *knowledgeability* and the *efficiency of banking services* as independent variables impacting CRM. *CRM* was specified as the intervening variable, while *service quality* was identified as the dependent variable. Additionally, the relationships between specific biographic variables, including gender, population group, age and education level and the intervening (*CRM*) and dependent variable (*service quality*) were evaluated.

7.3 ACCEPTABILITY OF THE THEORETICAL MODEL

The computer program BMDP4M (Frane *et al.* 1990) was used to evaluate the theoretical model by means of an exploratory factor analysis. Maximum likelihood (ML) estimation was used in the various steps of the procedure. Six factors, identical to the six variables in the proposed model, were identified through the exploratory factor analysis. In the second data analysis phase, the reliability of the measuring instrument was tested by means of the computer program SAS (SAS Institute, 1990). The Cronbach Alpha reliability coefficients of the measuring items were identified. The measuring instrument can be regarded as reliable and can be used in future research studies, as all the Cronbach Alpha coefficient scores were above the acceptable threshold of 0.7, as suggested by Nunnally and Bernstein (1994:264-265). Lastly, multiple regression analyses were performed in order to establish any significant relationships between the variables. The computer program SAS (SAS Institute, 1990) was used for this purpose. Various statistical tests, including analysis of variance tests (ANOVA), were performed with the biographic data by using the SAS (SAS Institute, 1990) and SPSS (SPSS Version 12.0 2004) computer programs.

Based on the data analysis performed, the measuring instrument may be accepted and used in future studies. This is due to the fact that the instrument is valid (indicated by the exploratory factor analysis) and reliable (indicated by the high Cronbach Alpha coefficient scores), as is evident in the discussion in Chapter six. As indicated in Chapter five, it is possible to generalise the findings of this study to all banking clients in the Nelson Mandela Metropolitan area. However, due to the existence of, possibly, more variables, these findings may not be representative of all banking clients in South Africa.

Furthermore, the study has proved the existence of five of the seven relationships suggested by the theoretical model through the results obtained from the multiple regression analyses.

7.4 FINDINGS AND RECOMMENDATIONS

This section includes recommendations for banks based on the findings from the empirical investigation.

7.4.1 Findings and recommendations from the factor analysis

From the loading of items COMM4 (information), COMM6 (availability), EFF4 (security) and EFF10 (law) on the *knowledgeability* factor (KNOW), a variety of recommendations and conclusions may be inferred. Item COMM4 (information) may indicate that respondents regard banking information through various media to them as an indicator of the knowledgeability of the bank and its employees. The inclusion of item COMM6 (availability) on the *knowledgeability* factor may indicate that respondents regard the information that services are available to them as an indicator of the knowledgeability of the bank and its employees. The loading of EFF4 (security) on factor one may indicate that respondents regard the implementation of security features for clients' funds as an indicator of the knowledgeability of the bank and its employees. Item EFF10 (law) on the *knowledgeability* factor may indicate that respondents regard a bank's adherence to the law as an indicator of the bank's knowledgeability.

The loading of COMM2 (managers) on the *attitude* factor (ATT) may indicate that respondents regard the availability of senior bank managers for appointments as an attitude (which is positive in this case) displayed by the bank employees. The loading of CRMSQ3 (relationship) on the *attitude* factor may indicate that respondents regard their own attitude towards their bank as a determining aspect in the level of perceived service quality of the bank.

The inclusion of item COMM3 (communication) in the *efficiency of banking services* factor (EFF) may indicate that respondents regard the communication abilities of bank employees as an indicator of the efficiency of a bank's services. Item CRMSQ2 (interaction), that is included in factor four may indicate that respondents regard the level of interaction of a bank with its clients as an indicator of the efficiency of the bank's services.

Item ATT9 (attached) loaded on factor five, the *service quality* factor (SQ). This may indicate that respondents regard employees' attachment to the bank as an indicator of the service quality of a bank.

The loading of EFF6 (variety), EFF7 (fees) and ATT6 (employee client) on factor six, representing *two-way communication* (COMM), can be explained by examining the communality of these items with *two-way communication*. The significant loading of item EFF6 (variety) on the *two-way communication* factor (COMM) may indicate that respondents regard the variety of banking services as an aspect to be communicated to them by their bank. The loading of item EFF7 (fees) on factor six, the *two-way communication* factor, may indicate that respondents regard the communication of bank fees for transactions as an aspect contributing to a satisfying or non-satisfying relationship with the bank. Additionally, item ATT6 (employee client) loaded on the *two-way communication* factor, which may indicate that respondents regard the communication of bank employees to them, that they are also clients of the bank, as an aspect contributing to a better relationship with the bank.

7.4.2 <u>Findings and recommendations derived from the multiple regression analyses</u>

These findings will be divided into two sections, namely a section discussing the influence of the independent variables on the intervening variable (*CRM*), and a section elaborating on the influence of the intervening variable (*CRM*) on the dependent variable (*service quality*). The findings linked to each section will provide recommendations for banks.

(a) <u>Findings relating to the influence of the independent variables on the intervening variable</u>

No statistical significant relationships exist between perceived *two-way communication* and *CRM* and between perceived *efficiency of banking services* and *CRM*. Therefore, the hypotheses Ho^1 and Ho^4 are not rejected.

The two-way communication between a bank and its clients by means of monthly account statements, advertising and appointments are not specifically deemed important and contributing to a bank's CRM. Additionally, the degree of efficiency of a bank's services is not specifically viewed as an important aspect contributing to a bank's CRM.

The empirical results indicated positive relationships between perceived *attitude* and *CRM* and between perceived *knowledgeability* and *CRM*. Therefore, the hypotheses Ho^2 and Ho^3 are rejected. However, Ha^2 and Ha^3 are not rejected. In other words, if *attitude* improves, *CRM* would increase, and if *knowledgeability* increases, *CRM* would also increase.

As the knowledgeability and attitude of bank employees are considered to be the main aspects in a bank-client relationship, the research indicates that the most important aspects for bank clients are the face-to-face personal contact and interaction that they have with their bank.

Financial matters are important for people; they want to feel that their money is safe and secure and a bank's clients desire to completely trust their bank. Therefore, banking clients desire their bank's employees to be knowledgeable about the bank's products and/or services. They want to be fully informed about changes in products and/or services and new products and/or services. Additionally, clients will feel their financial matters are secure if they are satisfied with the bank employees' attitude. If bank employees are positive and indicate satisfaction and self-confidence regarding their tasks, clients will feel more comfortable. Specifically, this indicates that the bank employees at the front desk/enquiry desk and tellers, whom clients directly interact with, should be knowledgeable regarding bank matters and should display positive attitudes towards their working environment and the banking clients. In other words, bank managers can increase their bank's level of CRM and ultimately their service quality level by focusing on the knowledgeability and attitude of their bank employees. Various strategies can be implemented in order to ensure the development of employees' knowledgability and a positive change in their attitudes.

Banks can design specific training sessions for employees emphasising these two aspects. The training session can be made compulsory to attend for new bank employees and can be provided every year for all employees, to reinforce the importance of these aspects. It is important to emphasise the bank's focus on the knowledgablility and positive attitudes of employees to new employees and constantly repeat this to employees. A bank can incorporate these two principles as key values in its mission statement and ensure that each employee has a copy and understands the bank's mission statement. In order to have knowledgeable employees with positive attitudes, awards, for example an “employee of the month” award can be used to motivate employees to display these characteristics.

Hereunder are specific strategies, provided as recommendations, for banks to improve their employees' knowledgeability and attitudes.

- Strategies to improve knowledgeability

  In order to develop employees' knowledgeability, a bank can continuously inform all employees of changes in products and/or services or new products and/or services. Employees must be motivated to inform clients of products and/or services. Banks should educate their employees about the complex, ever-changing banking branch of the financial services industry and inform them of all the banking policies and procedures. Bank employees should be immediately informed when banking policies, procedures, rules and/or regulations change. Additionally, a bank should encourage employees to admit to clients, who enquire about a product, service, policy and/or procedure if they do not fully understand it or if they are unable to inform them immediately, rather than incorrectly informing a client. The employee should immediately consult another employee, who might be more knowledgeable, in order to correctly respond to the client's query, or the employee should obtain the client's details and contact him/her as soon as possible with the correct response.

- Strategies to improve attitude

  Friendliness should be mentioned as a key value of the bank and should be practically displayed by bank managers to their subordinates and the bank's clients. A bank can apply the principle of job rotation, in other words employees can be stationed in one position in a bank for a specified time period and then be moved to another position in the bank. For example, a bank employee arranging appointments for consultants may be moved to assist clients at the enquiries desk after six months. This strategy might increase the knowledgeability of the employees, but it might also ensure that bank employees do not experience boredom in their jobs. This absence of boredom leads to job satisfaction and this will ensure a positive attitude displayed by bank employees.

Additionally, other strategies, for example specific incentives schemes can be used to increase job satisfaction and ultimately ensure positive attitudes. Banking clients evaluate a bank employee's attitude also according to his/her interaction with fellow bank employees. Bank managers should ensure good relations between bank employees, which will contribute to positive attitudes, in order for clients to view the bank employees as a coherent family, which will ultimately lead to high levels of CRM. Clients regard a bank's CRM to be of a higher level if employees display commitment to the bank, seem attached to the institution, and are themselves clients of the bank. Therefore, a bank should ensure high levels of commitment from employees through implementing incentives schemes that motivate employees to deliver their best and ensure job satisfaction. Additionally, a bank may incorporate a specification to their selection criteria for new bank employees, which states that new employees must be clients of the bank themselves.

(b) Findings relating to the influence of the intervening variable on the dependent variable

The empirical investigation highlighted a statistical significant relationship between *CRM* and perceived *service quality*. This implies that there is a positive relationship between *CRM* and *service quality*, in other words, if *CRM* increases, *service quality* will also increase. Therefore, the hypothesis Ho^5 is rejected, while Ha^5 is not rejected.

This indicates that if clients trust in, receive benefits from, have a strong bond, are loyal to and have a high concern for the success of a bank, they will regard the bank to have a higher level of service quality.

- Strategies to improve customer relationship management

In order to maintain client relationships, a bank may provide special benefits to loyal clients, for example, lower bank charges. Bank employees should be motivated to acknowledge clients, personally know clients, interact with clients, and generally make clients feel welcome. A pleasant atmosphere should be created in a bank branch to ensure that clients feel relaxed and important and that they can trust the bank. These actions might increase the level of CRM of the bank and lead to higher levels of service quality, as perceived by clients.

7.4.3 Findings and recommendations from the biographic variables

Two multiple regression analyses indicated the relationships between the biographic variables, the intervening variable (*CRM*) and the dependent variable (*service quality*). A significant positive relationship between age and *CRM* and a significant negative relationship between education level and *service quality* were evident. In other words, banking clients who are older regard CRM to be more important than younger clients. Additionally, lower qualified banking clients regard service quality to be more important than higher qualified clients. These findings were substantiated by the two statistical ANOVA tests conducted.

Therefore the hypothesis Ho^6 is not rejected for the biographic variables gender, population group and education level, but rejected for the biographic variable age.

Hypothesis Ha^6 is rejected for the biographic variables gender, population group and education level, but not for the biographic variable age. Additionally, the hypothesis Ho^7 is not rejected for the biographic variables gender, population group and age, but rejected for the biographic variable education level. Hypothesis Ha^7 is rejected for the biographic variables gender, population group and age, but not for the biographic variable education level.

(a) Customer relationship management and the biographic variables

It is evident from the analysis of variance test (ANOVA) that female clients older than 45 years consider CRM more important than other banking clients. As females are generally perceived as being more sensitive than males, it might be argued that females regard a strong relationship very important in any situation, including a relationship with a firm such as a service providing bank. Older clients, with more life experience, might value relationships, including the relationship with their bank, to be more important than material aspects.

Therefore, banks need to be more sensitive to the needs of their older, female clients. Banks explicitly need to focus on establishing and maintaining relationships with this segment of the market. For example, to create a loyal bank-client relationship with older female clients, banks can employ older, female employees to directly interact with this group of clients. Clients may feel more comfortable interacting with bank employees similar to them in terms of gender and age group.

(b) Service quality and the biographic variables

Additionally, an analysis of variance test (ANOVA) indicated that female clients, with an education level equal to or lower than a Grade 11 qualification, regarded the service quality of their bank as more important than other banking clients. It has been statistically shown that females may regard service quality as more important than males. The reason for this might be that females are generally more inclined to the details of aspects. In other words, females might focus more on the manner in which a service is provided (service quality), than the actual service and its characteristics (which might attract males more). Additionally, clients with lower qualifications might feel inferior to a firm, its services and employees. It is possible that these clients want to be handled with increased respect and dignity and will therefore, focus more on the manner in which they are treated by service providers, including banks.

Therefore, banks need to implement strategies to identify their lower qualified clients in order to serve them in a specific manner to ensure a higher perceived service quality level. Generally, clients with lower education levels earn lower incomes. A bank's business strategy could be to divide its market into segments with regard to the clients' income. This would assist banks in identifying clients with lower education levels. Banks can ensure that this segment of clients feel appreciated by the bank. For example, a bank can mail letters of gratitude to the clients, mentioning the bank's appreciation to the clients and thanking the clients for their loyal support. Additionally, the clients might feel more valued by a bank if the bank provides them with gestures, for example through "client appreciation days" where special gifts or discounted bank charges are provided to clients. These actions might increase this segment of clients' perceived service quality of a bank.

7.5 LIMITATIONS AND DIFFICULTIES OF THE STUDY

As mentioned in Chapter one, a limitation of this study was that it was conducted only in the Nelson Mandela Metropolitan area. Another limitation of this study was that the *CRM* and *service quality* of only the four major banking groups in South Africa were investigated, namely ABSA, FirstRand Holdings Limited, Nedcor Limited and Standard Bank Investment Corporation (in alphabetical order).

7.6 AREAS FOR FUTURE RESEARCH

A discussion on prior research within this subject area is provided in Chapter one in order to substantiate the reason for this study. Hereunder, various recommendations for future research are provided.

Future research regarding this topic can be extended to include other geographical areas and additional, smaller banking groups. The variables that determine the *CRM* and level of *service quality*, in other financial services, for example in the insurance branch of the financial services industry, can be identified and compared to this study.

Additionally, it is possible that other external variables (which have not been specified in this study) can have an influence on the *CRM* and *service quality* of banks. The selected independent variables (*two-way communication*, *attitude*, *knowledgeability* and *efficiency of banking services*) explained 25.32% of the variance in the intervening variable (*CRM*), in other words, it can be said that 25.32% of a possible change in the level of *CRM* in a bank is caused by *knowledgeability* and *attitude*. The intervening variable (*CRM*) explained 30.7% of the variance in the dependent variable (*service quality*), in other words it can be said that 30.7% of a possible change in the level of *service quality* in a bank is caused by *CRM*. Therefore, the *CRM* and *service quality* of banks need further empirical testing.

7.7 FINAL CONCLUSIONS

Bank managers and bank employees should be aware of the fact that a bank's interaction with clients influences the institution's *CRM* and level of *service quality*. Specifically, the *knowledgeability* of bank employees with regard to banking products, services, policies and/or procedures and the *attitude* of bank employees in each banking branch should be positively adapted in order to ensure high levels of *CRM* and *service quality*.

Therefore, a selection of the variables tested in the study, including the *knowledgeability* and *attitude* of bank employees (these two are of the highest priority) can and should be implemented by banks in ways to positively influence their *CRM* and ultimately their *service quality*. In effect, this will increase client satisfaction and ensure client loyalty to the bank. Ultimately, this will contribute to the bank's success, which will ensure economic stability and prosperity for a country.

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ANNEXURE A: AN EXAMPLE OF THE QUESTIONNAIRE TO BANK CLIENTS

• PO Box 77000 • Nelson Mandela Metropolitan University
• Port Elizabeth • 6031 • South Africa
• http://www.nmmu.ac.za/busman

Nelson Mandela Metropolitan University
for tomorrow

Centre for Applied Business Management
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DEPARTMENT OF BUSINESS MANAGEMENT
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31 August 2004

Dear Sir / Madam

RESEARCH PROJECT ON THE CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY IN BANKS

The Centre for Applied Business Management (CABM) at the University of Port Elizabeth (UPE) is conducting research to identify the degree of customer relationship management and service quality in banking institutions. In an attempt to conduct the research, we kindly request you to complete the attached questionnaire in an honest manner. All responses will be treated as confidential and the results of the survey will be available on request.

Thank you in anticipation.
Kind regards

MS C ROOTMAN

CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY OF BANKS

Instructions:

Please read the statements below and show the extent to which you agree or disagree with each statement, relating to customer relationship management and service quality of your bank. If you strongly disagree with the statement, circle the number 1. If your feelings are not particularly strong, circle the 3. Circle the 7 if you strongly agree.

There are no right or wrong answers – please merely circle a number that best reflects your views. Thank you for your participation.

PART A: CUSTOMER RELATIONSHIP MANAGEMENT AND SERVICE QUALITY

Nr	Statement	Strongly disagree		Neutral			Strongly agree	
1	My relationship with my bank depends on whether the bank sends account statements to me, e.g. through the mail or internet.	1	2	3	4	5	6	7
2	My relationship with my bank depends on the efficiency of its banking services.	1	2	3	4	5	6	7
3	The attitude of the employees of my bank towards clients influences my relationship with my bank.	1	2	3	4	5	6	7
4	My bank delivers a better service to clients, if it has extensive relationships with its clients.	1	2	3	4	5	6	7
5	My relationship with my bank depends on whether employees of my bank can fully inform me on banking products and services.	1	2	3	4	5	6	7
6	My relationship with my bank depends on whether senior managers are always available for appointments.	1	2	3	4	5	6	7
7	My relationship with my bank depends on whether it provides value for money.	1	2	3	4	5	6	7
8	Generally, my bank performs its services by the promised times.	1	2	3	4	5	6	7
9	My bank's service quality increases, as its interaction with clients increases.	1	2	3	4	5	6	7
10	My relationship with my bank depends on whether my bank's employees communicate effectively.	1	2	3	4	5	6	7
11	My bank has a reputation for using highly skilled employees.	1	2	3	4	5	6	7
12	If the employees of my bank appear satisfied with their jobs, I feel more positive towards my bank.	1	2	3	4	5	6	7
13	My bank's level of service quality depends on my relationship with the bank.	1	2	3	4	5	6	7
14	My relationship with my bank depends on whether the employees of my bank seem like a coherent family, caring about each other and the institution.	1	2	3	4	5	6	7
15	I have a high concern for the success of my bank.	1	2	3	4	5	6	7

Nr	Statement	Strongly disagree		Neutral			Strongly agree	
16	If the employees of my bank have extensive knowledge regarding the banking products and services, I will have a better relationship with my bank.	1	2	3	4	5	6	7
17	I will have a better relationship with my bank if I know that my bank treats information exchanged confidentially.	1	2	3	4	5	6	7
18	If the employees of my bank proclaim it is satisfactory to work for the institution, I have a better relationship with my bank.	1	2	3	4	5	6	7
19	If my bank regularly informs me of new or important banking information through various media, e.g. on the television or radio, I will have a better relationship with my bank.	1	2	3	4	5	6	7
20	My relationship with my bank depends on whether it implements strict measurements to ensure the security of my funds.	1	2	3	4	5	6	7
21	My relationship with my bank depends on the commitment displayed by the employees of my bank to the banking institution.	1	2	3	4	5	6	7
22	My relationship with my bank depends on whether the employees of my bank can inform me of banking policies and procedures.	1	2	3	4	5	6	7
23	My relationship with my bank depends on whether it maintains high ethical standards in its service delivery.	1	2	3	4	5	6	7
24	If an employee of my bank informs me that he/she is also a client of the bank, I will have a better relationship with my bank.	1	2	3	4	5	6	7
25	My relationship with my bank depends on its variety of services.	1	2	3	4	5	6	7
26	The more extensively I communicate with my bank, the better relationship I develop with my bank.	1	2	3	4	5	6	7
27	I am indifferent to the bank fees charged for transactions, e.g. bank charges for transfers.	1	2	3	4	5	6	7
28	My relationship with my bank depends on whether the employees of my bank display a positive attitude towards their work.	1	2	3	4	5	6	7
29	I have confidence in my bank and know that my bank will always act in my best interest.	1	2	3	4	5	6	7
30	If my bank provides technologically advanced services, e.g. internet banking, I will have a better relationship with my bank.	1	2	3	4	5	6	7
31	I feel that I have a strong bond with my bank.	1	2	3	4	5	6	7
32	I will have a better relationship with my bank if the employees of my bank can advise me on banking products and services.	1	2	3	4	5	6	7
33	I receive many benefits due to my relationship with my bank.	1	2	3	4	5	6	7

Nr	Statement	Strongly disagree		Neutral			Strongly agree	
34	The employees of my bank know how to cope with all types of clients.	1	2	3	4	5	6	7
35	My relationship with my bank depends on whether the employees of my bank appear really happy and without stress.	1	2	3	4	5	6	7
36	My bank's service quality depends on whether it understands its clients' needs.	1	2	3	4	5	6	7
37	If a bank regularly informs me when certain services will be available and/or unavailable, I will have a better relationship with my bank.	1	2	3	4	5	6	7
38	It is important for me that my bank measures client satisfaction and/or client service on a regular basis.	1	2	3	4	5	6	7
39	My bank's physical facilities are visually appealing.	1	2	3	4	5	6	7
40	I selected my bank based on its fees for services.	1	2	3	4	5	6	7
41	I am completely committed to my bank.	1	2	3	4	5	6	7
42	I will have a better relationship with my bank if the employees of my bank know the bank's procedures of delivering services.	1	2	3	4	5	6	7
43	My relationship with my bank will be better if I know with certainty that the bank operates within the boundaries of the law.	1	2	3	4	5	6	7
44	I have a good relationship with my bank because the employees of my bank seem attached to the institution.	1	2	3	4	5	6	7
45	The employees of my bank never show that they are too busy to respond to my requests.	1	2	3	4	5	6	7
46	I am satisfied with the overall relationship that I have with my bank.	1	2	3	4	5	6	7
47	I am satisfied with the overall service quality of my bank.	1	2	3	4	5	6	7

PART B: GENERAL AND DEMOGRAPHIC INFORMATION

Please answer the following questions by filling in the blank spaces or by placing a cross (x) in the appropriate block.

Name and Surname: ____

Telephone number: ____

Email address: ____

1 Please indicate your gender.

Male		1
Female		2

2 Please indicate to which population group you belong (for statistical purposes only).

White		1
Coloured		2
Black		3
Asian		4
Not willing to say		5

3 Please indicate to which of the following age groups you belong.

Between 17 – 24 years		1
Between 25 – 34 years		2
Between 35 – 44 years		3
Between 45 – 54 years		4
Between 55 – 64 years		5
65 - years		6

4 How long have you been a client of your bank? __________ years

5 Please indicate for which purposes you make use of the services of your bank?

Personal		1
Business		2
Both		3

6 Please indicate the type of bank accounts that you make use of (you may indicate more than one).

Savings		1
Cheque		2
Credit card		3
Money market		4
Other (please specify) ______________________		5

7 Please indicate your highest level of education.

Grade 11 or equivalent qualification or lower		1
Grade 12 or equivalent qualification		2
Grade 12 and diploma(s)/certificate(s)		3
Grade 12 and degree(s)		4
Grade 12 and diploma(s)/certificate(s) and degree(s)		5

8 I currently make use of the services of the following banks (you may indicate more than one).

ABSA		1
First National Bank		2
Nedbank		3
Standard Bank		4
Other (please specify) ______________________		5

Thank you for your cooperation.