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Perceptions of service quality by clients and contact-personnel in the South African retail banking sector

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ABSTRACT

A superior level of service quality is an important objective for South African retail banks. This paper investigates the levels of perceived service quality among 550 clients and 559 branch contact-personnel in retail banks in central South Africa. The perceptions are compared, and the findings reveal that clients regard the levels of service they receive to be better than what the contact-personnel perceive them to be experiencing. The physical branch environment was also shown to be an important dimension of perceived service quality among retail clients. A cluster analysis identified three market segments to use when adopting marketing strategies, and the demographic factors of age, race and geographical location were found to be important considerations when developing these marketing strategies. An explicit micro-market marketing approach that is flexible and tailor-made to the characteristics of the location of the branch is a recommendation of the paper.

Key words: service quality, central South Africa, retail banks

Introduction

With banks placing emphasis on a mutually beneficial bank–client[1] relationship for both the bank and the client, client loyalty must be pursued through repeat purchases. Central to achieving this is that the quality of services offered by the bank should satisfy the client. The pressure placed on banks to consistently provide

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superior levels of service is immense. As such, the service and client focus dimensions of the relationship are, in particular, vital aspects of strategy for banks. South African banks have over the past decade regarded service quality as a key driver of competitive advantage and strategic importance.[2] Service complaint platforms for clients such as the Hello Peter website have resulted in banks actively responding to complaints more rigorously on the back of a more competitive banking environment.[3] Superior service quality has therefore become an important strategic objective for banks and is the focus of this paper. More specifically, the paper investigates the perceptions of clients and contact personnel in retail branches of the major retail banks in South Africa.

Background and research objectives

Banks have evolved to become diversified financial services providers rather than traditional banking-only services providers. As such, they are considered to be a more comprehensive institutional form reflecting a universal-type financial services provider as opposed to providing only banking products and services. With the dynamics surrounding the provision of financial services changing dramatically in recent years, increased competition from both traditional and non-traditional sources has resulted in banks competing with a more diverse and aggressive realm of financial institutions, including, for example, non-traditional financial institutions. The success of banks therefore lies in their ability to constantly address the needs of their clients and maintain any competitive advantage they have that differentiates them from competitors. The nature of banking is embedded in service provision, and improved service levels are seen to provide important benefits, such as positive word-of-mouth referrals and repeat purchases.

The changing dynamics surrounding clients are driving banks to focus more on individual, tailor-made client solutions. Although banks are privy to proprietary client information, clients are able to access information-rich sources such as the Internet, and competing firms are adopting more aggressive marketing tactics to acquire clients. Ensuring the quality delivery of its services is one way of promoting client acquisition (Safakli 2007; Gaur & Agrawal 2006; Parasuraman, Zeithaml & Berry 1988). As Rose and Hudgins (2008: 12) put it: “Their [bank’s] success hinges on their ability to identify the financial services the public demands, produce those services efficiently, and sell them at a competitive price.” This has resulted in the proliferation of services, given that banks are “rapidly expanding the menu of services they offer to their clients” (Rose & Hudgins 2008: 20). This is significant in that improved service quality leads to increased levels of client satisfaction and loyalty,

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which in turn results in increased profitability. Services providers are realising the importance of addressing client needs and expectations in order to improve service quality and profitability (Mylonakis 2009; Koutovalas & Siomkos 2006).

Given the focus of banks on bank–client relationships, service quality is commonly regarded as an antecedent to successful relationships with clients (Cabeza-García, Valdunciel & Flórez 2010; Ennew & Binks 1996). Providing high levels of service quality is therefore important in the context of building mutually beneficial bank–client relationships.

The focus of this study is on the retail banking market segment. This market focuses on the individual client that interacts with the bank in the branch. Although the individual is the focus, retail banking is different from private (or professional/wealth) banking in that it typically focuses on walk-in clients as opposed to having a dedicated banker in private banking. Retail banking has a more mass-orientated approach and focuses more on encouraging repeat purchases through multiple interactions with contact-personnel in the branch. In this context, the objective of this paper is to investigate the perceptions of service quality of retail bank clients and bank contact-personnel in branches in central South Africa. By comparing the perceptions of both the client and contact-personnel, the study is unique and makes a contribution to the existing literature, which usually focuses only on either the client or the contact-personnel. In particular, this study focuses on both sides of the bank–client relationship and compares their respective perceptions with regard to service quality in the retail banking context. Prior studies focusing on service quality in banking that have relevance to the South African context have been either on a specific product such as information technology (IT) (Redlinghuis & Rensleigh 2010), in an African context (Bick, Abratt & Möller 2010), or in an emerging market context (Greenland, Coshall & Combe 2006). The value of this paper lies in its focus on the comparison of service quality perceptions of both parties involved in the bank–client relationship: the client and the contact-personnel in retail branches. Given that the relationship between employees, clients and profitability is well documented in the literature, particularly by the so-called 'service-profit chain' of Heskett, Jones, Loveman, Sasser & Schlesinger (1994) (see section on the benefits of service quality in banking), this study adds to the premise that having a better understanding of service quality from the perspective of both the contact-personnel and the clients will improve client loyalty and increase bank profits.

Literature review

Defining services: The nature and characteristics of services

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

Grönroos later refers (2000: 3) to services from a client's perspective: "Clients do not buy goods or services, they buy the benefits goods and services provide them with. They buy offerings consisting of goods, services, information, personal attention and other components. Such offerings render services to them, and it is this client-perceived service of an offering that creates value for them. In the final analysis, firms always offer a service to clients, regardless of what they produce." A service is therefore an 'action' or 'performance' that consists of "activities or a series of activities rather than things" (Grönroos 2000: 47).

The literature refers to services as having four distinct characteristics, namely, intangibility, heterogeneity, inseparability and perishability. Although services may include tangible elements, the service performance is intangible (Lovelock 2001). Due to services being 'performances', they cannot be seen, felt, tasted or touched, unlike physical goods (Wilson, Zeithaml, Gremler & Bitner 2008: 16; Zeithaml, Parasuraman & Berry 1985: 42). Lovelock (2001) suggests that the four generally accepted characteristics "oversimplify the real-world environment". As a result, he offers several additional characteristics (Lovelock 2001: 9–15), including that there is no client ownership of services; the client involvement occurs in the production process; 'people' are part of the product; client evaluation is difficult; the time factor is important when delivering a service; and services use different distribution channels.

The characteristics of services highlight the complexities facing the management of service-orientated organisations, and Lovelock (2001) in particular highlights the importance of the distribution channels through which services are delivered, whether people or physical infrastructure of some sort. Within the context of this study, the intangibility and heterogeneity characteristics of banking services is

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particularly prevalent, and also the role attached to the bank contact-personnel who deliver the service, given that the core business of banking relates to service-related functions (Grönroos 2000).

The benefits of service quality in banking

From an organisational perspective, the relationship between service quality and profitability is an important consideration for services firms (Zeithaml & Bitner 2003).[4] The seminal work of Heskett et al. (1994) provides valuable insight in this regard. They provide a framework in a service provision context that operationalises the relationship between organisational profitability and client loyalty on the one hand, and the linkage with employee satisfaction, loyalty and productivity on the other. Referred to as the 'service-profit chain', the framework suggests that profitability is a multi-faceted result dependant on the synthesis between organisational and client interactions. It follows that the relationship established between contact-personnel or staff and clients is an important precursor for client loyalty and, consequently, organisational profitability (Heskett et al. 1994: 165).

The causal relationship between service quality, client satisfaction and client loyalty is considered by several authors: Ennew and Binks (1996) provide empirical evidence to support the notion that service quality leads to satisfaction, loyalty and the retention of, in this case, small business banking clients. They also suggest that banks should focus explicitly on managing the bank–client relationship as an important precursor to client retention; Miguel-Dávila, Cabeza-García, Valdunciel and Flórez (2010) similarly find service quality to be a 'precedent' to client satisfaction; Korda and Snoj (2010) find that adopting a holistic management approach based on perceived value rather than merely service quality will improve perceptions of client satisfaction with retail banking clients; and Yavas, Benkenstein and Stuhldreier (2004) investigate the relationship between service quality, client satisfaction and selected behavioural outcomes in the highly service-conscious German banking sector and find service quality to be the 'root' of client satisfaction (Yavas et al. 2004: 151).

Similarly, Koutouvalas and Siomkos (2006) assess the relationship between perceived service quality and loyalty between clients in both private and public banks in Greece. They find a positive relationship between service quality and loyalty of clients in both types of bank, but particularly strong among the private bank clients. They find no significant relationship between the demographic nature of the sample and service quality. They conclude that this implies that banks in general tend to offer service levels that are more or less the same to all clients. A further study conducted in Turkey by Yavas, Bilgin and Shemwell (1997) investigates the effect of service

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quality on client satisfaction and the ensuing behavioural outcomes with respect to complaint behaviour and commitment. They find the Tangibles and Responsiveness service dimensions of Parasuraman et al. (1988) to be particularly influential with respect to client satisfaction and commitment levels (Yavas et al. 1997: 220). The study by Arasli, Katircioglu & Mehtap-Smadi (2005) suggests that consistently improving on the service dimensions will result in improved client satisfaction and increased word-of-mouth promotion of the bank, and ultimately result in more loyal bank clients. Malik and Naeem (2011) find that behavioural intentions such as word-of-mouth communication and intention to switch were affected by the perceived quality of the service environment and the reliable delivery of promised services.

Investigating a slightly different view of client patronage, White and Yanamandram (2004) consider the issue of inertia in financial services – that is, clients who stay with a bank even though they may be dissatisfied or merely lack the motivation to switch to another bank. They find that clients face the perceived risk of changing financial services providers that is driven by factors including their experience of purchases with the organisation, the difficulty in evaluating the services pre- and post-purchase, and word-of-mouth recommendations from friends and family. The authors state that service quality is important in understanding the inert behaviour of clients in financial services (White & Yanamandram 2004: 192–193). In turn, client satisfaction was found to have a favourable impact on behavioural outcomes such as positive word of mouth and commitment, especially among female bank clients (Yavas et al. 2004).

Lee and Hwan (2005) similarly investigate the relationship between service quality, client satisfaction and profitability in the Taiwanese banking sector. Using SERVPERF methodology, they find a positive causal relationship between service quality, client satisfaction and purchase behavioural intentions. Service quality was further found to be more influential with respect to repeat purchase intentions than client satisfaction, and client satisfaction in turn was found to significantly influence bank profitability. Baumann, Burton, Elliot and Kehr (2007) also test for factors predicting the loyalty of retail banking clients, defined as the clients' willingness to recommend and remain with their main bank. They find that four service quality dimensions, with the exception of Tangibles, can be used to predict client satisfaction and attitude. Their explanation for this is that clients may perceive the physical aspects of banking as homogeneous across different banks and thus not consider it as differentiating a bank (Baumann et al. 2007). Similar findings were provided by Lopez, Kozloski Hart and Rampersad (2007), and Koutouvalas and Siomkos (2006).

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The consistency and customisation of delivering banking services

Although service quality promotes levels of client satisfaction, the consistency with which a service is provided is just as crucial. This is particularly so in view of the perceptions of complexity and risk associated with purchasing financial services (Babakus, Eroglu & Yavas 2004: 462, 463). Frei, Kalakota, Leone and Marx (1999: 1210) attempt to enhance the definition of service quality for financial services to "include uniformity of service output around an ideal target value determined by the client" in order to investigate the consistency of service delivery. Their study determines the level of service variability in bank branches and its resultant relationship with a bank's financial performance. For a bank, not only does the service process have to address ever-changing client needs, but do so in a predictable and consistent manner. Achieving consistency in delivering a service might be achievable when driven purely by technology, but most services involve people, resulting in inconsistencies in delivery (Lopez et al. 2007). This reinforces the need to have bank contact-personnel that are well trained and knowledgeable, especially when a relationship strategy with the client is pursued (Rootman, Tait & Bosch 2007).

It is also important to consider the customisation of banking products and services for a specific cultural context. Jabnoun and Khalifa (2005) investigate the client service quality perceptions of both conventional and Islamic banks in the United Arab Emirates (UAE) and consider in particular social norms and religious sensitivity (see also Al-Tamimi & Al-Amiri 2003). Safakli (2007) similarly customises the five service quality dimensions to reflect the cultural environment in northern Cyprus. In a South African study, Bick, Brown and Abratt (2004: 315) found that retail banking clients rate 'operational excellence' higher than superior product characteristics and relational intimacy with bank employees. Lopez et al. (2007) consider the ethnic diversity of bank clients in the USA and investigate whether the heterogeneous ethnic makeup of the sample area has different perceptions vis-à-vis the original ten service quality dimensions identified by Parasuraman, Zeithaml and Berry (1985).

Although these studies highlight the importance of providing reliable banking products and services – in other words, being *predictable* when it comes to service delivery – bank management must ensure that they address the needs of a diverse client base characterised along demographic lines.

Measuring service quality

Parasuraman et al. (1985: 42; 1988: 13) identified the difficulty of measuring service quality due to its being an "abstract and elusive construct" that is more difficult to

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evaluate than goods because of less "tangible cues" that allow evaluation. During the early 1980s no suitable measuring instrument had been developed to measure service quality. This resulted in their following up their 1985 paper, which provided the basis for identifying the dimensions of service quality and the Gaps Model of Service Quality, with a measuring instrument they developed called SERVQUAL. SERVQUAL is an instrument that assesses both the expectations and perceptions (commonly referred to as the 'disconfirmation method') of clients regarding service quality (Parasuraman et al. 1988) and has become the most commonly used instrument for measuring service quality in several different industries (see Wilson et al. 2008; Safakli 2007; Gaur & Agrawal 2006; Yavas et al. 2004; Brady, Cronin & Brand 2002; Pont & McQuilken 2002). The SERVQUAL instrument has five service quality dimensions, namely Responsiveness, Reliability, Empathy, Assurance and Tangibles.

The BANKSERV instrument is a service quality measurement instrument relating specifically to the banking sector. Developed by Avkiran (1994, 1999), it measures service quality as perceived by retail banking clients in the branch of a bank. The BANKSERV instrument initially conceptualises six service quality dimensions. Three of the dimensions, namely Responsiveness, Empathy and Reliability, were deemed to be identical to those of the SERVQUAL instrument, but included staff conduct, access (to staff) and communication (Avkiran 1994). Further refinement resulted in staff conduct, communication, credibility and access to teller services emerging as dimensions (Avkiran 1994, 1999). A notable difference between the BANKSERV and SERVQUAL instruments, however, is that BANKSERV does not adopt the expectations–perceptions disconfirmation methodology. Instead, only perceptions are assessed in the approach that is used. As Avkiran (1999: 67) states: "Client service in banks is characterised by multiple encounters between clients and branch staff ... BANKSERV is designed to capture the multi-faceted nature of client service quality issues that arise in such environment ... [and] allows the client to reflect on perceptions and expectations in a single statement." This performance-only approach is the central tenet of the so-called 'SERVPERF'.

Developed by Cronin and Taylor (1992, 1994), SERVPERF has been the major alternative to SERVQUAL in the services marketing literature with respect to measuring service quality (Wilson et al. 2008; Grönroos 2000). The SERVPERF instrument differs from the SERVQUAL instrument in that it adopts a performance-only methodology as opposed to the disconfirmation paradigm adopted by SERVQUAL. In other words, only actual experiences (or perceptions) of service quality are assessed, rather than the expectations of clients. Given this and the disagreement that measuring service quality can be defined by five separate

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dimensions, they agree with the 22-item scale proposed by Parasuraman et al. (1988), stating that it adequately defines the 'domain of service quality' and is consistent with the literature. The SERVPERF instrument therefore uses the 22-item scale directly from SERVQUAL, but, contrary to SERVQUAL, only perceptions are assessed.

Research methods

The research instrument

Given the methodology of SERVPERF, which focuses only on perceptions, the SERVPERF instrument was used in this study. Table 1 provides the dimensions used in the questionnaires. In addition to the five dimensions provided by Parasuraman et al. (1988), a sixth dimension was added that referred specifically to aspects of the bank–client relationship. Although the BANKSERV instrument provided useful ideas regarding what aspects of service quality are important, especially in a retail banking context, trust and decision-making ability were used explicitly in the Relationship dimension of the questionnaire.

The dimensions of service quality

The dimensions of service quality used in the study are provided in Table 1. The five dimensions of Parasuraman et al. (1985) were used, and a sixth dimension called Relationship was added. This dimension was added due to the focus banks place on the service quality in the context of the bank–client relationship. The items within the dimension were constructed on the basis of two focus group sessions prior to the study being conducted that asked both clients and contact-personnel what aspects of the bank–client relationship, in particular, they deem important. The participants in the focus groups were asked to elaborate on specific factors they considered important to the bank–client relationship. The factors had to refer specifically to relational characteristics or features based on personal interactions between clients and contact-personnel in the branch environment, whether these were interactions based on general queries or applications for credit facilities. The participants were asked to focus particularly on aspects within the perceived bank–client relationship that instilled trust between the bank and client, that reflected effective communication by the bank (or contact-personnel), and reflected efficient service delivery in response to client requests. These factors were listed by the researcher, who in turn asked the participants to rank the factors from 'most' to 'least' important. After debating the relevance of the factors to be associated with the Relationship dimension (that is, the

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perceived relationship between the client and the bank), the factors were transformed into items (or statements), as reflected in Table 1.

The Reliability dimension refers to the ability of the bank to deliver all services as promised in a dependable and accurate manner; Responsiveness assesses the willingness of a bank to help clients and deliver prompt service; Assurance considers the ability of the contact-personnel of a bank to infuse trust and confidence through their knowledge and courtesy; Empathy refers to the ability of a bank to care for and provide personalised attention to clients; Tangibles assesses the physical appearance of the facilities, equipment, written materials and employees of a bank; and Relationship focuses specifically on the perceived relationship between the client and the bank, whether the bank as a whole or a specific contact-personnel member in the branch.

The statements provided in Table 1 are those that were provided to the clients of the banks, who were asked to provide their personal perceptions of the service they receive from the contact-personnel of the branch they consider to be their main branch. In turn, the same statements were provided to the branch contact-personnel, except that they were asked to provide their views of what they perceive the service quality perceptions of clients to be when they interact with contact-personnel in a branch.

Sample and data collection

Two questionnaires were used in this study: one for the client respondent group and one for contact-personnel in branches of three of the four large retail banks in central South Africa.[5] The data were collected in Bloemfontein, Bethlehem, Kimberley, Kroonstad and Welkom. A seven-point Likert scale was used for both questionnaires ranging from one (strongly disagree) to seven (strongly agree).

The client respondent group

The client respondent group consisted of bank clients who were randomly contacted by means of telephonic interviews. Given the data from Census 2011, the recommendations of Sekaran (2000) propose a sample of approximately 380. It was decided to increase the sample size to 550, which was stratified proportionately to the regional client population size. The statements were posed to the respondents, asking them to assign a rank to each between one and seven. The 550 client respondents banked at all the major South African retail banks, and the majority of the clients regarded one of the four large retail banks as their main bank. More specifically, 273 banked at ABSA, 123 at Standard Bank, 81 at First National Bank and 55 at

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Table 1: The six dimensions of service quality

DIMENSION	No.	STATEMENT
Reliability	1	When you have a problem the staff show a sincere interest to help you.
	2	The bank has your personal and banking information up to date and error free.
	3	The staff perform a service correctly the first time.
	4	Staff keep the promises they make.
	5	The staff perform the service they promise or claim to do.
Responsiveness	6	The staff are never too busy to respond to your requests and queries.
	7	The staff are willing to help you.
	8	The staff give you prompt and quick service.
	9	The staff constantly keep you informed about the progress of your queries.
Assurance	10	The staff have the knowledge and know-how of bank processes and policy to deal with your queries and concerns.
	11	The staff are polite towards you.
	12	The behaviour and knowledge of the staff instil confidence in you.
	13	You feel safe and confident about the staffs' abilities to deal with your concerns.
Empathy	14	The staff always have your best interests at heart.
	15	The staff give you personal attention.
	16	The staff understand your personal banking needs.
	17	The staff treat you as an individual with individual needs.
	18	The bank has operating hours that are convenient to you.
Tangibles	19	The branch layout is clearly demarcated and easy to understand.
	20	The branch is visually appealing and clean.
	21	The staff are neatly and professionally dressed.
	22	The branch has modern equipment.
Relationship	23	You trust the staff members who personally deal with your accounts.
	24	The bank addresses your credit [or lending] needs.
	25	The staff provide you with good advice on your accounts.
	26	The branch staff are always accessible to you, especially when you need them most.
	27	You trust your bank.
	28	The staff communicate with you in a manner that you understand.
	29	Decisions are made quickly and efficiently.

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Nedbank. The majority of the remaining respondents were with Capitec Bank. Further biographical information obtained from the clients included age, gender, race, net monthly income and current residential location.

The bank respondent group

Data were collected from the bank respondent group by personally delivering the questionnaires to the branch manager of each respective branch for the three participating banks. A census sampling methodology was thus adopted for the bank respondent group. A total of 37 branches were visited, and the target population was 674 branch contact-personnel. The questionnaires were collected personally after allowing a two-week period for completion. The personal interaction with the branch ensured that a high overall response rate of 83 per cent was achieved, with a total of 559 completed questionnaires. Nine of the 37 branches achieved a 100 per cent response rate from the contact-personnel, and only four branches had a response rate of less than 50 per cent.

Analysis and interpretation of the data

Table 3 provides the descriptive statistics for the samples of the two respondent groups for both the six dimensions and 29 statements of service quality. The results indicate that the client respondents generally scored higher than the bank respondent group. In fact, the average scores for all the dimensions were higher for the client respondent group, with the Tangibles dimension in particular scoring a large mean difference of 0.66. As a dimension of service quality, the Tangibles dimension also scored the highest (6.56) among the client respondents. This finding is contrary to that of Baumann et al. (2007), Lopez et al. (2007), and Koutouvalas and Siomkos (2006).

Of the specific statements, only three (4, 6 and 10) were scored higher by the contact-personnel at the banks. A close investigation of these three items indicates that they refer to the promptness and willingness of the contact-personnel to address the needs of the clients. The contact-personnel therefore feel that they are perhaps not as prompt as the clients perceive them to be. The study by Muyeed (2012) indicates the promptness of service delivery to be the most important driver of service quality, and this result may indicate that contact-personnel experience negative feedback from clients with regard to their ability to provide service quickly and efficiently. Further to this, the largest difference in statement scores was for statement 29 (positive 1.02), which refers to the efficiency and speed with which decisions are made by the bank.

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This seems to indicate that contact-personnel do not feel that clients experience the bank as making decisions quickly and efficiently. This might indicate that clients often complain about the turnaround time of decisions, or alternatively that contact-personnel feel that they are not sufficiently empowered to make such decisions either from a mandate or operational perspective. The contact-personnel feel that decisions must be made more quickly and efficiently, which might require banks to suitably empower their contact-personnel. In comparing South African banks with international banks, the study by Rootman, Tait & Sharp (2011a) supports such a suggestion. The contact-personnel must be in a position to act upon clients' service requests.

A cursory glance at the statement scores in Table 2 indicates that using the seven-point Likert scale gave rise to quite high scores, suggesting that in general the clients rated the service they received highly, and the contact-personnel perceived clients to be experiencing high levels of service quality. A similar study by Rootman, Tait and Sharp (2011b) also found that bank personnel (albeit bank managers) scored highly when the Likert-scale methodology was used.

The means of the responses of the client and bank respondent groups were compared by using the MANOVA and t-tests (see Tables 3 and 4). MANOVA was used to test for a significant difference in the entire (overall) construct of service quality by using the mean vectors of the client and bank respondent groups. Expressed differently, MANOVA simultaneously tests for any significant difference in all the variables between the respondent groups (Cooper & Schindler 2003: 619). A t-test was then used to determine whether a significant difference exists for each separate service quality dimension (Hair, Black, Babin & Anderson 2010: 443).

The statistical tests for the MANOVA and t-tests were done at a 10 per cent (0.1) level. In the MANOVA tests, the null hypothesis tests whether or not the vector means are equal. If the p-value is larger than 0.1, the null hypothesis is not rejected, and therefore no statistically significant difference exists. If the p-value is smaller than 0.1, the null hypothesis is rejected and a statistically significant difference does exist. Furthermore, the t-test tests whether the means are equal, and the hypotheses are accepted or rejected in the same manner. The results in Table 4 indicate that a statistically significant difference exists between the overall perceptions of bank contact-personnel and clients regarding service quality at the 0.1 level.

Table 4 provides a comparison between the bank and client respondent groups of the results of the t-tests for each of the dimensions of service quality.

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Table 2: Descriptive statistics for the dimensions and statements

DIMENSION	ANALYSIS PER DIMENSION					ANALYSIS PER STATEMENT			
	Client		Bank		DIFFERENCE	AVERAGE RATING			DIFFERENCE
	Mean (A)	St Dev	Mean (B)	St Dev	(A)-(B)	No.	Client (C)	Bank (D)	(C)-(D)
Reliability	6.12	0.93	5.63	0.98	0.49	1	6.47	5.72	0.75
						2	6.17	5.75	0.42
						3	6.07	5.73	0.34
						4	5.89	6.03	-0.14
						5	5.87	5.43	0.43
Responsiveness	5.98	1.07	5.70	1.07	0.28	6	5.22	5.49	-0.27
						7	5.92	5.81	0.11
						8	6.25	5.85	0.40
						9	6.32	5.35	0.97
Assurance	6.14	0.95	5.85	0.92	0.29	10	5.81	5.83	-0.02
						11	6.64	6.06	0.58
						12	6.45	5.94	0.51
						13	6.11	5.48	0.63
Empathy	5.91	1.11	5.85	0.94	0.06	14	6.03	5.63	0.39
						15	5.94	5.68	0.27
						16	6.08	5.65	0.43
						17	5.95	5.69	0.25
						18	5.67	5.51	0.16
Tangibles	6.56	0.61	5.90	1.06	0.66	19	6.32	5.70	0.62
						20	6.29	5.80	0.49
						21	6.59	6.10	0.49
						22	6.06	5.60	0.46
Relationship	5.97	1.02	5.76	0.88	0.21	23	5.91	5.77	0.13
						24	6.02	6.02	0.00
						25	6.11	5.87	0.24
						26	5.94	5.39	0.55
						27	6.05	5.67	0.38
						28	6.07	5.67	0.40
						29	6.47	5.45	1.02

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Table 3: MANOVA table between client and bank respondent groups

STATISTIC	Value	F-Value	Prob
Wilks' lambda	0.7847019	43.67	<.0001
Hotelling-Lawley trace	0.2743693	43.67	<.0001
Roy's Greatest root	0.2743693	43.67	<.0001

Table 4: T-tests between client and bank respondent groups

DIMENSION	Method	Variances	t-Value	Prob
Reliability	Pooled	Equal	-7.83	<.0001
Responsiveness	Pooled	Equal	-3.97	<.0001
Assurance	Pooled	Equal	-4.86	<.0001
Empathy	Pooled	Equal	-0.98	0.3277
Tangibles	Pooled	Equal	-11.11	<.0001
Relationship	Pooled	Equal	-3.31	<0.001

Five of the six dimensions within the overall service quality construct indicate a statistically significant difference between the two respondent groups at the 0.1 level of significance. More specifically, for the dimensions of Reliability, Responsiveness, Assurance, Tangibles and Relationship, there is a statistically significant difference between the perceptions of clients and the perceptions of contact-personnel with respect to the clients' interactions with their branch. Empathy, however, is statistically insignificant at the 0.1 level. Therefore, the data show that similarity between the perceptions of bank contact-personnel and clients exists only for Empathy. Given the definition of the Empathy dimension, the results suggest that clients feel that the contact-personnel at their branches do in fact care and provide personalised attention to them. In turn, contact-personnel feel that the clients perceive the bank to care and provide personalised attention. However, a statistically significant difference exists between the perceptions of clients and contact-personnel regarding the other five service quality dimensions.

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Managerial implications and recommendations

The contribution of this paper is three-fold. Firstly, the perceptions of *both* clients and contact-personnel are compared. This is unique in that most papers focus on only one side of the relationship. Secondly, the study was conducted in central South Africa and specifically *not* in major metropolitan areas. Thirdly, the paper develops an additional dimension within the service quality construct referring specifically to the bank–client relationship. Therefore, apart from adding to the literature on service quality, the results are relevant to bank strategy and managers in a small-town South African context (specifically Bethlehem, Kroonstad, Welkom, and perhaps Kimberley), as opposed to studies that focus on the large, urbanised metropolitan cities. To the knowledge of the authors, no previous study has had such a focus, and this research thus sheds new light on the perceptions of clients and contact-personnel in a small-town rural South African context.

The results of the preceding analysis indicate that although both respondent groups scored the individual statements of service quality highly, the MANOVA results indicate a statistically significant difference between the overall perceptions of service quality between the clients and contact-personnel at the bank. On a dimension level, only Empathy is found to reflect any statistical insignificance. This means that the perceptions of clients, and the corresponding perceptions that contact-personnel have of clients, regarding the six dimensions of service quality are statistically different, with the exception of the Empathy dimension. Furthermore, although the clients agree that most of the service quality statements are important for describing service quality as a construct, in general they experience these items as better than the perceptions of the contact-personnel. The results therefore indicate that service quality is very important to clients, and based on the results, they experience a higher perceived level of service quality than the contact-personnel in branches perceive them to be experiencing. Expressed simply, the results indicate that clients experience better service than the contact-personnel in the branches perceive them to be experiencing.

Although this study focused only on the service perceptions of clients and contact-personnel, the service expectations of these two respondent groups need to be borne in mind. Expectations play an important role in the ultimate perceived level of service quality of clients. Banks must therefore ensure that the expectations they create among clients regarding levels of service quality are indeed attainable. This implies that contact-personnel must be empowered to deliver on the service expectations that the bank portrays as being able to deliver upon. Given that this study used the SERVPERF questionnaire, a similar study could be done in the future using the

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perception-expectation-disconfirmation paradigm proposed by Parasuraman et al. (1985, 1988, 1991, 1994) and Grönroos (1982, 1984, 2000).

Based on the discussion and results of the analysis, the following recommendations are made to the management of banks in central South Africa:

- The perceived level of service quality experienced by clients is high, and contact-personnel are key to this result. Management must therefore ensure that contact-personnel are suitably empowered and incentivised to continue offering such a high level of perceived service quality.
- The management must ensure that contact-personnel honour the promises they make to clients and are always available to respond to the needs and requests of clients. This must be coupled with contact-personnel being intimately knowledgeable about processes and policies in order to deal with client needs and requests. The availability of contact-personnel, and their ability to act in response to client requests, are therefore vital aspects of service quality.
- The branch layout is vitally important for determining high levels of service quality. Management should ensure that the branch is always neat and tidy and that professionalism is always reflected in terms of staff conduct, furniture and equipment.
- The turnaround time for decisions in response to clients' queries, complaints or applications must be improved. Management needs to ensure that contact-personnel have suitable mandates, for example, to approve applications more quickly, or that they are empowered to speed up current turnaround times for decisions by the bank. If the latter approach is adopted, the branch manager must proactively ensure that policies and procedures are adhered to, particularly as regards service-level agreements within the process value chain between different business units. Empowering contact-personnel for efficient and speedy service delivery is essential in the competitive South African banking environment.
- The overall perceptions of service quality by clients and contact-personnel are different. This implies that what clients are experiencing in terms of service quality is different from what contact-personnel perceive them to be experiencing. It is proposed that management take active steps to enable contact-personnel to be more perceptive and responsive to the needs and requirements of clients. Loyalty rewards or personal invitations (for example, to a cocktail evening or sporting event at the expense of the bank) might be a solution in this regard. It is further recommended that if this is done, randomly selected clients also be considered as opposed to 'favourite' clients. Whichever approach is adopted, clients must be rewarded in some form or another, and the most suitable proposition should be pursued.

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Based on the results of the study, these recommendations will improve perceived levels of service quality by improving the ability of contact-personnel to understand the needs of clients and be more empowered to address such needs, and by rewarding clients for their continued loyalty to a particular bank. As suggested by the 'service-profit chain' proposed by Heskett et al. (1994), this should have a positive effect on bank profits.

Conclusion

The results of this study indicate that the level of service quality perceived by bank clients in central South Africa is higher than contact-personnel in branches perceive them to be experiencing. The results suggest that banks are successfully promoting high levels of service quality, although there are some problems related to the inability (or aversion) of contact-personnel to making decisions quickly and addressing the needs of clients, whether in terms of being accessible or responding timeously to client requests.

The physical infrastructure and layout of the branch, and the professional conduct of contact-personnel, ranked as the most important dimension of service quality in the study. This does not, however, imply that contact-personnel do not perceive service quality to be important. In fact, the results seem to suggest that contact-personnel to some extent downplay their success with respect to service quality. This bodes well for the level of service quality provided by the banks that were part of this study.

At the core of these findings lies the intention of the banks to stimulate client loyalty and, in doing so, to encourage repeat purchases. The successful retention of clients and the implied loyalty to the bank will not only improve bank profits, but also improve brand awareness through, for example, the word-of-mouth promotion of satisfied clients. Ensuring that high levels of service quality exist lies at the heart of this. In a nutshell, the results of the study can be summarised by a comment made by one of the clients: "The bank says it offers certain services. If it says it does, then it must. And it must do so, so that I stay with them not because I have to, but because I want to."

Endnotes

1 Although the literature refers to both a 'client' and a 'customer', this study will use only the term 'client'. However, a client is commonly referred to as a person who uses the services of a professional such as a bank, whereas a customer usually refers to a person who uses the services of another. A client is therefore a more specific form of customer.

This distinction should be kept in mind throughout the text, especially where marketing literature is dealt with. The marketing literature in particular refers explicitly to customers rather than clients.

2 See PriceWaterhouseCoopers (2001, 2002, 2003, 2005, 2007, 2009, 2011).
3 See www.hellopeter.com.
4 See Zeithaml (2000) for a thorough review of the studies showing this relationship.
5 Only three of the four large retail banks in South Africa (ABSA, First National Bank, Standard Bank and Nedbank) were willing to participate in this study. For confidentiality purposes, the names of the banks may not be revealed.

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