

UNIVERSITY OF KWAZULU-NATAL

**The Effect of Customer Service
on Customer Loyalty**

by

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ABSTRACT

South African banks have recognised that their landscape is changing and the market is evolving. Service is a variable that will create a differentiation and separate one institution from their competitors. Global and local competition has increased the importance of quality service, customer satisfaction and subsequently customer loyalty, towards creating a sustainable competitive advantage. Whilst operating in such a regulated and complex environment, bank managers need to understand the importance of customer service and satisfaction and its effect on customer loyalty and ultimately the effect on profitability and market share. Service firms need to adhere to their customers' needs and continuously focus on satisfying these needs. In order to survive, service firms, including banking institutions, require a loyal client base.

The aim of this study was to investigate the effect of customer service on customer loyalty at Nedbank, Retail Banking at the Musgrave Branch. One hundred clients were selected using the simple random sample method; a response rate of seventy seven percent was achieved through a quantitative study, with a self-administered questionnaire. The service quality was tested through the SERVQUAL model. This study also attempted to test the relationship between customer satisfaction and customer loyalty. The data collected was aligned to the objectives and have provided distinct answers to the research question. It was evident from this study that a positive relationship exists between service quality and customer satisfaction. The dimension of customer satisfaction and customer loyalty also showed a positive relationship, however the price satisfaction and customer satisfaction dimension showed a moderate correlation indicating that this is an improvement area. The results of this study have confirmed the theory reviewed in the literature that a relationship exists between service quality, customer satisfaction and customer loyalty. The recommendations included reviewing the current internal process and efficiencies, enhancing technology and leveraging the benefits of a multi-channel service strategy to create 'moment of truth' moment for Nedbank customers.

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List of Abbreviations

ABSA	Amalgamated Banks of South Africa
ATM	Automated Teller Machine
CBD	Central Business District
FNB	First National Bank
KZN	KwaZulu - Natal
SOA	Service Orientated Architecture
SQ	Service Quality

CHAPTER 1: INTRODUCTION TO THE RESEARCH

1.1 Introduction

The South African banking industry comprises of four major players in the retail banking domain which is the Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), Standard Bank and Nedbank. A wide range of services and products are offered to individual and corporate customers. Over the past 30 years banks have evolved from a single product provider to a one stop shop offering a wide range of products and services. The concept of relationship banking has also emerged with the focus on full spectrum banking instead of a single service and an isolated view of the client.

South African banks have recognised that their landscape is changing and the market is evolving. Service is a variable that will create a differentiation and separate one institution from their competitors (Goosen, 1999). Kumar, Mani, Mahalingam and Vanjikovan (2010) echo the same sentiments that banks compete with undifferentiated products in the market place, therefore service quality becomes a primary competitive weapon. Whilst operating in such a regulated and complex environment, bank managers need to understand the importance of customer service and satisfaction and its effect on customer loyalty and ultimately the effect on profitability and market share.

1.2 Significance of the Research

The research problem identified is relevant and vital to a fiercely competitive retail banking environment. The way financial institutions do business has changed. Global and local competition has increased the importance of quality service, customer satisfaction and subsequently customer loyalty, towards creating a sustainable competitive advantage. The increasing challenges forces banks to re-analyse and to develop innovative strategies to ensure that customers are satisfied and retained. It was therefore important to establish what the customer satisfaction and loyalty levels at Nedbank are and to understand how customer

service impacts customer satisfaction. This study can be used to improve the current customer service and relationship model at Nedbank to promote a more client-centric approach.

The areas identified in this study will enable stakeholders to understand the factors that positively influence customer satisfaction and customer loyalty, to improve internal processes and efficiencies and to enhance current technology to instantly and effectively assist a customer.

The study will add value to the following stakeholders:

- **Nedbank Management**

The findings have identified the areas of service breakdowns and strategies have been proposed to rectify the problem. It will allow management to implement measures to improve efficiency and quality; and enhance technology and promote a multi-channel, cost effective service approach.

- **Employees**

The findings from this study can be disseminated to the employees to show them their strengths and weaknesses with regard to the quality of service that is offered to their customers and to adjust behaviour accordingly.

- **Shareholders**

The shareholders will benefit from an increase in profitability, client loyalty and greater brand loyalty.

- **Customers**

The benefit to the customers will be improved service, increased satisfaction and long term banking relationships.

The outcome of this study provides Nedbank – Retail Banking with vital information concerning customer dissatisfaction so that it may take necessary action to ensure customers are satisfied and remain loyal. In addition, the recommendations of this study may help the bank to grow the customer base with

referrals from existing customers which will also improve the competitiveness of the bank.

1.3 Focus of the Study

The focus of this study was to investigate and analyse the current customer satisfaction levels in Nedbank and to establish the factors that promote client service through the SERVQUAL model. An assessment of the customer perceptions of customer service was evaluated. The study was conducted at Nedbank Retail Banking, Musgrave branch.

1.4 Problem Statement

Financial institutions have; in the face of low growth economies, intense global competition and an economic credit crunch; undergone radical changes. These factors have negatively affected the profitability of financial institutions and banks in particular. All banks face similar issues coupled with a strain of new regulation, high customer attrition rates and increased global competition. The increasing challenges forces banks to re-strategise and construct business models that will allow them to continue operating in a multi-channel and technologically advanced industry. Retail banks are reshaping the business tactically and strategically to achieve demanding balance sheet and income statement goals. These goals are achieved through traditional branch banking sales and service focusing on existing customers (70-75% of sales) and setting behavioural standards for banking staff (Anat, 2011).

Global competition has highlighted the strategic importance of quality, satisfaction and subsequently loyalty, in pursuit of winning customer preferences, thus creating a sustainable competitive advantage for those who implement such practices. In the service environment in particular, these factors prove to be critical due to the impact on the interrelated causal and cyclical relationships. In the new competitive environment the focus on services is gaining increasing importance in the competitive formula of local and international organisations. Customer loyalty is one way of maintaining competition in the industry. The objective of this study is to investigate the gap in the current service levels, and to understand what the effect

of customer service is on customer satisfaction and loyalty amongst Nedbank Retail banking customers.

1.5 Research Sub Question

- What are the factors that influence customer service and customer satisfaction at Nedbank?
- What are the potential barriers to customer loyalty at Nedbank?
- Are customers at Nedbank satisfied with the current service quality that is offered?
- Will satisfied customers display their loyalty and refer new clients?

1.6 Objectives

The key objectives of this study are to:

- To identify the factors that influence customer service and customer satisfaction at Nedbank.
- To identify the potential barriers to customer loyalty at Nedbank.
- To determine if customers are satisfied with the services quality that is offered by Nedbank.
- To determine if satisfied customers are loyal and will refer new clients.

1.7 Limitations

The time constraint for this research study was a challenge. The survey was a once-off event, a cross sectional view and cannot predict changes in customer loyalty due to changes in product/service quality, customer expectations, or competitors' advances. This study therefore does not test long term implications. This study used the quantitative research method due to the environment that the survey was conducted in. Bank customers are normally in a rush and in order not to compromise the data collection a quantitative method with closed ended questions were asked.

The research is limited in that it is confined to a single typology, namely the retail banking industry, therefore it would be difficult to generalise the findings as the results may differ in private or corporate banking. The research was based on a

restricted sample of Nedbank Musgrave's retail bank customers. No comparisons or interbank analyses are made as such were beyond the scope of this research.

1.8 Chapter Outline

This study is comprised of six chapters. An overview of each chapter is presented below:

- **Chapter 1:** The research topic and the background to this research are presented in this chapter which also outlines the motivation and the aim of the study.
- **Chapter 2:** This chapter presents the literature reviewed, which examines the individual components of customer service, service quality, customer satisfaction and customer loyalty and any associated relationships between them. The literature explores the SERVQUAL model, the dimensions and the measurement of the model.
- **Chapter 3:** Describes the research methodology applied in this study. This chapter discusses the approach and method used in conducting the quantitative survey when sampling the retailing banking customers in Nedbank. The data collection, reliability and validity are also discussed.
- **Chapter 4:** Presents the findings of the study which is aligned to the research objectives and empirical data collected. The data was statistically analysed and interpreted.
- **Chapter 5:** The interpretation of the findings are presented and supported by empirical data and the literature study.
- **Chapter 6:** Concludes the study with a summary of how the data has addressed the objectives and problem statement leading to recommendations on how to improve customer service at Nedbank in order to ensure customer satisfaction and loyalty.

1.9 Summary

The financial services industry in South Africa has evolved through challenging times. Business strategies have accordingly advanced with the focus being on the customer. In order for banks to differentiate themselves from their competitors, a winning customer service and retention strategy is required to create a competitive advantage. The needs and perceptions of the clients of the bank must therefore be examined so that the service delivery can be adapted and improved to meet their requirements.

This chapter has summarised the problem, motivation and focus of the study. The benefits and the importance of the study were discussed. The key objectives, the limitations of the study as well as the outline of the study were presented. To establish the effect of customer service on customer satisfaction and loyalty a literature review was undertaken and is discussed in the next chapter.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter presents an extensive review of the literature by various academics and scholars to understand the effect of customer service on customer satisfaction and loyalty. The chapter also reviews the definitions and concepts of customers' service, service quality, customer satisfaction and customer loyalty. The SERVQUAL model and the debates around the models are explored together with the causal relationship between service quality, customer satisfaction and loyalty. There is also an analysis of service quality specifically in banking.

2.2 Service Quality

The common definition of service quality is the extent to which a service meets a customers' expectation or need (Lewis and Mitchell, 1990). The concept of service quality generated substantial debate due to the obscurities in defining and measuring it (Wisniewski 2001). There are various definitions of what service quality is. Service quality can therefore be defined as the difference between the customers' expectation of service and perceived service. The alternate view on service quality is the difference between customer expectations regarding a service to be received and the perception of the service being received (Gronroos, 2000).

Service quality is deemed to be an antecedent of customer satisfaction (Bedi, 2010 and Kumar *et al.*, 2010). Some researchers found that customer satisfaction is positively influenced by service quality (Gee and Robert, 2008) whilst others have indicated that customers satisfaction is the antecedent of service quality (Bitner,1990 and Bolton and Drew, 1991). However, customer dissatisfaction occurs when the expectation is greater than the performance and the perceived quality is then less than satisfactory (Zeithaml, Berry and Parasuraman, 1996, and Lewis and Michell, 1990).

Organisations face difficulties understanding a customer's perception and evaluation of the service based on its intangible nature. Services are regarded as "performances", they cannot be touched, felt, seen or tasted, unlike physical goods (Wilson, Zeithaml, Gremler and Bitner 2008: 16; Zeithaml, Parasuraman and Berry, 1985:42). Customers find it equally difficult to evaluate service during the various stages, pre consumption, consumption and post consumption. According to (Petruzzellis, D'Uggento *et al.*, 2006) the higher the perceived service quality is, the greater the customer satisfaction and loyalty levels are. Tsoukatos and Rand (2006) noted that provision of service quality is a precursor of customer satisfaction as it influences the dependability of the customers to the organisation. In this study, service quality can be defined as customer's perception of the service received. Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature (Gronroos, 2000).

Parasuraman *et al.*, (1988, p.15) define perceived quality as "a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance". Negi (2009, p.32-33) suggests that "customer-perceived service quality has been given increased attention in recent years, due to its specific contribution to business competitiveness and developing satisfied customers". It is crucial for organisations to value service quality and understand how to assess it in order to construct the required improvements in its dimensions where appropriate particularly in areas where gaps between expectations and perceptions are wide.

Douglas and Connor (2003, p.165-166), emphasise that "the consumer who has developed heightened perception of quality has become more demanding and less tolerant of assumed shortfalls in service or product quality and identify the intangible elements (inseparability, heterogeneity and perishability) of a service as the critical determinants of service quality perceived by a customer". Crucially important is the delivery during a service process which ultimately affects a customer's perception of the organisation.

2.3 Assessing Service Quality

Implementing and evaluating service quality is a very complex process, because of the intangible nature of service and the difficulty in measuring customers' expectations and perception. Zeithaml and Bitner (1996) believe that content and delivery of a service are essential factors for evaluating service quality. While customers evaluate the quality of delivery, service providers determine the content of the service. Edvardsson (1998) believes that the perception of service "should be approached from the customers' point of view" as the customers' entire concept of the result is the receipt of the service. The customers' involvement in the service process is necessary, since they are the co-producer of service. The provision by an organisation is usually a delivery of interpersonal relations, service, customer experience or performance.

2.4 Formation of Customer Perception

Customer perception can be defined as "*the way [customers] sense and interpret the world around them*" (A Askegaard, Søren, Eric J. Arnould, and Dannie Kjeldgaard (2005), p.299). At a service encounter, customers are exposed to numerous stimuli, which are usually emitted from the physical environment, interactions with service providers and performance of the core service (Haeckel, S. H., Carbone, L. P. and Berry, L. L. (2003). With the help of five senses – sight, smell, hearing, touch and taste, customers interpret and give meanings to the stimuli that they experience at service encounter (Arnould *et al.*, 2005). Amongst all these, customers pay attention to "... *only a small portion of the stimuli...*" which can be referred to as *perceptual selection* (Arnould *et al.*, 2005, p.309).

The stimuli evaluation process takes place in both customers' conscious and subconscious level (Berry and Carbone, 2007) and primarily depends on two aspects. Firstly, customers are more likely to pay attention to stimuli which relate to their goal of current need fulfillment (Arnould *et al.*, 2005). Secondly, the attractiveness of the stimulus itself, means, stimuli which surprise or threat customers thus crossing the boundary of expectations have a higher chance to be selected.

Finally, based on prior knowledge derived from past experiences, customers categorise and make evaluative judgments of the new experience stimuli collected from purchase and post purchase touch points (O'Neill and Palmer, 2003). Hence, experiences influence the formulation of the overall perceptual judgment about services. In this perspective, Bitner (1992) suggests that the overall perception of service environment leads to arousal of emotions, influence beliefs and physiological sensations, which ultimately influence customer behaviours. In a similar vein, the study conducted by Pullman and Gross (2004) proved that, customers formulate their overall service perceptions based on elements of physical environment and their interactions with the service providers as well as other customers, which in turn generates emotions leading to influencing customer loyalty behaviours.

2.5 Perceived Customer Service Quality

During the past decades service quality became a major area of attention to practitioners, managers and researchers, owing to its strong impact on business performance, lower costs, customer satisfaction, customer loyalty and profitability (Guru, 2003; Sureshchander, Rajendran and Anantharaman, 2002; Newman, 2001; Lasser, W.M., Manolis, C., and Winsor, R.D. (2000), 2000; Hallowell, 1996; Cronin and Taylor, 1992). Service quality depicts the contrast between the expectation of customers about a provision and their perceptions of the actual service performance (Parasuraman *et al.*, 1994, Grönroos, 1984, Lewis and Boom, 1983). Service quality has been extensively researched as a distinct concept, yet there are still arguments and discrepancies as to how it is best measured (Brown *et al.*, 1993; Cronin and Taylor, 1992; Parasuraman *et al.*, 1994).

However, a review of previous research results indicating that the use of performance-related measures is paramount (Olorunniwo *et al.*, 2006; Cronin *et al.*, 2000; Zeithaml *et al.*, 1996; McDougall and Levesque, 1994; McAlexander, J.H., Kaldenberg, D.O., and Koenig, H.F. 1994; Cronin and Taylor, 1994). One of the most widely accepted definitions of service quality is that which has been devised and examined through research by Parasuraman *et al.*, (1985, 1988) and Zeithaml, (1990). The research of Parasuraman *et al.* (1985) has its basis in

previous studies (Lewis and Booms, 1983; Grönroos, 1982; Churchill and Suprenant, 1982). Parasuraman *et al.*, (1988) describe service quality as how well the service delivered to the customer matches their perceived expectations.

2.6 Service Quality Studies

Walters and Dana (2004) argued that the service industries include; government services, pseudo-government services, utilities services, institutional services, trade services, travel, tourism and hospitality services, professional services, services retailing, support services and financial services which include brokerage, insurance and banking. There have been a number of studies of retail bank service quality. Most of these studies have measured service quality by replicating or adapting the SERVQUAL model whilst other studies focussed on customer satisfaction (Ting, 2004, 2006; Jamal and Naser, 2002, 2003; Greenland *et al.*, 2005; Tahir and Abu Bakar, 2007; Tsoukatos and Rand, 2006).

Moreover, there are number of studies that have provided critical analysis and assessment of SERVQUAL (for example Newman, 2001; Buttle, 1996; and Cronin, and Taylor, 1994). However, in the service quality literature, the most prominent studies that have attempted to measure the quality of service are the studies reported by Parasuraman *et al.*, (1988), Cronin and Taylor (1992).

Ennew and Binks (1996) provide evidence to support their study conducted with small business banking clients that the concept of service quality leads to, customer satisfaction, loyalty and the retention of customers. Miguel-Dávila, Cabeza-García, Valdunciel and Flórez (2010) also find service quality to be a precursor to customer satisfaction; Korda and Snoj (2010) discover that adopting an all-inclusive management methodology based on 'perceived' value rather than merely service quality will improve the client's perceptions of customer satisfaction with retail banking clients. A study conducted Yavas, Benkenstein and Stuhldreier (2004) in Germany investigate the relationship between service quality, client satisfaction and selected behavioural intentions and establish that service quality leads to customer satisfaction (Yavas *et al.*, 2004).

Similarly, in Greece, Koutouvalas and Siomkos (2006) assessed the connection between perceived service quality and loyalty between customers in both public and private banks. They find an explicit association between service quality and loyalty of clients in both private and public banks, but primarily among the private bank customers. A Turkish study by Yavas, Bilgin and Shemwell (1997) investigates the effect of service quality on customer satisfaction and the resultant behavioural intentions with respect to complaint behaviour and commitment. They find that in Parasuraman's SERVQUAL model the Responsiveness and Tangible service dimensions are predominantly influential with regards to customer satisfaction and commitment levels Yavas *et al.*, (1997). The study conducted by Arasli, Katircioglu and Mehtap-Smadi (2005) suggests that continuous improvement of the service dimensions will culminate in improved client satisfaction and greater word-of-mouth marketing of the bank and ultimately result in more loyal bank customers. Malik and Naeem (2011) find that the behavioural intentions of customers such as word of mouth advertising and intention to switch were influenced by the perceived quality of the service environment and the reliability dimension of services promised.

Service quality is of importance in appreciating the passive behaviour of customers in financial services (White and Yanamandram, 2004). Furthermore, customer satisfaction had positively influenced the behavioural intentions such as favourable word of mouth and commitment, particularly among female bank customers (Yavas *et al.*, 2004). Lee and Hwan (2005) conducted a similar study in the Taiwanese banking sector and investigate the relationship between service quality, client satisfaction and profitability. They find a distinct causal relationship between service quality, client satisfaction and purchase behavioural intent using the SERVPERF model.

Furthermore, service quality was found to be more significant with respect to recurrent purchase intentions than customer satisfaction, and customer satisfaction in turn was found to significantly influence the bank's profits. The factors forecasting the loyalty of retail banking clients, defined as the customers' willingness to recommend and continue with their main bank was tested by Baumann, Burton, Elliot and Ker (2007). With the exception of the Tangible

dimension, they find that four of the five service quality dimensions, can be used to foretell customer satisfaction and attitude. Their justification for this is that the customer may perceive the physical aspects of banking as standardised in the various banks and thus not consider it as differentiating a bank (Baumann *et al.*, 2007). Lopez, Kozloski Hart and Rampersad (2007) and Koutouvalas and Siomkos (2006) provide similar findings.

2.7 SERVQUAL Debate

The SERVQUAL model of Parasuraman *et al.* (1985, 1988) and its subsequent modifications (Parasuraman *et al.*, 1990-1994) have been criticised from a practical and theoretical perspective as follows (Buttle, 1996; Newman 2001; Cronin and Taylor, 1992 and 1994):

- **Dimensions**

The unique development of SERVQUAL was professed to be a “universal” measure of service quality especially since the scale development process is dependent on samples from several industries. However, SERVQUAL’s dimensionality has not proved universal and empirical studies have produced a variety of dimensions (Babakus and Boller, 1992; Brown *et al.*, 1993; Asubouteng, P., McCleary, K. and Swan, J. (1996). For instance, Babakus and Boller (1992) confirmed two SERVQUAL dimensions and added two from the original ten dimensions model. Buttle (1996) argued that SERVQUAL’s five dimensions are not universal. Also, item composition may be criticised because four or five items cannot denote the predictability within each SQ dimension.

Model modification is conducted by reworking information to guarantee the aptness for a specific research context. Lam (2002) argued that an application of SERVQUAL in retail banking found problems with its dimensionality and the usefulness of expectation scores. SERVQUAL adaptations have brought about a dialogue on the general versus precise nature of the model, and whether transformation of the model can be a consequence in a better predictive validity. Parasuraman *et al.*, (1988) acknowledges that SERVQUAL can be modified to the precise research requirements of a specific organisation.

- **Measurement Ability**

The predictive validity of SERVQUAL has also been questioned in that SERVQUAL fails to measure absolute service quality expectations. Cronin and Taylor (1992) and Babakus and Boller (1992) criticised SERVQUAL's reliance on the two scales measuring perceptions and expectations, when one scale (perceptions) would be shorter, simpler, more effective and can be sufficient as an evaluation of the global quality judgment. Their view, supported by Avkiran (1999 cited by Newman 2001), suggests a tendency to set expectations higher than perceptions, and as a result a gap appearing between expectation and perception is unavoidable.

Gronroos (2000) also disapproved of the use of expectations as follows: "first, if expectations are measured after the service experience, or at the same time as the experience, then what is measured is not really expectations but something that has been biased by the experience; second, it does not necessarily make sense to measure expectations prior to the service experience, because the expectations which customers have before-hand may not be the expectations to which they compare their experiences; and finally, measuring expectations may not be the correct thing to do since experiences are perceptions of reality, and inherent in these perceptions are the prior expectations". Buttle (1996) argued that SERVQUAL in terms of theories there is little evidence that customers' assess service quality in terms of perceptions-expectations gaps.

Cronin and Taylor (1992) designed another model called SERVPERF to measure service quality. SERVPERF is a one-scale measurement for measuring service quality performance. It eliminates the expectation on the twenty-two items and measures only performance on the original version of SERVQUAL. Cronin and Taylor (1992) is of the belief that there is a lack of evidence for the concept of a performance minus expectation gap as a basis for measuring service quality. Cronin and Taylor have tested SERVPERF in four industries, banking being one of them, and the findings showed that SERVPERF explained more of the variance in an overall measure of service quality than did SERVQUAL. They argue that SERVPERF (performance only) gives a better measure of service quality. Cronin

and Taylor concluded that the SERVQUAL measurement (1988) appeared to have a good fit in only two of the industries examined, whereas SERVPERF obtained a 100% fit in all four industries examined. Cronin and Taylor (1992, 1994) mention that despite dialogues and numerous disagreements by researchers about the superiority of SERVPERF over SERVQUAL (the results of meta-analysis by Carrillat *et al.*, (2007) proposed that both scales are adequate and equally valid predictors of overall service quality ending the debate of the superiority of the models.

2.8 Perceived Customer Quality Measures

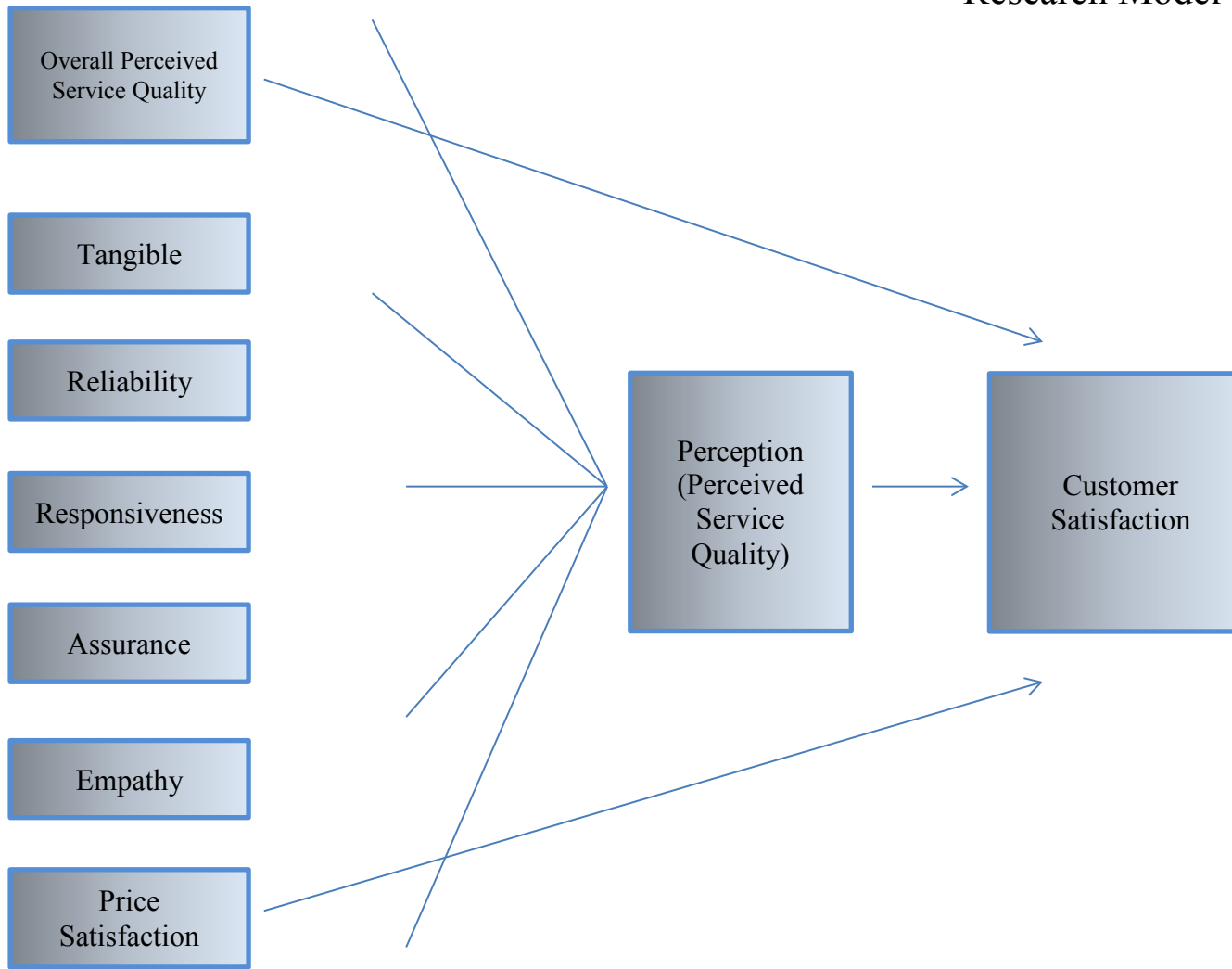
A major outcome from Parasuraman and colleagues' research is the seminal SERVQUAL instrument. The SERVQUAL instrument utilises a calculated disconfirmation method whereby the discrepancies (or gaps) between customers' expectations and the actual performance (both measured after the service) is determined. This model was later refined in Parasuraman and colleagues' 1988 work which also presented scales for measuring customers perceptions of service quality (SERVQUAL).

The SERVQUAL instrument has five dimensions - Reliability, Responsiveness, Tangibles, Assurance and Empathy. Although well-received in the literature, the SERVQUAL tool has been condemned by numerous authors for various reasons (Zeithaml *et al.*, 1996; Cronin and Taylor, 1992). Buttle (1996) offers numerous criticisms of the SERVQUAL from both a theoretical and operational perspective. He particularly notes that SERVQUAL's five dimensions are not universal, and that the model fails to draw on "established economic, statistical and psychological theory". In addition, Cronin and Taylor, (1992) argue that the SERVQUAL's face and construct validity are questionable; nevertheless, it is still a popular, widely utilised and adapted measure for service quality. Indeed these criticisms led to the design of an alternative approach, referred to as the SERVPERF model. This measurement instrument is based on the customers' perception of the performance of a service provider and their evaluation of service quality (Bebko, 2000; Cronin and Taylor, 1992; Grönroos, 1990).

The main body of research tends to prefer a "perceptions only" strategy (Zeithaml

et al., 1996; Cronin and Taylor, 1992). Due to this fact, the literature review for this study concentrated on performance perceptions to measure service quality (Cronin *et al.*, 2000).

Research Model



Adapted from Parsaramans Mod

2.9 Impact of Service Quality on Customer Satisfaction

With the ever increasing competition in the marketplace resulting from trade liberalisation and free economy model, it is imperative for banks to achieve customer longevity, through excellence service delivery (Lassar *et al.*, 2000). Service quality is recognised as potential for ensuring customer satisfaction and retention, operational efficiency and profitability of an organisation (Cronin, 2003). File and Prince (1992) argue that satisfied customers are comfortable repeating business with the firm and even recommend it to others. The customers sell the company to others by word-of-mouth when they are satisfied with the services (Gee *et al.*, 2008) and thus increase the firm's customer-base. Parallel to this, is the study by Martins and Toledo (2000), which maintains that service quality increases market share by maintaining current customers and acquiring new ones. Krishnan, M.S., Venkatram, R., Mary, C.M. and Paul, D. (1999) establish that the cost of retaining existing customers by providing high quality products and services is significantly lower than the cost of winning new customers.

Literature establishes that customer satisfaction has a strong positive correlation with customer retention in the retail banking (Siddiqi, 2010; Kandampully and Suhartanto, 2000). The strong positive correlation means that the customers will recommend the bank to other people. As a consequence, the bank can be assured of repeat and stable customer base. Cohen *et al.*, (2007) found that a loyal customer takes less of the company's time during transactions and are less sensitive to price changes. Reichheld (2006) states that companies with higher customer loyalty experience growth in revenue twice as much as their competitor.

2.10 Customer Satisfaction Concept

Obtaining consumer satisfaction is fundamental to the growth and expansion of a business as it leads to an increase in market share, and to acquiring repeat and referral business, which ultimately results in greater profitability (Barsky, 1992). Therefore, achieving customer satisfaction is critical for marketing managers, particularly those in the service sector.

2.11 Customer Satisfaction and Customer Loyalty

Customer satisfaction has gained substantial attention due to its importance in the customer relationship management literature due to its impact on customer loyalty (Cronin *et al.*, 2000; Cronin and Taylor, 1992; Oliver, 1980). The year 1983 marked the beginning of the belief by Bearden and Teel that customer satisfaction is important to customer relationship management and that it has a significant impact on customer loyalty in the way of repeat sales, positive word of mouth and consumer loyalty. LaBarbera and Mazursky's (1983) research on brand loyalty indicated that customers will not purchase other products if they were totally content with the services received by the particular organisation. Research undertaken by Cronin and Taylor (1992) in four service sectors revealed that customer satisfaction had a significant effect on purchase intentions in all four sectors. Numerous other research have also indicated that a minimal change in the level of satisfaction can lead to a significant change in loyalty increment (Bowen and Chen, 2001; Oliva *et al.*, 1992; Coyne, 1989).

The majority of the literature reviewed has indicated that the influence of customer satisfaction on building customer loyalty has been positive and hence, means that satisfaction is one of the factors of customer loyalty (Hoisington and Naumann, 2003; Cronin *et al.*, 2000; Gronholdt *et al.*, 2000; Anderson and Fornell, 1994; Heskett *et al.*, 1990; Cronin and Taylor 1992; Reicheld and Sasser, 1990; Zeithaml *et al.* 1990; Oliver 1980). However, there have been a few researchers who have revealed that satisfaction has less of a significant impact on customer loyalty than is traditionally perceived in the literature (Khatibi *et al.*, 2002; Bowen and Chen, 2001). On the other hand Reichheld (1996) believes there is no guarantee that customers will be loyal, that even though satisfaction is an essential factor for building loyalty. Bennet and Rhundle-Thieles' (2004) researched 267 businesses and from the study they indicated that high satisfaction does not necessarily result in high loyalty. This further reveals that even though loyal customers need to be satisfied, satisfied customers are not necessarily loyal.

The satisfaction measures are discussed overleaf.

2.12 Customer Satisfaction Measures

Oliver (1996) defines satisfaction as an emotional post-consumption response that may occur as the result of comparing expected and actual performance (disconfirmation). Likewise, Hunt (1977, 459-460) describes satisfaction as “an evaluation of an emotion”, implying that it reflects the level to which a consumer believes that the possession and/or consumption of a service induces positive feelings (Rust and Oliver, 1994) which is an evaluation as well as an emotion response to a service. Oliver (1989) developed five models of satisfaction and its antecedents; three are evaluative models based on the disconfirmation of expectations, and two are evaluative models which are the result of non-rational processes. Several studies seem to conclude that satisfaction is an effective variable as opposed to a cognitive variable (Olsen, 2002; Oliver, 1997).

A further definition of customer loyalty is as a multi-dimensional construct based on the relationship between the buyer and seller, and a prerequisite for relationship quality. It has three distinct levels - satisfactory interaction with the personnel, satisfaction with the core service, satisfaction with the organisation Crosby and Stevens (1987); with all three levels impacting the overall customer satisfaction with the service provider).

All types of organisations of need to identify what the needs of customers are in order to ensure that they maximise of satisfying customers. The research by Olorunniwo, F. and Hsu (2006) the services sector, specifically the hotel industry, found that although service quality is an essential factor that impacts behavioural intentions such as loyalty, its indirect effect which is mediated by customer satisfaction is significantly greater than its direct effect with regard to producing positive behavioural outcomes. Profitability can increase substantially by retaining just five percent more of customers (Reichheld and Sassser, 1990). However, it is important for organisations to know that there are pertinent quality dimensions in their industry that could enhance positive customer satisfaction evaluations.

2.13 The Customer Loyalty Concept

- **Customer Loyalty**

Customer loyalty is also a behaviour that the customer displays or exhibits. Customer loyalty refers to the faithful behaviour that a client displays to an organisation or company. Loyal customers remain committed to doing business and maintaining a relationship with an organisation even if minor mistakes or errors occurred. Loyalty can be assessed over a period of time through continuous patronage.

Beerli and Martin (2004) established that loyalty is defined in terms of the repeat purchasing frequency. They contended that the concept of loyalty goes beyond repetitive purchase behaviour, it is a variable with two dimensions attitude and behaviour with commitment being a vital feature. Brink and Berndt (2008) agree that loyalty is not based on repeat purchases only. Loyalty is a multi-dimensional concept that includes both negative and positive responses (Zeithaml *et al.*, 1996).

Kotler (2000) indicates that the cost of attracting a new customer may be five times more than the cost of retaining the existing happy customer. Pfeifer (2005) indicates that the cost of serving a new customer is five or six times more than serving a loyal customer. Gee and Robert (2008) agree with Kotler and Pfeifer and advocate that a loyal customer will act as a marketing agent, sharing their experience by “word of mouth”. They are not enticed by the advertising and promotional activities of other companies who endeavour to attract their support. They have an attachment with the organisation that extends beyond a positive feeling about the organisation. Customers are the most precious commodity in a service business, attracting and retaining customers is critical to an organisations survival.

Loyalty has been defined by Oliver (1997:392) as: “... a deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching

behaviour". According to Jacoby and Kyner (1973), in order for loyalty to exist it must satisfy six necessary conditions as follows:

- biased (that is, non-random);
- a behavioral response (that is, purchase);
- expressed over time;
- by some decision making unit;
- with respect to one or more brands, out of a set of such brands; and
- a function of psychological (decision making evaluative) processes.

A number of rival behavioural intention loyalty building model have been suggested:

The quality models are derived from the service quality literature investigating the relationships between service quality, satisfaction and behavioural intentions. Some of these models argue that service quality only impacts loyalty via satisfaction and value (Patterson and Spreng, 1997; Woodruff, 1997). Others maintain that quality has a direct impact on loyalty (Zeithaml *et al.*, 1996; Parasuraman *et al.*, 1991; 1988).

- **Initial Loyalty Focus**

Initially, loyalty was investigated in terms of brand loyalty with respect to tangible goods (Day, 1969; Tucker; 1964; Cunningham, 1956). Brand loyalty was defined by Cunningham (1956) as the number of purchases a household allocated to a brand over a period of time. The conceptualisation and measurement of the loyalty concept has become more and more complex (Jones and Taylor, 2007). The vast majority of market researchers view loyalty as a multi-dimensional concept, however there is debate as to how many dimensions, this is two or three. For instance Reichheld (2003) maintains that for many of the service organisations he investigated the results showed that loyalty can be measured by utilising only one indicator - willingness to recommend. Thus, his results convey a one-dimensional conceptualisation of loyalty. A further perspective of customer loyalty is that of Chitty, Ward and Chua (2007) who argue that loyalty can be conceptualised by two dimensions, that is behavioural loyalty, indicated by repeat-purchase behavior and attitudinal behaviour, referring to the inherent affective and cognitive facets of loyalty. Zins' (2001) study of the airport sector brought this a step further,

identifying three distinctive approaches to measure loyalty behavioural measurements, attitudinal measurements and composite measurements.

- **Behavioural Measurement of Loyalty**

In the early days, the majority of literature focused on the behavioural aspect of loyalty and ignored other customer factors (Tranberg and Hansen, 1986; Jacoby, 1971; Tucker, 1964). The behavioural approach involves the individual altering their behavior, showing strong intentions to repurchase from one service provider over alternative service providers. Both the marketing and psychological literatures indicate that behavioural loyalty is measured by re-purchasing intentions, switching intentions and exclusively, purchasing intentions (Jones and Taylor, 2007). However, several authors have criticised behavioural definitions for being vague and limited.

Dick and Basu (1994) argue that behavioural measures are unable to explain the reasons or factors that may influence a consumer's purchase decision-making process as purchase frequency is the only measurement; they also criticise the behavioural approach for a lack of conceptual basis; and for having too much of an emphasis on outcomes. Further, Reichheld (1994) states that much of the behavioural loyalty research has substituted loyalty with consumer retention, as customer retention has a precise and calculable net present value, while TePeci, (1999) argues that repeat purchase is not always the result of a deep psychological commitment; for instance, a visitor may stay at a hotel due to its convenient location, but will switch when a second hotel, which offers better values, opens nearby. Repeat purchase does not always mean commitment or indeed loyalty.

- **Attitudinal Measurement of Loyalty**

The attitudinal approach considers both the emotional and psychological aspects inherent in loyalty. The attitudinal perspective reflects a sense of loyalty, engagement and allegiance. For instance, an individual may have a favourable attitude towards a hotel, and may even recommend it to others, but they will not stay at that hotel because it too expensive for them. Building attitudinal loyalty towards a product/service or business takes more than a basic marketing transaction inducement. Positive attitudes towards the product/service or business

must be developed over a longer period of time (Kumar and Shah, 2004). Indeed, commitment has a significant role to play in attitudinal loyalty; “since commitment reflects the customers’ self evaluation of the consumption context and the active decision to engage in a long-term relationship” (Evanschitzky, H., Gopalkrishnan, R.I., Plassmann, H., Niessing, J. and Meffert, H. 2007) Affective commitment involves the desire to maintain a relationship that the customer perceives to value (Morgan and Hunt, 1994). It is the underlying psychological attachment that reflects the emotional nature of the relationship between the consumer and service provider (Petrick, 2003; Fullerton, 2003; Kumar *et al.*, 1995). Hence, this emotional or psychological attachment translates into strong attitudinal loyalty (Dick and Basu, 1994). Moreover, affective commitment results in the customer being loyal because he or she wants to be loyal. In addition, past research indicates that the strength of consumers’ attitudes toward a product or service is a very good indicator of their behavioural loyalty (Evanschitzky *et al.*, 2007; Keller, 1998; Aaker, 1996). Attitudinal loyalty falls under an alternative measure for loyalty, namely cognitive loyalty.

The cognitive approach entails an individual completely reforming what he/she believes about the relationship with his/her service provider. It is based on conscious evaluation of attributes or the conscious evaluation of the rewards and benefits associated with repatronage (Lee and Cunningham, 2001). The cognitive measures include top of mind (Dwyer *et al.*, 1987), first choice (Ostrowski *et al.*, 1993), price tolerance (De Ruyter *et al.*, 1998; Anderson, 1996), exclusive consideration (Gremler and Brown, 1996), identification with the service provider, that is, “my service provider” (Butcher *et al.*, 2001) and willingness to pay more (Bloemer *et al.*, 1999).

- **Composite Measurement of Loyalty**

The composite measurement of loyalty is a combination of the first two dimensions, behavioural intentions and attitudinal. Loyalty is measured utilising customers’ product preferences, propensity of brand switching, frequency of purchase and total amount of purchase (Wong *et al.*, 1999; Hunter, 1998; Pritchard and Howard, 1997). Pritchard and Howard (1997) argue that operationalising both attitude and behavior in the measurement of loyalty significantly enhances probability of building loyalty (Pritchard and Howard, 1997).

Thus, the composite measurement approach has been utilised and supported as a beneficial tool to understand customer loyalty in a whole variety of areas of study from retailing to recreation, hotels, and airlines (Pritchard and Howard, 1997; Pritchard *et al.*, 1992; Jacoby and Kyner, 1973; Day, 1969).

The composite approach to customer loyalty was adopted for this study, as loyal customers are customers who hold favorable attitudes towards the service provider or business, committing to repurchase the product/service and recommend product or service to others (Bowen and Chen, 2001).

In summary, the psychology literature which is focused on pro-relationship maintenance (Rusbult *et al.*, 1999) suggests that loyalty is a two-dimensional (behavioural and combined cognitive/attitudinal) concept. The marketing literature proposes that loyalty is a tri-dimensional (behavioural, attitudinal and cognitive) construct (Jones and Taylor, 2007) and in the interpersonal relationships literature, loyalty is two-dimensional with behavioural and cognitive measures. In a more recent study investigating the dimensions of service loyalty, Jones and Taylor (2007) found the two-dimensional representation of loyalty was consistent for all three types of services examined. Thus loyalty captures, in essence, what Oliver (1999) referred to as “what the person does” (behavioural loyalty) and the psychological meaning of the relationship (attitudinal/cognitive loyalty). This reflects the composite approach which is the measured operationalised for this study. Table 2.1 gives a full breakdown of the loyalty dimensions – Behavioural, Attitudinal and Cognitive.

Table 2.1: Loyalty Dimensions

The conceptual domain of loyalty, how many dimensions. (Jones and Taylor , 2007).

Dimension	Loyalty Related Outcome	Definition	Related Research
Behavioural	Repurchase Intentions	Customer's aim to maintain a relationship with a particular service provider and make his or her next purchase in the category from this service provider	Jones et al. (2000) Zeithaml et al. (1996)
	Switching Intentions	Customer's aim to terminate a relationship with a particular service provider and patronise another in the same category	Bansal and Taylor (1999); Dabholkar and Walls (1999)
	Exclusive Intentions	Customer's aim to dedicate all of his or her purchases in a category to a particular service provider	Reynolds and Arnold (2000); Reynolds and Beatty (1999)
Attitudinal	Relative Attitude	The appraisal of the service , including the strength of that appraisal and the degree of differentiation from alternatives	Dick and Basu (1994); Mattila (2001); Pritchard et al. (1999)
	Willingness to Recommend	Consumer's willingness to recommend a service provider to other consumers	Butcher et al. (2001); Zeithaml et al. (1996)
	Altruism	Consumer willingness to assist the service provider in the effective delivery of the service	Price et al. (1995)
Cognitive	Willingness To pay More	Consumers indifference to price differences between that of his or her current service provider and others in the same category	Anderson (1996); de Ruyter et al. (1998)
	Exclusive Consideration	The extent to which the consumer considers the service provider as his or her only choice when purchasing this type of service.	Dwyer et al. (1987); Ostrowski et al. (1993)
	Identification	The sense of Ownership over the service affiliation with the service provider , or the congruence values that exists between service provider and the consumer	Butcher et al. (2001)

2.14 Price and Loyalty

Numerous organisations are not convinced that loyalty exists in business and that customers are price driven. However, Bothe (1996) is of the opinion that a number of customers are motivated by the value received and not the price. Price cannot create any loyalty, as customers will buy from the retailer that offers a lower price. A customer deliberates on various factors and not just merely on price (Cheese, 1994). Depending on the strength of the relationship between the organisation and the customer, more emphasis is placed on value instead of price. According to Ambler (2003) relationship pricing is based on a long-term pricing between the organisation and the customer.

2.15 Customer Retention/Loyalty

The terms customer retention and customer loyalty mean the same (Zeithaml *et al.*, 1996). Gremler and Brown (1996) define service loyalty as “as the degree to which a customer exhibits repeat purchase behaviour from a service provider, positive attitudinal disposition toward the provider, and ready to use the same provider when a need for the service arises. According to Hoyer and MacInnis (2001), customer retention is “the practice of working to satisfy customers with the intention of developing long-term relationships with them”. Zineldin (2000) defines retention as a commitment to continue to do business or exchange with a particular company on an ongoing basis.

According to Clark (2001), long-term customer retention in competitive markets requires the provider going beyond basic satisfaction to creating loyalty in order to guard against competitor attack”. Day (1994) contends that the identification and satisfaction of customer needs leads to improved customer retention. This will help the provider to formulate strategies and plans.

2.16 Relationship of Satisfaction and Retention

Satisfaction enable a company to keep existing customers which costs substantially less to the company than acquiring new ones. Most customers leave a company because they feel they are not satisfied with the service or product offering (Rust and Zahorik, 1993). Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight of a service. To achieve satisfaction and retention, customer needs and wants must be fulfilled (La Barbera and Mazursky, 1983). Bowen and Chen (2001) opine that extremely customer satisfaction leads to customer retention/loyalty. Thus, extremely satisfied customers are less prone to overtures from competition (Fornell, 1992). Similarly, Anton (1996) asserts that “satisfaction is positively associated with repurchase intentions and the likelihood to recommend a product or service offering.

The above discussions indicate that satisfaction is a determinant of customer retention to service organisations like bank. An organisation needs to ensure that customers are satisfied in order to enhance their repurchase decision. Rust and Zahorik (1993) conclude that numerous publications treat satisfaction as the necessary premise for customer retention.

2.17 Summary

The literature presented various schools of thought around of service quality, customer satisfaction and customer loyalty. The chapter outlined the SEVQUAL model, the dimensions and the measurement of service quality detailing the debate about SERVQUAL. The literature closely examined the recent studies conducted on the customers’ perception of service quality and explored loyalty and the dimensions of loyalty. The causal relationship between customer service, satisfactions and loyalty was reviewed. This extensive review created a solid foundation for the research conducted. The next chapter outlines the research methodology, the data collection process and the design of the instrumented used.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

Research can be described as a systematic and organised approach to finding solutions to a specific problem (Sekaran and Bougie, 2009). According to Saunders, Lewis and Thornhill (2003), the phrase 'systematic' suggests that research is established on a logical relationship and not just beliefs. They further state that research is a process of planning, executing and investigating in order to find answers to specific questions. In order to ensure that reliable answers to the questions are received, the research needs to be carried out in a systematic manner, so that it is easier for others to understand and believe the interpretations. Leedy and Ormrod (2005), describe research as a methodical and systematic process of gathering data in order to increase the knowledge and understanding of the phenomenon being researched. In order to gain insight into how the customers of Nedbank (in retail banking within the branch network of the greater Durban CBD area) feel about customer service a quantitative data gathering approach was used.

Bryman and Bell (2007) believe that research is directly influenced by management and business at large and does not exist in isolation. Furthermore, Bryman and Bell (2007) explain that "research design relates to the criteria that are employed when evaluating business research and it is therefore, a framework for the generation of evidence that is suited both to a certain set of criteria and to the research question in which the researcher is interested".

The research methodology used is therefore vital to obtain a result that can add value and solutions to the problem being investigated. This chapter reflects the research methodology used to capture the required data for analysis of the research objectives. This chapter presents the choice of the method of collecting and analysing data, from a practical point of view, evaluating relative advantages and disadvantages of the alternative methods that may be more or less appropriate to the context of this study. In addition, this chapter discusses the

research purpose, research approach and the research strategy used in this study. The data collection, sample selection, questionnaire design, the ways to evaluate the validity and reliability of the obtained results is discussed.

3.2 Aim and Objectives of the Study

3.2.1 Aim

The way financial institutions do business has changed. Global and local competition has highlighted the strategic importance of quality, satisfaction and subsequently loyalty, in pursuit of winning customer preferences and thus creating a sustainable competitive advantage. Service firms need to adhere to their customers' needs and continuously focus on satisfying these needs. In order to survive, service firms, including banking institutions require a loyal client base. The aim of this study is to investigate the effect of customer service on customer loyalty in Nedbank (Retail Banking within the Branch Networks of Greater Durban CBD). In order to achieve this aim, the objectives for the study were formulated:

3.2.2 Objectives

In order to determine what the impact of customer service is on customer loyalty , the following objectives is investigated:

- To identify the factors that influence customer service and customer satisfaction at Nedbank.
- To identify the potential barriers to customer loyalty at Nedbank.
- To determine if customers are satisfied with the service quality that is offered by Nedbank.
- To determine if satisfied customers are loyal and will refer new clients.

3.3 Participants and Location of the Study

Based on the limited time for this study, the research was restricted to the Musgrave branch. Retail Banking within the Branch Network of Nedbank has eight regions in South Africa and is made up of 486 branches nationally. The Musgrave

Nedbank branch (CBD of Durban KZN) was used as a case study to conduct this study. Customers utilising the service of the Musgrave branch were randomly selected to participate in this study. The Musgrave branch is a flagship branch in KZN with a full range of service offerings to a cross section of the customer market. These elements promoted the reliability of the study because of the diverse customer base. This branch also has a dedicated “service champion” who is permanent employee of the bank. The “service champion” is required to meet and greet clients on arrival and to assist and direct them accordingly. The service champion was used as an independent resource to distribute and collect the self-administered questionnaire to eliminate interviewer bias.

3.4 Research Methodology and Design

Figure 3.1 outlines the research methodology which includes the research design and process undertaken for this study. These are outlined in the subsequent sections.

Diagram

3.5 Research Approach

To determine the impact of the effect of customer service a descriptive study method was utilised. The descriptive study was utilised because there was no attempt made to change the behaviour or condition of the present situation of the automotive component manufacturers, but rather measure things as they are. According to Sekaran and Bougie (2009), descriptive studies are undertaken when the characteristics of a situation are known to exist, and the researcher wants to be able to describe the characteristics better, by presenting a profile of the factors.

In researching a specific phenomenon, there are many tools that can be exploited in order to gather the information required. In these instances qualitative and quantitative research methods are used to collect numerous forms of data in order to construct a clearer understanding of the situation being researched. There are differences between qualitative and quantitative research, which are important to understand before selecting an approach to a study.

The distinction between quantitative and qualitative research is important to identify the research approach underlying the given study. The research method selected had a direct influence on the questions asked, the methods selected, the statistical analysis used, inferences made and the ultimate goal of the research. When critically reviewing scientific research, the type of research method selected influences the questions asked and the answers given.

The importance of this study dictated the type of research methodology employed and for the purpose of this study and considering all critical aspects thereof, this study was conducted by means of a deductive, quantitative method. In order to gain an understanding of what the current customer service levels and loyalty levels in Nedbank are, a quantitative questionnaire was used in gathering data required for this study. The reason for this choice is detailed below and also describes the differences between qualitative and quantitative research which therefore justifies the choice of the quantitative method selected for this study.

3.5.1 Qualitative Research

Leedy and Ormrod (2005), state that qualitative research has two characteristics in common. Firstly it focuses on phenomena that occur in natural settings and secondly it involves studying the phenomena in all their complexity. According to Saunders, Lewis and Thornhill, (2003), qualitative analysis is classified as data that has not been quantified through the use of conceptualisation based on meanings expressed by words.

Sekaran and Bougie (2009), believe that qualitative research adopts an inductive process, which is based on theory building, where the process will start with observations and involve repeated sampling with the aim to establish generalisations about the phenomenon being investigated. Leedy and Ormrod (2005), believe that regardless of the kind of data involved, data collection in a qualitative study takes a great deal of time.

This study did not use the qualitative approach to collect and analyse data, however a questionnaire was administered to collect numerical data that was analysed and processed into statistical form. The numerical data collected was used to construct statistical models to explain the observations. Due to the limited time frames for the study, a cross sectional study was carried out, where data was collected in a single point in time over a 4-6 week period. Qualitative data was not used for this research because the research instrument sought to obtain accurate quantitative data to analyse quantitative potential for the effect of customer service on customer loyalty. A qualitative study would therefore only seek to add a dimension, in understanding the challenges.

3.5.2 Quantitative Research

According to Sekaran and Bougie (2009), quantitative research is an enquiry into an identified problem, based on testing a theory, measured with numbers and analysed using statistical techniques. Leedy and Ormrod (2005), describe quantitative research as a research that involves identifying characteristics of an observed phenomenon and does not involve modifying the situation under investigation.

Bryman and Bell (2007) state that the quantitative research method uses mathematical analysis and can reveal statistically significant difference between samples. They further state that the questionnaire method has certain limitations, which includes a low response rates in certain situations. Although the questionnaire has limitations, the study utilised the use of the questionnaire due to the ease of administration, cost effective option and minimised unexpected information, as identification questions were not asked due to the need to assure respondents of confidentiality.

This research remained objective in the sense that it only sought precise measurements and analysis of the customers perceptions of service to answer the objectives of this study Bryman and Bell (2007). The questionnaire was formulated on the quantitative form of data collection and analysis. In gathering, analysing and interpreting data, an objective approach was maintained throughout the process. The answers to the questions were based on numerical selection instead of words and the data that was generated from the sample was subject to statistical techniques so inference could be drawn on the broader population.

3.6 Sampling

According to Sekaran and Bougie (2009) sampling is a technique of selecting a suitable representative which is part of a population for the purpose of determining parameters and characteristics of the entire population. Sampling is used because populations are very large and it is costly and impractical to investigate each member of the population to determine the values of the parameters. A sample is used to draw inferences about parameters of the entire population Sekaran and Bougie (2009).

According to Bryman and Bell (2007), inferential sampling is a method used to discover something about a population based on a sample. Furthermore, research can be classified into two distinct sampling procedures, namely probability sampling and non-probability sampling. The selection of the sample for this study therefore plays a critical role in qualifying the finding of the study.

3.6.1 Non-Probability Sampling

Keller (2009) states that the core characteristic of non-probability sampling techniques is that samples are selected based on the subjective judgment of the researcher. According to Bryman and Bell (2007), researchers are unable to generalize the results of the sample of the population, because no controls are placed on the sample selection process, which means that the sample may not be representative of the entire population. Keller (2009) highlights that for non-probability based samples, the relationship between the sample and the population is unknown, and hence every element in the population does not have the same or equal chance of being selected.

3.6.2 Probability Sampling

Keller (2009) states that in probability sampling, the size of the population is known and all elements in the population have approximately equal opportunity of being included in the sample. According to Bryman and Bell (2007) probability sampling technique core characteristic is that units are selected from the population at random, using probabilistic methods, which enables the researcher to make statistical inferences from the sample being studied to the population of interest. In probability sampling, samples can be generalised to the population with a degree of confidence, which is applicable to this study.

Leedy and Ormrod (2005), suggest that probability sampling is chosen when researchers want precise, statistical description of a larger population. A simple random sample is a type of probability sampling, where each element has an equal opportunity of being selected for inclusion in the sample Bryman and Bell (2007). Simple random sampling was used to access sufficient people with characteristics required for conducting the research.

3.6.3 The Research Population and Sample

The research in this study was specifically conducted at the Musgrave Branch of the greater Durban CBD area of KZN, in the retail banking segment of Nedbank, within the Branch Networks. A simple random sampling method was applied to

collect data for this study, to ensure that all customers using the services at the bank had an equal chance of being selected and included in the sample.

The targeted sample of respondents was 100 customers who used the services of the bank during the research period. Keller (2009) recommends that “sample sizes larger than 30 and less than 500 are appropriate for most research”. Based on this 100 customers were targeted from an estimated population of 140.

Table 3.1 Population Sample Responses

Table 3.1 illustrates the response rate obtained for this study. This questionnaire was completed by 77 respondents, equating to a 77% success rate. However, 23% of the surveyed sample failed to complete the survey. The above discussion described the population and the strategies used to extract the sample size, the research instrument used for gathering the data is discussed in the next section.

Table 3.1. Response Data

Desired Respondents	100	Percentage
Attempted the survey, but did not complete	23	23%
Total number of respondents that completed the questionnaire	77	77%

3.7 Data Collection

According to Cooper and Schindler (2006) data can be described as “information collected from participants, by observing, or from secondary data”. According to Saunders *et al.*, (2003), interviews, questionnaires and observations are the most commonly used data collection methods. They further state that questionnaires can be used for descriptive and explanatory research. Choosing a data collection method is influenced by the sample frame, the research topic, the characteristics of the sample and the survey costs (Saunders *et al.*, 2003). In this research a structured questionnaire has been adopted as a data collection instrument.

Collis and Hussey (2003) suggest that the purpose of a questionnaire is to establish what a selected group of participants feel or think about a specific topic or subject. A questionnaire as defined by Hair et al., 2010 is “a formalised framework consisting of a set of questions and scales designed to generate primary raw data”.

The questionnaire was developed to elicit meaningful responses from the customers about the customer service levels and its associated impact on customer loyalty in Nedbank. In order to achieve a high quality of responses and a high response rate specific emphasis was placed on length and the design of the questions as well as the manner in which the questions were phrased. Furthermore, in order to ensure anonymity and maximum confidentiality of the questionnaire, no social data was included in the questionnaire. Demographic data was restricted to gender, age, race and education details. The questionnaire comprised of 35 questions, thematically grouped and aligned to the research objectives.

3.8 Development of the Instrument

The main aim of the study was to ensure that the research objectives were achieved. The questionnaire was compiled to ensure that each research objective was addressed and the relevant data was systematically collected and analyzed for each objective. The questionnaire was designed to ensure that it was simple, user friendly and concise for the respondent to understand. The questionnaire comprised of two sections as follows:

- Section A: The first section focused on the objectives of the study to establish the respondent’s view of the effect of customer service on customer loyalty. This section of the research instrument contained 35 questions which was thematically grouped into nine sub dimensions.
- Section B: The second section covered the demographic details of the respondents and comprised of four general demographic questions.

Questions were grouped into categories to make answering easier and to get the desired impact. The questions were designed with the intention of being clear, concise and simple as recommended by (Hair et al., 2010). The instructions provided for completion was also brief and clear (refer to Appendix 2).

The type of scale most frequently used in a questionnaire is a Likert scale (Blumberg, Cooper and Schindler 2005). Therefore, for this study the Likert scale rating was used to measure the respondent's level of conformity with each question. Bryman and Bell (2007), describe a Likert scale as a non-comparative scaling technique, which is unidimensional in nature. A pre-defined 5 point Likert scale was used to obtain the responses from the respondents, which provided them with five alternatives for each question. The Likert scale used was predefined to 1 (Strongly Disagree) and 5 (Strongly Agree). In addition, the Likert scale rating is based on closed ended questions, which allows the respondent to select one option only. The questions were answered by the respondents by circling the relevant option on each question, which therefore made the data easily identifiable. The questionnaire used the Likert scale.

3.9 Pretesting and Validation

When evaluating a research instrument, reliability and validity are two important aspects to consider. Bryman and Bell (2007) state that an instrument is said to have high reliability if it can be trusted to give an accurate and consistent measure of unchanging value. Babbie (2009) introduces the concept of validity in an uncomplicated form by stating that validity refers to the degree of which the measuring instrument device used, is effectively measuring what the researcher has intended to measure. A similar concept of validity was applicable for the self-completion questionnaire administered for this study, which showed reliability and validity. The questions formulated in the questionnaire for this study, validated the intended measurement of each objective. The measure of this study was reliable because little variation in results was obtained and respondents' scores were being relative. Instrument reliability is the extent to which an experiment, test or any measuring procedure yields the same results on repeated trials. Reliability was calculated using Cronbach's Alpha coefficient. The higher the value of the

Cronbach's Alpha, the more reliable the test is. Generally, a value of ($\alpha = .70$) and above is considered acceptable (Hair et al., 2010).

Cooper and Schindler (2006) state that a pretesting is conducted to detect weaknesses in the research methodology and in the data collection instrument employed. For this study, the rationale for pretesting was to fine tune the questionnaire so that the respondents understood what was being asked and had no problem answering the questions, hence eliminating difficulties when recording the data. The pretest on the initial questionnaire was conducted with six work colleagues and the supervisor of this study to verify the content and terminology. In a pretest the sample size is likely to be between four and a maximum of 30 (Hair et al., 2010).

On receipt of the constructive feedback from the pretest, the questionnaire was revised to rephrase certain questions, eliminate ambiguity and correct grammatical errors. The pretesting proved to be helpful and avoided any shortcomings of the study. The changes were effected and the questionnaire was administered to the respondent.

3.10 Analysis of Data

Data analysis is required to bring meaning to the data gathered, so that the research question and objectives will be answered. Leedy and Ormrod (2005), argue that data looked at one way only yields an incomplete view and provides a small segment of its full meaning. Therefore data analysis for this study used both descriptive and inferential frequency.

The data for this study was recorded manually and the first step in the process was to capture the results into a database. The data was then subjected to an error and code verification process to ensure that all codes that were captured were legitimate. To analyse the data, the Statistical Package for Social Sciences (SPSS) was used. This programme was selected to analyse data due to its ability to analyse quantitative data.

Leedy and Ormrod (2005), describe inferential statistics as methods that use probability theory to test a hypothesis formally, permit inferences from a sample population and test whether descriptive results are likely to be due to random factors or to relationships. This study used inferential statistics to extract dependencies between the independent and dependent variables. Each independent variable was tested for correlation to the dependent variables.

Page and Meyer (2000) defined descriptive statistics as those methods that involve collection, presentation and characterisation of data in order to describe various feature of a set of data. Descriptive statistics was used for this study to summarize the data, which included frequencies, measures of central tendencies and measures of dispersion. The primary findings were presented in the bar graphs and tables and then interpreted and described. Wegner (2002) defines measurement of central location as “a statistical measure which quantifies where the majority of the observations are concentrated”. The data collected was analysed using the measures of central tendency and dispersion. The data analysis allowed for clear conclusions to be made on the effect of customer service at the Musgrave branch of Nedbank KZN.

3.11 Summary

This chapter presented an empirical research methodology employed to conduct this research. The methodology used provided guidance in conducting the study. This chapter outlined the aim of the study, the location and participants of the study, the research approach and the sampling method that was utilised in this study. It further explored the data collection methods and the statistical analysis tools employed to present and interpret the data. The research instrument employed for this research proved to be reliable and valid, providing meaningful information of the objectives of the study. Chapter four presents the results of the data and attempts to draw meaningful conclusions from the gathered data.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents the findings from the data collected. The techniques discussed in the previous chapter were used to interpret the raw data. This chapter outlines the data analysis methods used, discusses the demographic details of the respondents followed by the responses related to the research objectives.

4.2 Data Analysis

The data was statistically analysed using the SPSS version 21. A (p) value <0.05 was considered as statistically significant. The dimension scores were computed by averaging the scores for the set of questions related to each dimension. The techniques used to analyse the data are detailed below.

4.2.1 Descriptive Statistics

Descriptive statistics in the form of frequency (Count) and percentage were computed. The mean and standard deviation were computed for each dimension.

4.2.2 Test for Normal Distribution

The results of the Kolmogorov-Smirnov indicate that the only dimension of price satisfaction follows a normal distribution. Non-parametric tests were also conducted.

4.2.3 Inferential Comparisons

Mann-Whitney and Kruskal-Wallis ANOVA tests were used to compare mean rank scores between categories of the biographical variables.

4.2.4 Validity and Reliability

In conducting a research the researcher always tries to minimize the measurement error. This error is reduced when the variables accurately and consistently represent and measure the concept. Accuracy is related to the term 'validity' while consistency is referred to 'reliability' (Hair et al., 2010).

4.2.5. Reliability

According to (Hair et al., 2010), scores should not be inconsistent in a repeated survey if is to be reliable. They also state that "reliability is concerned with the consistency of the research findings". In other words, "a research can be considered reliable, if its measuring procedure yields the same results on repeated trials" (Saunders *et al.*, 2009, p. 156). In this research, Cronbach's alpha has been used to measure the reliability of the items. Collis and Hussey (2003) explain that the validity and reliability of a measuring instrument are two aspects that are concerned with the findings of a research. The validity of an instrument as per (Hair et al., 2010) is the determination of the extent to which the instrument actually measures what it is supposed to measure. The reliability of a measuring instrument indicates the extent to which the measure is without bias (error free) and hence offers consistent measurement across time and across various items in the instrument Sekaran (1999).

Cronbach's alpha was computed for all questions together and each dimension separately. The higher the value of the Cronbach's Alpha, the more reliable the test is. Generally, a value of ($\alpha = .70$) and above is considered acceptable. The alpha value for this study is above 0.8 for each dimension and overall indicating a high degree of internal consistency and reliability amongst the items that were tested. It further illustrates that the items for each dimension correlate highly with each other.

The table below indicates that the calculated Cronbach's Alpha is equal to .978, hence signifying a very good result.

4.2.6 Reliability – All Questions

Table 4.1: Reliability Statistics

Cronbach's Alpha	N of Items
.978	35

4.2.7 Correlation

The dimensions were inter-correlated using Spearman rank correlations.

4.3 Results

Table 4.2: Frequency distribution according to the biographical variables (n =77)

		N Frequency	% Percentage
Gender	Male	38	49.4%
	Female	39	50.6%
Age	20-29	17	22.1%
	30-39	20	26.0%
	40-49	15	19.5%
	50-59	13	16.9%
	60+	12	15.6%
	White	20	26.0%
	Indian	29	37.7%
	Coloured	8	10.4%
	Other	0	0.0%

Education	Matric	41	53.2%
	Diploma	20	26.0%
	Degree	13	16.9%
	Masters	1	1.3%
	Doctorate	2	2.6%

In this section the variables of respondents' gender, age, ethnicity and educational level were studied. The findings are represented by frequency tables.

Tables 4.3 – 4.11 reflect the counts and percentages of responses to each question within the dimensions. The majority of the respondents selected either agree or strongly agree in response to the questions asked. However, Reliability, Responsiveness, Assurance and Price satisfaction show a higher percentage of neutral responses when compared to the other dimensions.

Table 4.3: Frequency distribution of questions related to Tangible

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	N	%	n	%	n	%
Q1	0	0.0%	1	1.3%	6	7.8%	23	29.9%	47	61.0%	77	100.0%
Q2	1	1.3%	5	6.5%	5	6.5%	27	35.1%	39	50.6%	77	100.0%
Q3	0	0.0%	1	1.3%	4	5.2%	13	16.9%	59	76.6%	77	100.0%

Table 4.4: Frequency distribution of questions related to Reliability

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	N	%	n	%	n	%
Q4	3	3.9%	2	2.6%	14	18.2%	19	24.7%	39	50.6%	77	100.0%
Q5	1	1.3%	2	2.6%	9	11.7%	18	23.4%	47	61.0%	77	100.0%
Q6	2	2.6%	1	1.3%	14	18.2%	20	26.0%	40	51.9%	77	100.0%
Q7	2	2.6%	2	2.6%	15	19.5%	18	23.4%	40	51.9%	77	100.0%

Table 4.5: Frequency distribution of questions related to responsiveness

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	n	%	n	%	n	%
Q8	2	2.6%	2	2.6%	12	15.6%	14	18.2%	47	61.0%	77	100.0%
Q9	3	3.9%	0	0.0%	10	13.0%	19	24.7%	45	58.4%	77	100.0%
Q10	1	1.3%	2	2.6%	6	7.8%	18	23.4%	50	64.9%	77	100.0%
Q11	2	2.6%	4	5.2%	6	7.8%	15	19.5%	50	64.9%	77	100.0%

Table 4.6: Frequency distribution of questions related to Assurance

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	n	%	n	%	n	%
Q12	0	0.0%	1	1.3%	10	13.0%	21	27.3%	45	58.4%	77	100.0%
Q13	1	1.3%	2	2.6%	12	15.6%	14	18.2%	48	62.3%	77	100.0%
Q14	0	0.0%	1	1.3%	8	10.4%	16	20.8%	52	67.5%	77	100.0%
Q15	2	2.6%	0	0.0%	7	9.1%	23	29.9%	45	58.4%	77	100.0%

Table 4.7: Frequency distribution of questions related to Empathy

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	n	%	n	%	n	%
Q16	0	0.0%	2	2.6%	7	9.1%	15	19.5%	53	68.8%	77	100.0%
Q17	0	0.0%	2	2.6%	7	9.1%	22	28.6%	46	59.7%	77	100.0%
Q18	2	2.6%	0	0.0%	7	9.1%	21	27.3%	47	61.0%	77	100.0%
Q19	0	0.0%	2	2.6%	6	7.8%	18	23.4%	51	66.2%	77	100.0%
Q20	0	0.0%	1	1.3%	6	7.8%	20	26.0%	50	64.9%	77	100.0%

Table 4.8: Frequency distribution of questions related to customer perceived overall service quality

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	n	%	n	%	n	%
Q21	2	2.6%	1	1.3%	10	13.0%	16	20.8%	48	62.3%	77	100.0%
Q22	1	1.3%	1	1.3%	8	10.4%	20	26.0%	47	61.0%	77	100.0%
Q23	0	0.0%	3	3.9%	9	11.8%	21	27.6%	43	56.6%	77	100.0%

Table 4.9: Frequency distribution of questions related to customer satisfaction

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	n	%	n	%	n	%
Q24	0	0.0%	3	3.9%	9	11.7%	25	32.5%	40	51.9%	77	100.0%
Q25	1	1.3%	3	3.9%	7	9.1%	21	27.3%	45	58.4%	77	100.0%

Table 4.10: Frequency distribution of questions related to behavioural intentions of customers

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	n	%	n	%	n	%
Q26	1	1.3%	2	2.6%	7	9.1%	17	22.1%	50	64.9%	77	100.0%
Q27	2	2.6%	0	0.0%	7	9.1%	17	22.1%	51	66.2%	77	100.0%
Q28	2	2.6%	1	1.3%	6	7.8%	21	27.3%	47	61.0%	77	100.0%
Q29	0	0.0%	2	2.6%	4	5.2%	19	24.7%	52	67.5%	77	100.0%
Q30	0	0.0%	1	1.3%	6	7.8%	21	27.3%	49	63.6%	77	100.0%

Table 4.11: Frequency distribution of questions related to price satisfaction

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	N	%	n	%	n	%	n	%	n	%	n	%
Q31	5	6.5%	1	1.3%	14	18.2%	28	36.4%	29	37.7%	77	100.0%
Q32	4	5.2%	0	0.0%	23	29.9%	25	32.5%	25	32.5%	77	100.0%
Q33	6	7.8%	6	7.8%	17	22.1%	22	28.6%	26	33.8%	77	100.0%
Q34	5	6.5%	3	3.9%	15	19.5%	30	39.0%	24	31.2%	77	100.0%
Q35	5	6.5%	7	9.1%	20	26.0%	17	22.1%	28	36.4%	77	100.0%

Table 4.12: Mean and standard deviation of dimensions

	N	Minimum	Maximum	Mean	Std. Deviation
Tangible	77	2.00	5.00	4.4892	.65245
Reliability	77	1.50	5.00	4.2468	.88527
Responsiveness	77	1.00	5.00	4.3831	.89827
Assurance	77	2.00	5.00	4.4416	.67971
Empathy	77	2.20	5.00	4.5039	.65663
Customer Perceived Overall Service Quality	77	1.33	5.00	4.3947	.83393
Customer Satisfaction	77	2.00	5.00	4.3506	.84318
Behavioural Intentions of Customers	77	1.60	5.00	4.4987	.72375
Price Satisfaction	77	1.00	5.00	3.8286	1.01604

Table 4.12 reflects the mean scores for each dimension on a scale of 1 to 5. Mean scores for each dimension is around 4 or above indicating a highly positive attitude towards each dimension. The standard deviation values for dimensions tangible, reliability, responsiveness, assurance, empathy, customer perceived overall service quality, customer satisfaction and behavioural intentions of customers reflects small deviations from the mean. However, price satisfaction reflects a

larger deviation from the mean. Table 4.12 summarises the observations in tables 4.3 to 4.12.

Table 4.13: Inter-correlation with customer satisfaction dimension

		Spearman's rho		
		Correlation Coefficient	p	N
Customer Satisfaction	Tangible	.780**	.000	77
	Reliability	.848**	.000	77
	Responsiveness	.797**	.000	77
	Assurance	.777**	.000	77
	Empathy	.843**	.000	77
	Customer Perceived Overall Service Quality	.913**	.000	77
	Behavioural Intentions of Customers	.866**	.000	77
	Price Satisfaction	.593**	.000	77

** Correlation is significant at the 0.01 level (2-tailed).

Table 4.13 reflects that customer satisfaction is strongly correlated with the tangible, reliability, responsiveness, assurance, empathy, customer perceived overall service quality and behavioural intentions of customers while there is a moderate correlation with price satisfaction. All correlations are significant at a 95% level ($p < 0.05$).

Table 4.14: Intercorrelation with behavioural intentions of customers dimension

		Spearman's rho		
		Correlation Coefficient	p	N
Behavioural Intentions of Customers	Tangible	.763**	.000	77
	Reliability	.769**	.000	77
	Responsiveness	.756**	.000	77
	Assurance	.836**	.000	77
	Empathy	.878**	.000	77
	Customer Perceived Overall Service Quality	.877**	.000	76
	Customer Satisfaction	.866**	.000	77
	Price Satisfaction	.647**	.000	77

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4.14 reflects that behavioural intentions of customers is strongly correlated with tangible, reliability, responsiveness, assurance, empathy, customer perceived overall service quality and customer satisfaction while there is a moderate correlation with price satisfaction. All correlations are significant at a 95% level ($p < 0.05$).

Table 4.15: Comparison of mean ranks between age groups using the Kruskal-Wallis Test

	Mean Rank					Chisquare	df	p
	Age							
	20-29	30-39	40-49	50-59	60+			
Tangible	47.38	30.23	30.43	44.12	46.92	11.061	4	.026*
Reliability	44.32	32.08	30.50	45.35	46.75	7.962	4	.093
Responsiveness	44.85	32.40	29.77	44.00	47.83	9.092	4	.059
Assurance	44.21	34.60	34.33	38.27	45.58	3.714	4	.446
Empathy	45.32	30.90	35.23	39.85	47.33	6.688	4	.153
Customer perceived Overall service quality	43.63	29.90	33.03	41.42	49.67	9.652	4	.047*
Customer satisfaction	46.85	30.83	27.13	45.77	49.00	14.858	4	.005*
Behavioural intentions of customers	41.15	34.18	33.33	41.12	48.79	5.212	4	.266
Price satisfaction	46.12	31.35	44.23	33.73	40.83	5.765	4	.217

a. Kruskal Wallis Test

b. Grouping Variable: Age

*significant at 95% level

The results in Table 4.15 reflect that there are significant differences in tangible, customer perceived overall service quality and customer satisfaction between age groups at the 95% level ($p < 0.05$).

The mean scores are significantly higher in the 20-29 and 60+ age groups.

Table 4.16: Comparison of Mean Rank Scores Between Categories of Ethnicity Using the Kruskal-Wallis Test

	Mean Rank				Chi square	df	p
	Ethnicity						
	African	White	Indian	Coloured			
Tangible	48.75	40.63	31.05	39.38	8.501	3	.037*
Reliability	49.35	43.33	28.95	38.75	11.507	3	.009*
Responsiveness	47.80	41.30	30.45	42.25	8.787	3	.032*
Assurance	47.30	40.48	31.12	43.13	7.328	3	.062
Empathy	48.10	42.25	29.21	43.63	10.578	3	.014*
Customer Perceived	44.89	41.90	29.79	46.38	9.036	3	.029*
Overall Service Quality							
Customer Satisfaction	47.13	44.28	29.67	39.31	10.390	3	.016*
Behavioural Intentions of Customers	43.18	42.25	32.83	42.81	4.154	3	.245
Price Satisfaction	42.43	42.55	31.90	47.31	5.074	3	.166

a. Kruskal Wallis Test

b. Grouping Variable: Ethnicity

*significant at 95% level

The results in Table 4.16 reflect significant differences in Tangible, Reliability, Responsiveness, Empathy, customer perceived overall service quality and customer satisfaction between categories of ethnicity at a 95% level ($p < 0.05$).

The mean scores are significantly higher for African and White with Indian having the lowest score with regards to tangible, reliability and customer satisfaction. Whites have the highest score for Responsiveness and Empathy with Indian having the lowest scores and marginal differences between African and Coloured.

4.4 Summary

This chapter presented the demographic details of the respondents and a detailed analysis of the results using frequency presentation and statistical inference. This chapter outlines the data analysis methods used, discusses the demographic details of the respondents followed by the responses related to the research objectives. The next chapter addresses the findings and the discussion.

CHAPTER 5: PRESENTATION OF RESULTS AND DISCUSSION OF THE FINDINGS

5.1. Introduction

The previous chapter presented the results of the survey conducted. The data collected from the questionnaires was statistically analysed by using the SPSS software. The data presented in the preceding chapter provides a framework for the findings concerning the study undertaken in order to establish the effect of customer service on customer loyalty in the Nedbank: Musgrave. The results of the empirical work is linked to findings in the literature review covered in chapter two and present empirical evidence on the research objectives within a South African Nedbank Retail Banking context.

This chapter therefore presents the discussion that is relevant to the research objectives and related questions that this study undertook to answer. As stated in chapter one this study aimed to investigate the effect of customer service on customer satisfaction and the effects on customer loyalty. The secondary questions in this study were formulated as guidelines in order for the primary research objective to be achieved and are therefore considered to be research objectives of this study.

5.2 Demographics

Description of study sample gender

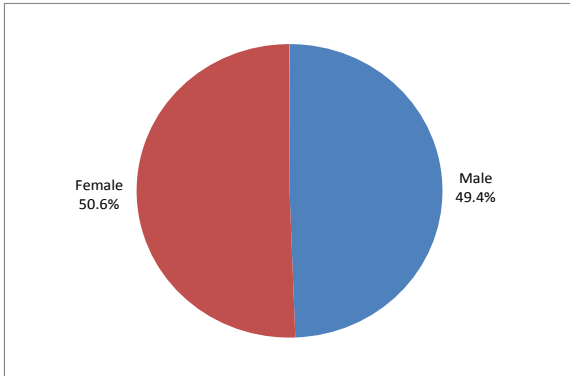


Figure 5.1 Sample Gender

Age

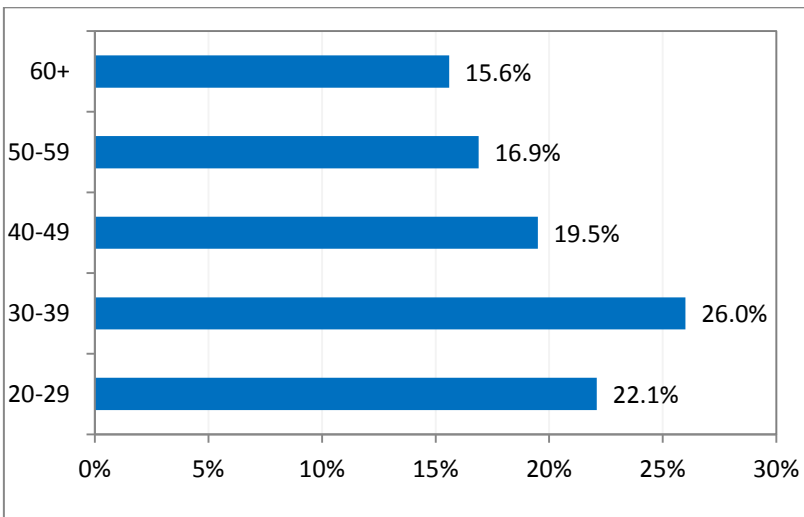


Figure 5.2: Age of Respondents

The frequency analysis of the biographical variable of age shows that 26% of respondents were in the 30-39 year old category followed by the 20-29 year group (22.1%), 40-49 (19.5%), 50-59 (16.9%) and over 60 (15.6%). This is representative of the customer profile in Musgrave.

Ethnicity

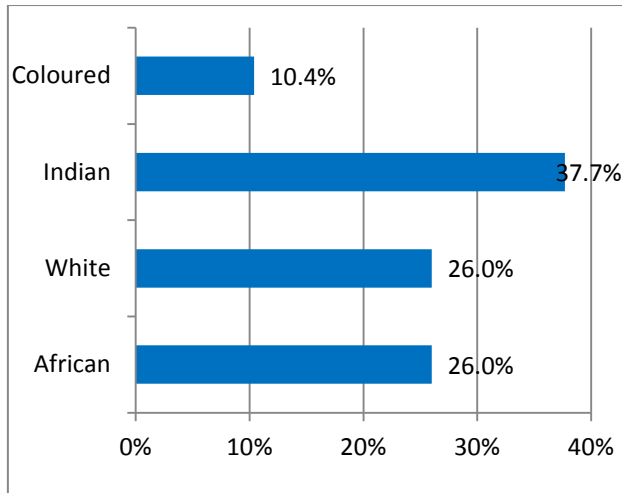


Figure 5.3: Ethnicity of Respondents

The analysis of the ethnic groups of the respondents revealed that the Indians were the highest (37.7%), followed by an equal split of White and African (26%) with the lowest representation from the Coloured (10.4%).

Education

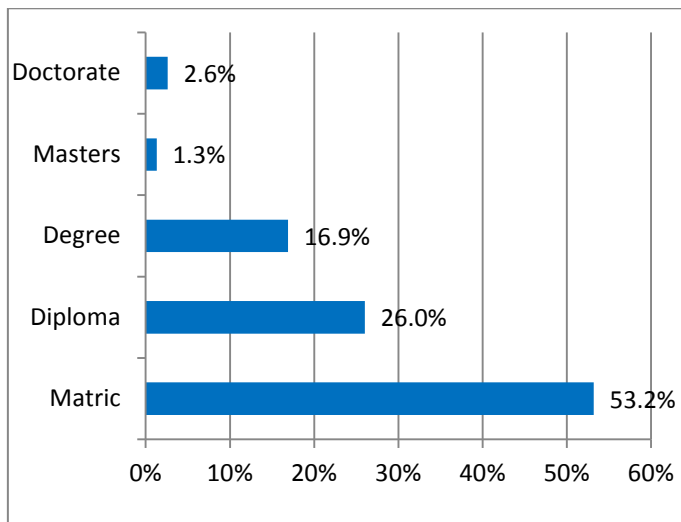


Figure 5.4 : Education of Respondents

The education level of the respondents indicated that over 50% had Matric (53.2%), followed by 26% with Diplomas, Doctorate (2.6%) and Masters (1.3%) This indicates that the respondents are educated.

5.3 Research Findings

The following sections will present the empirical research findings through graphical presentations and the same will be interpreted.

5.3.1 Research Objective One : To identify the factors that influence customer satisfaction and loyalty at Nedbank

The five dimensions of the SERVQUAL model were used to measure the customers perceptions of the service quality in Nedbank's Retail Banking customers. The Tangible sub dimension comprised of three questions, Reliability, Responsiveness and Assurance had four questions each and Empathy had five questions. Based on the five point Likert scale measures used, the responses of agree and strongly agree were used to establish the factors that positively influenced customer satisfaction via the SERVQUAL measures. The twenty questions, using a combined score of agree and strong agree were ranked from highest to lowest to establish the individual factors that contributed to the positively to customer service and satisfaction. The individual components contributing to these results were closely examined to establish the factors that contribute to customer satisfaction.

5.3.1.1 Empathy

All five questions in the Empathy sub dimension of service quality scored highly amongst the 20 questions asked, showing a strong positive relationship between Empathy and customer satisfaction.

- **The banks employees give customers individual attention**

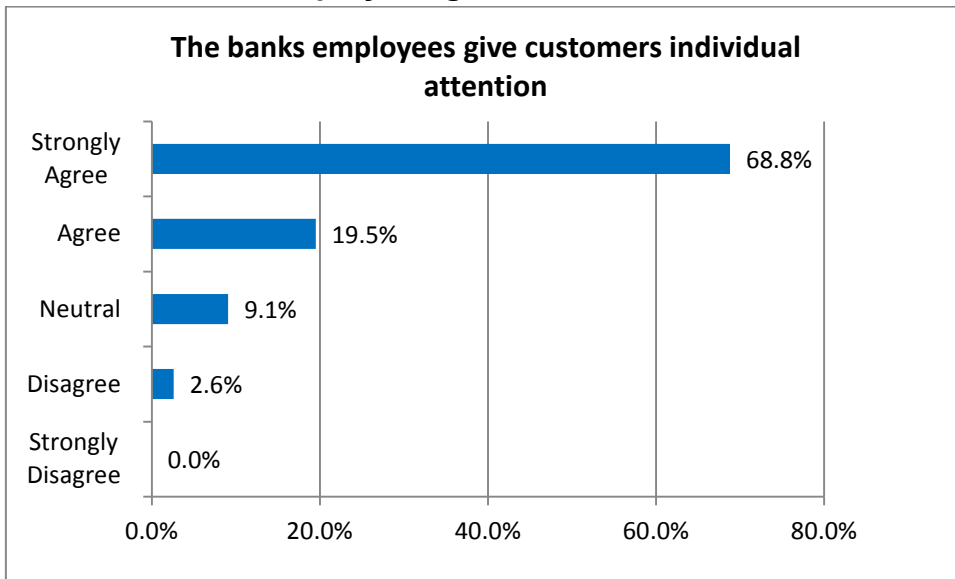


Figure 5.5 The Banks Employees Give Customers Individual Attention

The above figure indicates that 68.8% of the respondents strongly agreed that the banks employees give customers individual attention, 19.5% agreed, while 9.1% were neutral and 2.6% disagreed. This indicates that 88.3% of the customers were satisfied with the individual attention received which is a positive indication of satisfaction. Nedbank retail banking has adopted the client service approach of “I know you”, which entails providing the client with personalised service and getting to know the client personally so that long term banking relationships are built. This practice is evident and is contributing to client satisfaction.

- **The Bank has their Customers Best Interest at Heart**

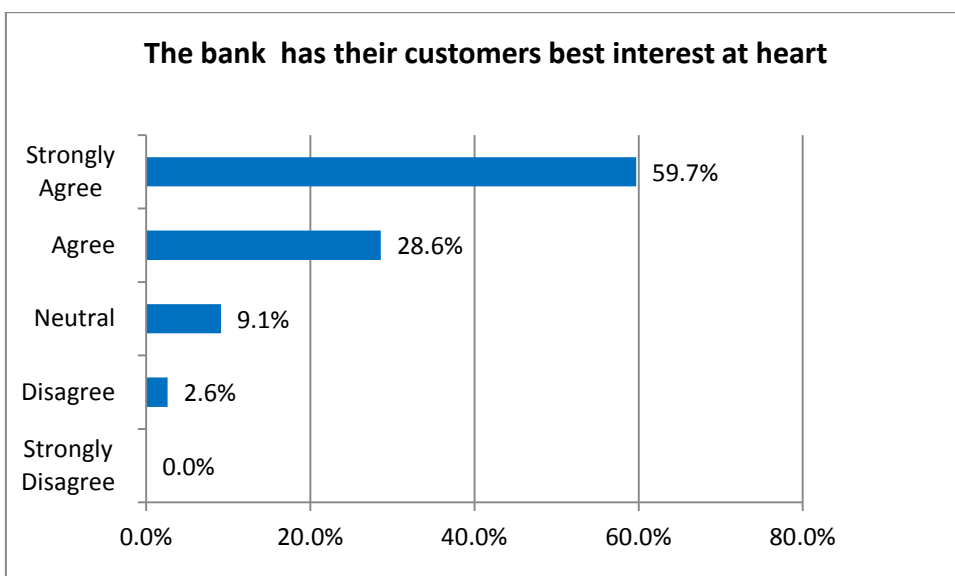


Figure 5.6 : The Bank has their Customers Best Interest at Heart

This figure presents that 88.3% (Agree 28.6% and 59.7% strongly agree) of the respondents felt positively that that the bank did have the customers best interest at heart, whilst 9.1% did not take a firm opinion on this and remained neutral, and 2.6% disagreed. On a positive note none of the respondents strongly disagreed.

- **The Bank Employees Understand Customers Specific Needs**

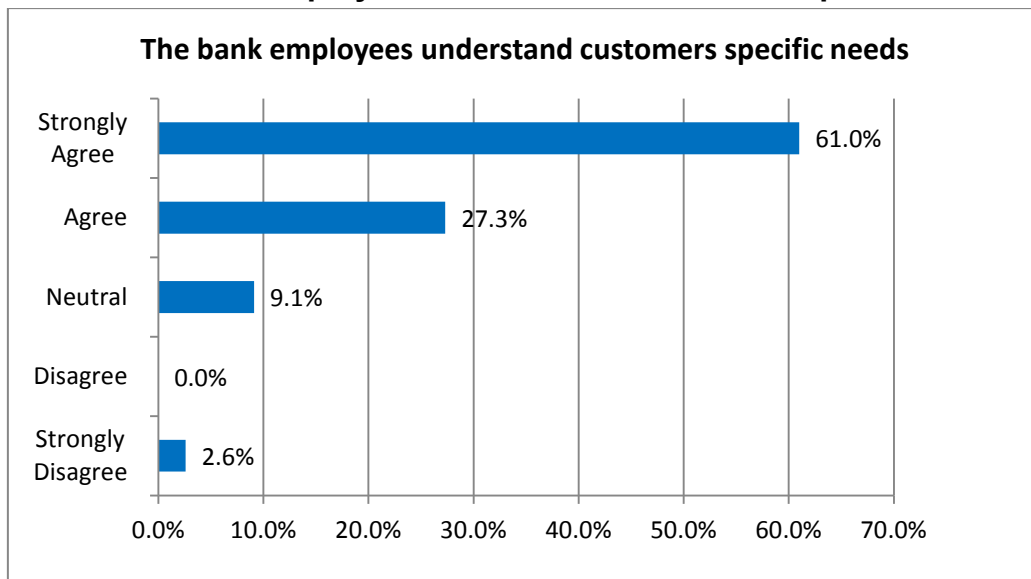


Figure 5.7 Customers Specific Needs are Understood

The findings presented in Figure 5.7 indicate that 88.3% of customers surveyed expressed a positive sentiment that the bank employees understand the customer’s specific needs, 9.1% were neutral while 2.6% strongly disagreed. Nedbank’s current client service culture is underpinned by the following behaviours, “Listen, understand and keep the client in the loop”. This graphical illustration indicates that employees are abiding by these principles.

- **My Bank Provides Operation Hours and Location Convenient to all its Customers**

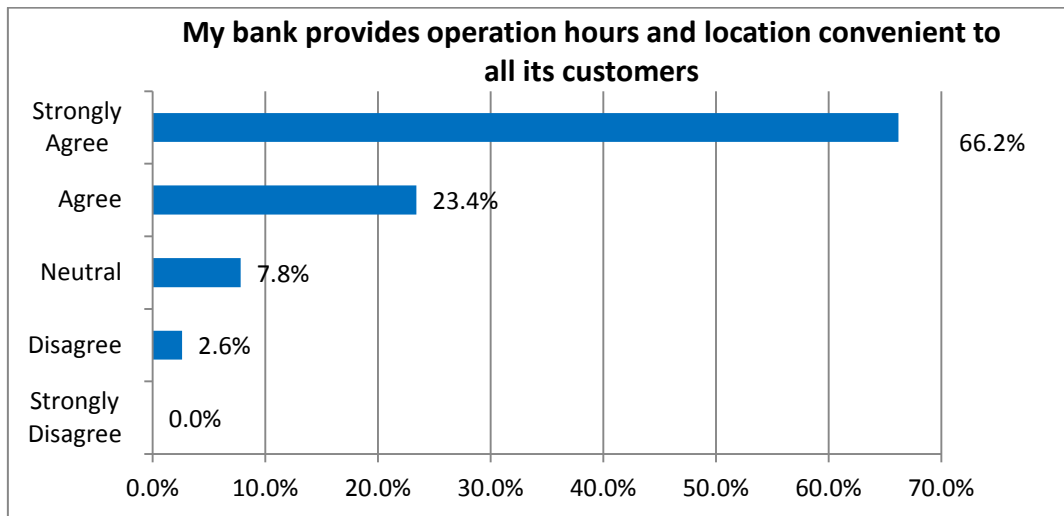


Figure 5.8: Operation Hours and Location Convenient to all its Customers

The analysis of Figure 5.8 indicates that 89.6% (Strongly agree 66.2% and 23.4% agree) of the customers are satisfied with the operating hours and the location of the bank, this could be attributed to the fact that this branch operates on an extended hour basis with it being open until 17h00 on weekdays and until 14h00 on Saturdays. The branch is conveniently located in a shopping mall which is easily accessible by public transport, has adequate secure parking.

- **The employees give off their personal attention**

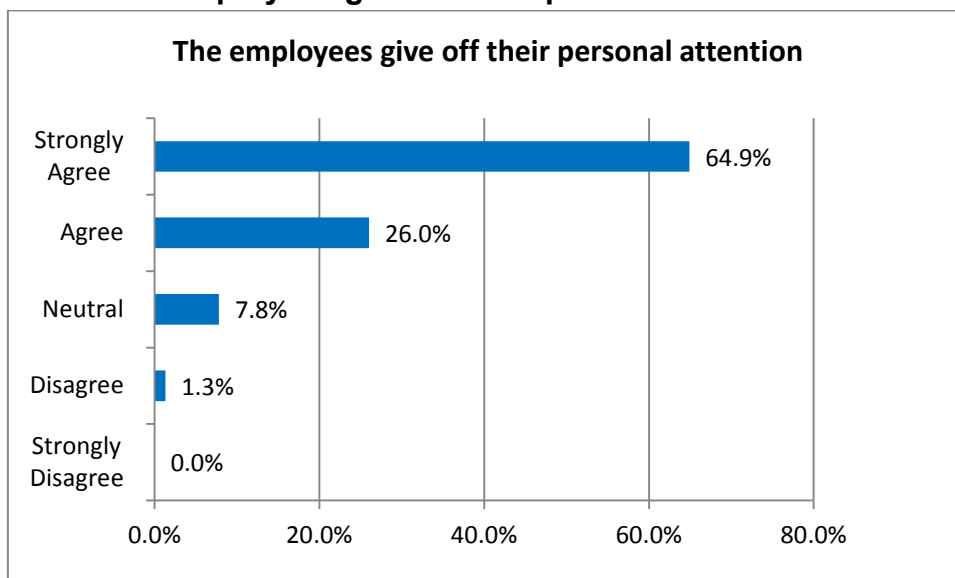


Figure 5.9: The employees Give off their Personal Attention

The figure above indicates that 90.9% of the customers surveyed indicated that the employees give off their personal attention. This question scored the highest in the Empathy dimension of the survey. The ability to make the customer feel welcome, particularly with the interaction of staff is described as empathy according to Johnston (1997). Chase *et al.*, (2001), described empathy as providing personalised attention and care to customers.

The empathy dimension scored the highest from the five SERVQUAL dimensions used with a mean score of 4.50 and a standard deviation of 0.65. The findings of the study conducted by Parasuraman *et al.*, (1994) ranked the empathy dimension fifth, while empathy was ranked third in the study by Lam (2002).

5.3.1.2 Tangible

The tangible section comprised of three questions which refers to the physical aspects such as neatness of employees and the visually appealing physical facilities of the environment. Two of the three questions scored highly, contributing to a 4.49 mean score to this dimension. The responses to these questions are graphically illustrated below.

- **My Banks Physical Facilities are Visually Appealing**

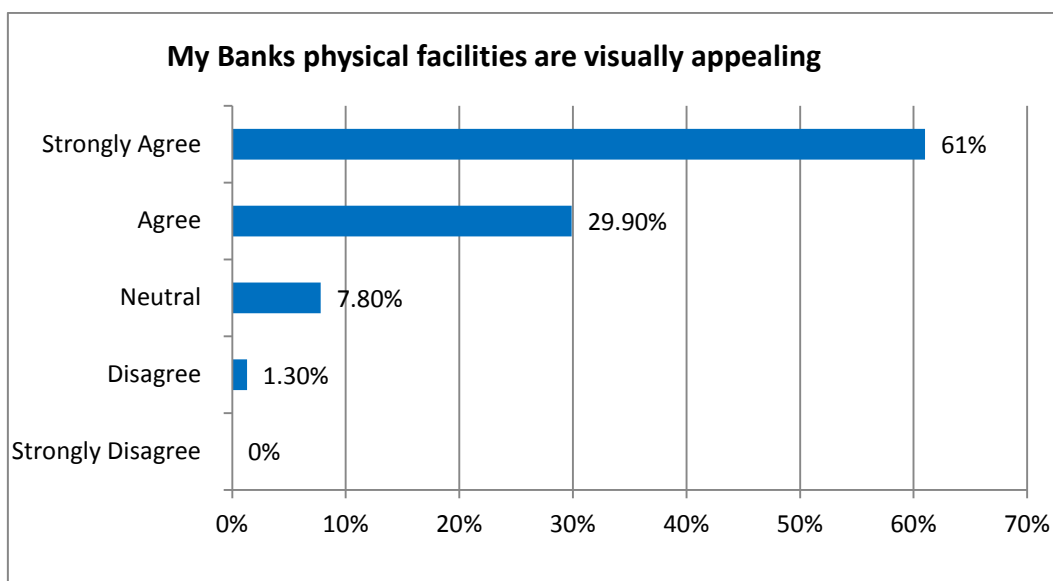


Figure 5.10: My Banks Physical Facilities are Visually Appealing

The Figure 5.10 above summarised the responses as follows, 90.9% of customers agree (strongly agree 61% and agree 29.9%) that the banks facilities are visually appealing, 7.8% of customers did not agree or disagree while 1.3% indicated that they disagreed. This question scored the second highest favourable score indicating a high level of satisfaction with the physical facilities. The findings in this study agree with findings of the study conducted by Al-Tamimi and Al-Amiri (2003) who found that the appearance of branches in terms of appeal was one of the most important dimensions.

The Employees are Well Dressed and Neat in Appearance

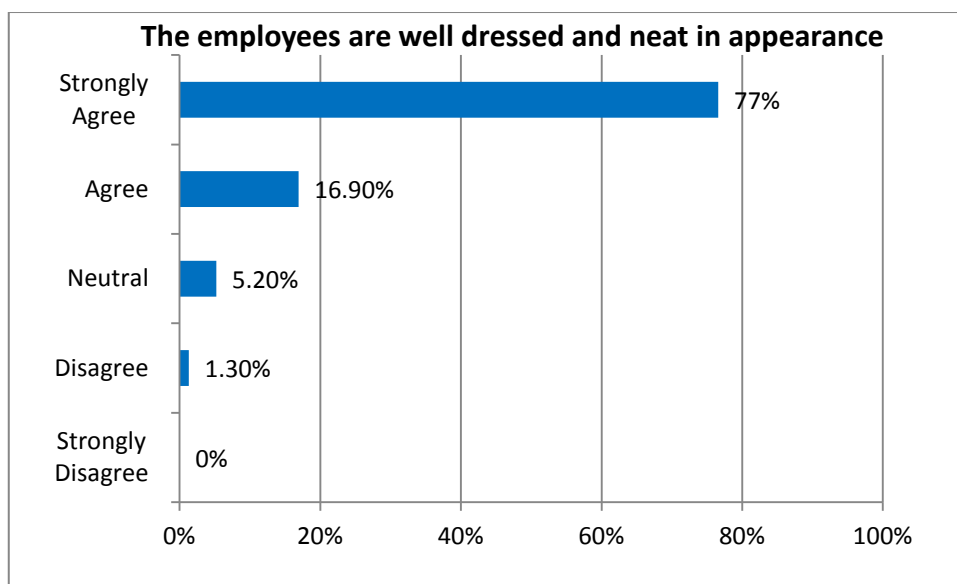


Figure 5.11: Employees are Neat and Well Dressed

The data in Figure 5.11 indicates that 93.9% (strongly agree 77 % and 16.9% agree) agreed that the employees are well dressed and neat in appearance, none of the respondents strongly disagreed, 1.3% disagreed and 5.20% were undecided. Nedbank has a well- defined set of corporate wardrobe rules that are strongly enforced with all employees in Nedbank retail banking especially in the branch network space. Non adherence to the rules could result in disciplinary action, the results above suggest that employees are complying. This question received the highest favourable score, indicating that customers were very satisfied with the employees attire and neatness.

Bitner (1992) suggests the overall perception of service environment leads to arousal of emotions, influence beliefs and physiological sensations, which ultimately influence customer behaviours. Similarly, Pullman and Gross (2004) proved that, customers formulate their overall service perceptions based on elements of physical environment and their interactions with the service providers as well as other customers, which in turn generates emotions leading to influencing customer loyalty behaviours. Davis *et al.*, (2003) summarise tangibles as the physical evidence of the service.

5.3.1.3 Assurance

The Assurance sub section refers to the knowledge and the courtesy of the employees and their ability to display respect and trust, which consisted of four questions. Two questions in this section had relatively high scores amongst the twenty questions surveyed in the Service Quality dimension. The Assurance component ranked third in the five dimensional questioning with a mean score of 4.44. Assurance was ranked as the second most important dimension in the study conducted by Othman (2003).

- **The Employees are Consistently Courteous**

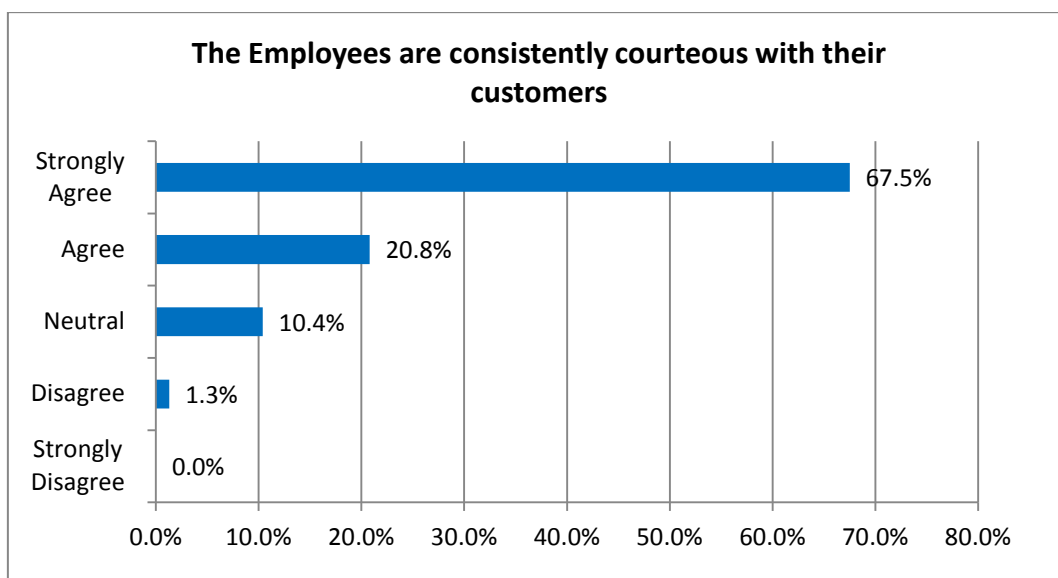


Figure 5.12: The Employees are Consistently Courteous with their Customers

The above Figure 5.12 indicates that 67.5% of the respondents strongly agreed that the employees are consistently courteous, 20.8% agreed, 10.4% were uncertain while 1.3% disagreed. None of the respondents strongly disagreed. Nedbank has a “59 second” acknowledgement policy that requires employees to greet and acknowledge the customer within 59 seconds of their arrival into a branch. This stringently managed and measured and is aligned to key performance areas on the balance score card.

- **The Employees have Adequate Knowledge to Answer Customers Questions**

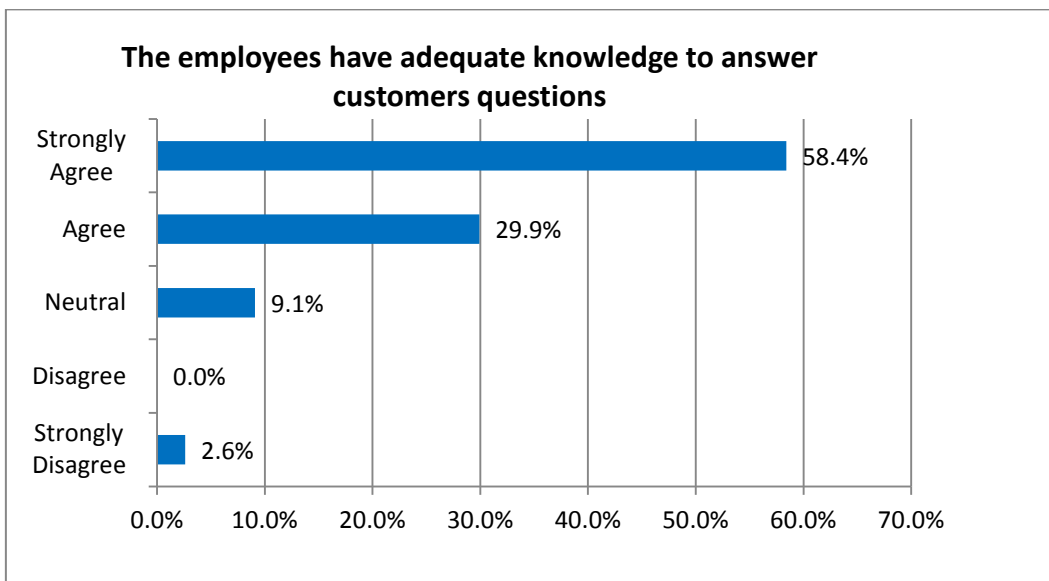


Figure 5.13: The Employees have Adequate Knowledge to Answer Customers Questions

The findings presented in the above figure indicate that 88.3% of the respondents agreed that the employees had adequate knowledge to answer customer questions, 9.1% expressed a neutral opinion, 2.6% strongly disagreed. Nedbank has a culture of continuous learning ensuring that staff are kept abreast of all changes and new offerings equipping staff to have adequate knowledge to answer customer questions.

5.3.1.4 Responsiveness

The Responsive dimension measures to the willingness to assist customers and provide them with prompt service. Four questions were asked in this category and only one ranked in the top ten of the total twenty questions asked.

- **The Bank Employees are Always Willing to Help me**

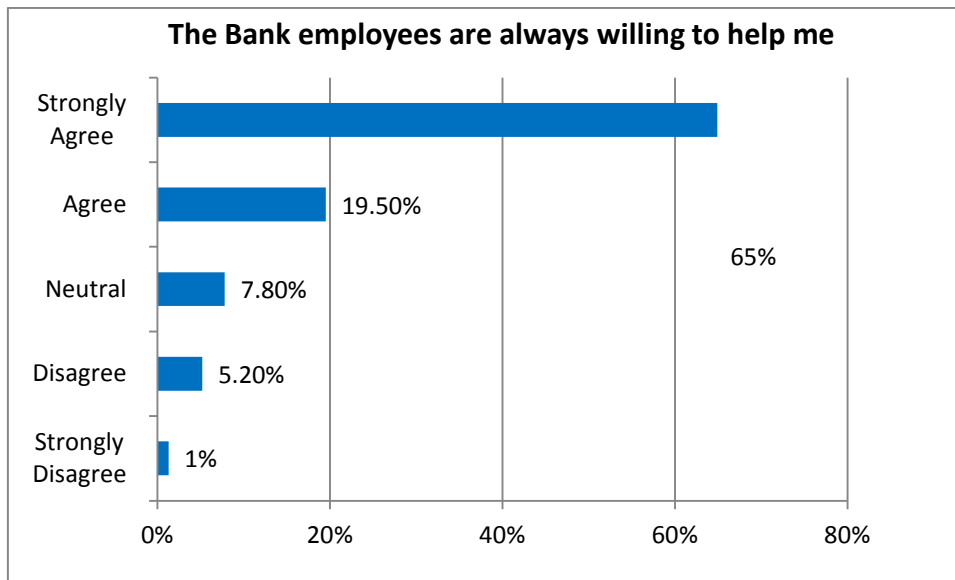


Figure 5.14: Employees are Always Willing to Help me

Figure 5.14 above presents that 84.5% of the customers agreed that the employees are always willing to help them, 7.8% were undecided, 5.20% disagreed with this statement, 1% strongly disagreed. Whilst the majority of customers agreed that the employees are always willing to assist it would be wise to establish why the others disagreed or were undecided.

Service interaction involves interpersonal attentiveness from the service personnel who are to provide core services and this contributes to customer satisfaction with the service offered (John, 1998).

Table 5.1: Mean and Standard Deviation of Servqual Dimensions

Dimension (N=77)	Mean	Std. Deviation
Tangible	4.4892	.65245
Reliability	4.2468	.88527
Responsiveness	4.3831	.89827
Assurance	4.4416	.67971
Empathy	4.5039	.65663

The Empathy dimension of the service quality has the highest mean score and is considered superior to the other four dimensions whilst the other four dimensions have also scored above four. The ranking of the five dimensions is as follows, first Empathy (4.50), followed by Tangible (4.49), Assurance (4.44), Responsiveness (4.38) and finally Reliability (4.25).

In the study conducted in Turkey, Malik and Naeem (2011) they find that in Parasuraman's SERVQUAL model the Responsiveness and Tangible service dimensions are predominantly influential with regards to customer satisfaction and commitment levels (Yavas *et al.*, 1997).

This study finds that the Empathy dimension is significantly influential with regard to customer satisfaction. Malik and Naeem (2011) found that the behavioural intentions of customers such as word of mouth advertising and intention to switch were influenced by the perceived quality of the service environment and the reliability dimension of services promised.

The above discussion has detailed the factors that positively influence customer service and hence customer satisfaction in Nedbank Retail banking therefore answering the question of objective one.

5.3.2 Research Objective Two : To Identify the Potential Barriers to Customer loyalty at Nedbank

The five dimensions of the SEVQUAL model were used to identify the potential barriers to customer loyalty and retention at Nedbank. The process of ranking the responses was repeated to establish the level of dissatisfaction, questions were ranked from highest to lowest with the combined score of strongly disagree and disagree.

5.3.2.1 Reliability

The dimension of Reliability scored the lowest in the five dimensions of SERVQUAL and all four questions in dimension generated a higher level of

dissatisfaction amongst the total of twenty questions asked in the SERVQUAL dimension. Further Reliability had the lowest mean average score of 4.25 in the five SERVQUAL dimensions.

The Reliability dimension is therefore considered as a potential barrier in this study. The individual questions contributing to this barrier are illustrated and discussed below.

- **When the Bank Promises a Certain Service by a Certain time, it does so**

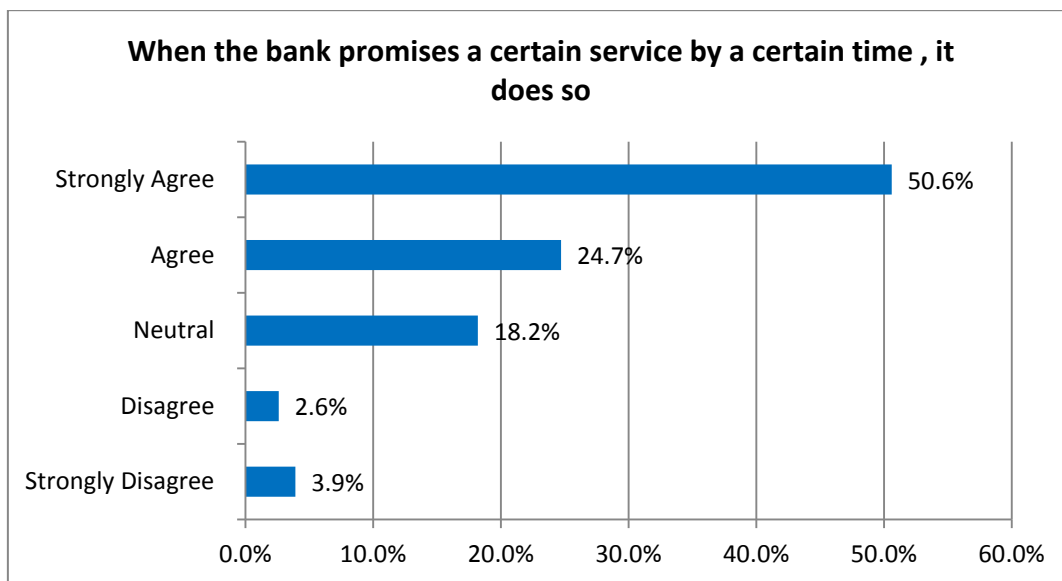


Figure 5.15: Promises of Service Delivery is Honoured

The figure above indicates that 50.6% of customers strongly agree while 24.7% agreed, thus 74.7% were in agreement. However, 18.2% had a neutral opinion, 2.6% disagreed and 3.9% strongly agreed. The level of satisfaction has dropped with 24.7% expressing dissatisfaction or no opinion. It is therefore important to establish why the promises were not met, was it due to lengthy internal processes, staff inefficiencies or technology failure.

- **My Bank Always Performs the Service Right the First Time**

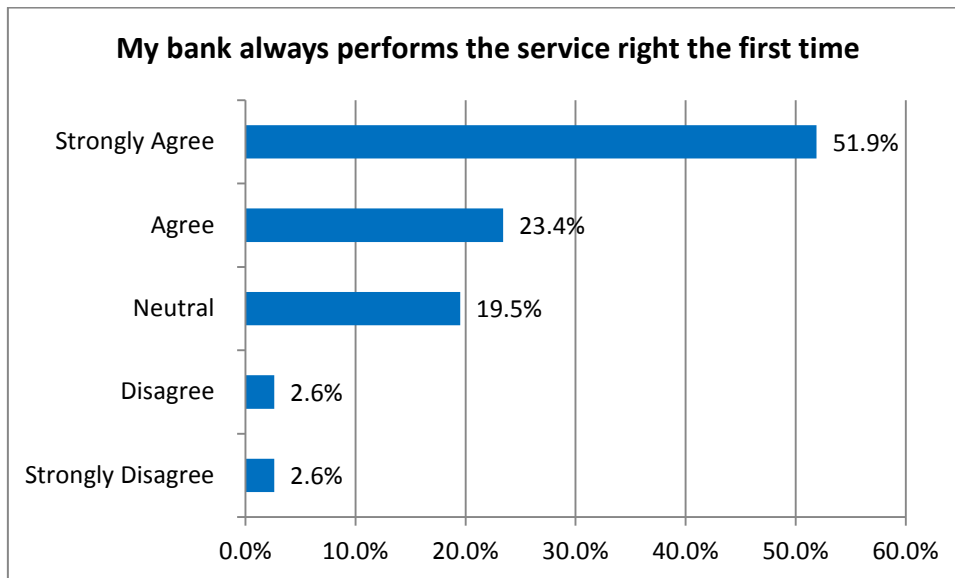


Figure 5.16: Services are Performed Right the First Time

The findings presented in the figure above indicate that 75.3% of the customers agreed that the bank performs the service right the first time. However 19.5% of the respondents were uncertain and 5.2% disagreed (2.6% disagreed and 2.6 strongly disagreed). The neutral responses are of concern because it creates uncertainty. This service gap needs to be investigated further to establish the root cause of the problem.

- **The Bank Employees tell me Exactly When Services will be Performed**

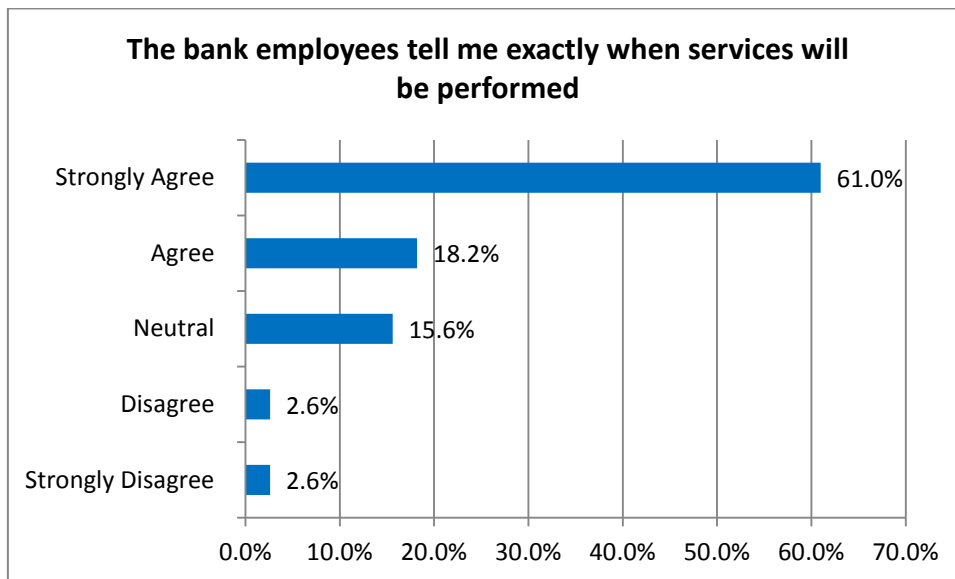


Figure 5.17: The Bank Employees tell me Exactly when Services will be Performed

The information presented in the figure above indicates that 61% of the customers strongly agreed that the employees tell them exactly when services will be performed, while 18.2% agreed, 15.6% were impartial, 5.2% disagreed (2.6% strongly disagreed and 2.6% disagree). It is evident that the world class service behaviours of Nedbank are compromised as the employees are failing to keep the customer in the loop. The reliability and consistency of performance of service facilities, goods and staff is seen as important Johnston (1997). This includes punctual service delivery and ability to keep to agreements made with the customer. According to Fitzsimmons and Fitzsimmons (2001), reliability is the ability to perform the promised service both dependably and accurately with error free.

5.3.2.2 Tangible

- **My Bank Uses State of the Art Technology and Equipment in their Service Delivery**

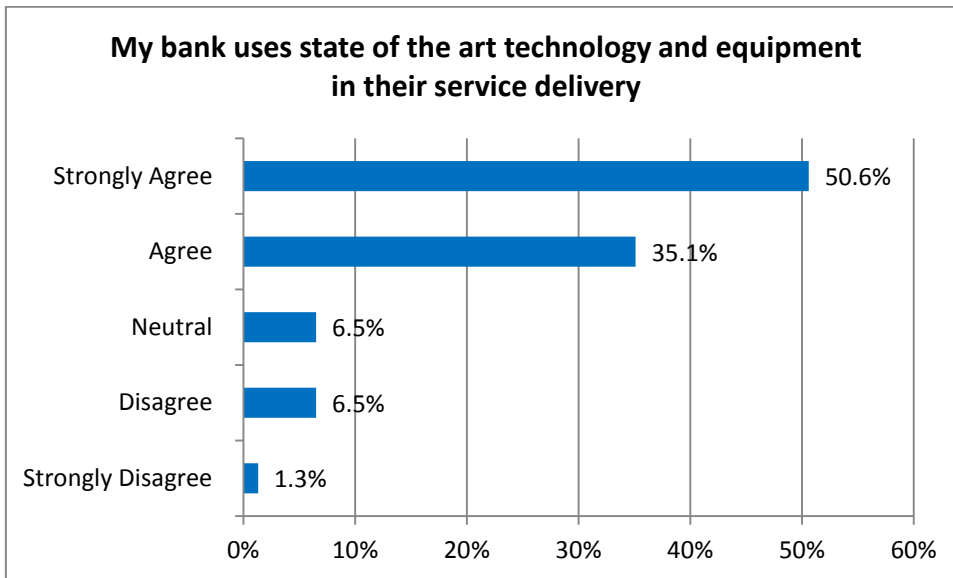


Figure 5.18 : State of the Art Technology and Equipment is Used in the Service Delivery

The data present in Figure 5.18 above indicated that 85.7% of the customers indicated that the bank uses state of the art technology, 7.8% expressed disagreement and 6.5% were undecided. Whilst the majority of customers have expressed their satisfaction, the bank needs to be cognisant of the neutral and dissatisfied clients. Technology is playing an increasingly important role in the rapidly changing banking environment, therefore reviewing the current technology and establishing the factors that are leading to the dissatisfaction will not be a wasted exercise. This will provide the bank with the opportunity of understanding what their client wants.

5.3.2.3 Responsiveness

- **The Bank Employees are Never too Busy To Respond to my Requests**

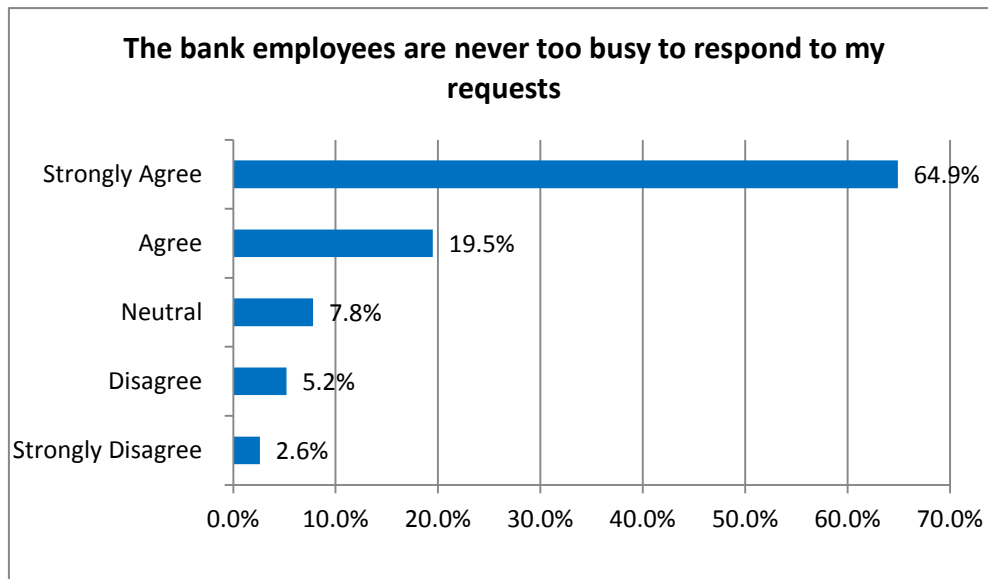


Figure 5.19: Employees are Never too Busy to Respond to my Requests

The above figure indicates that 7.8% of the customers disagreed that the bank employees are never too busy to respond to their requests, 7.8% indicated a neutral response whilst 84.4% agreed. The bank would need to investigate why the employees are busy and cannot attend to customer requests. The possible investigation areas would be to assess if resources are adequate and how capacity is planned and management.

Price Satisfaction

A set of question were asked in the category of Price satisfaction to test the relationship with customer satisfaction. If the respondents were totally satisfied with the pricing it would have been a contributing factor to loyalty or if the converse was true it would be regarded as a potential barrier to customer satisfaction. The results indicate that the respondents had the greatest level of disagreement with the pricing questions suggesting a higher level of dissatisfaction. The results of the inter correlation of customer satisfaction and the other dimensions is tabulated below.

Table 5. 2: Correlation between Customer Satisfaction and the Other Sub Dimensions

		Spearman's rho		
		Correlation Coefficient	p	N
Customer Satisfaction	Tangible	.780**	.000	77
	Reliability	.848**	.000	77
	Responsiveness	.797**	.000	77
	Assurance	.777**	.000	77
	Empathy	.843**	.000	77
	Customer Perceived Overall Service Quality	.913**	.000	77
	Behavioural Intentions of Customers	.866**	.000	77
	Price Satisfaction	.593**	.000	77

** . Correlation is significant at the 0.01 level (2-tailed).

The results of the table above indicate the inter correlation of customer satisfaction and the other dimensions. The correlation between customer satisfaction and price satisfaction is the lowest at ($r = 0.593$), clearly indicating a potential barrier to customer satisfaction. High customer satisfaction is experienced when the customer pays the minimum price and gets maximum benefits and usage, dissatisfaction occurs when pricing issues occur (Jamal, 2004).

The individual questions contributing to this result in that three questions were the highest scoring disagreement questions of the thirty five questions asked in the survey. Two of the five questions asked generated a combined disagreement score of 15.6% each, while the third question had a 10.4% disagreement.

Bank Charges on Domestic Banking are Low Compared to Others

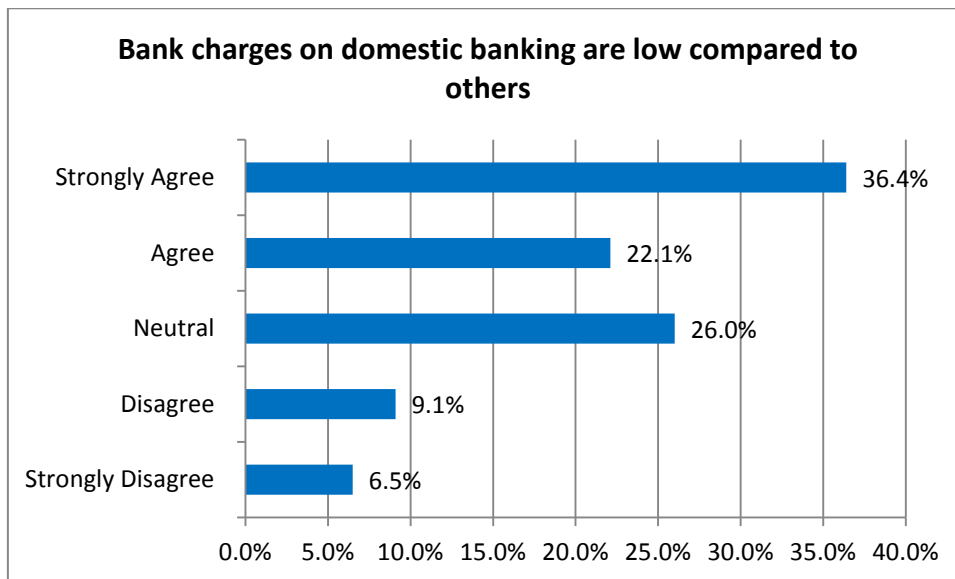


Figure 5.20: Bank Charges on Domestic Banking are Low Compared to Others

The figure above indicates that 58.5% of customers agreed that the bank charges on domestic banking are low compared to others, 15.6% customers expressed disagreement, while 26% of the customers indicated neutral opinion on this. The concern is that the high proportion of customers with neutral opinions could creep into the dissatisfied category. This would be an area for concern since customers sensitivity to price has increased due to the downturn of the economy and the increased media attention that bank charges received in the enquiry carried out by Competition Commission of South Africa in 2006. It is therefore advisable to check if customers have the correct “product” that is the right type of account. The availability of multi-channel options has provided the customer with a choice of channels. The self- service and digital banking options are cheaper than a transaction processed by a bank teller. It would therefore be important to establish what the customers’ needs are, evaluate the current product and recommend cheaper alternative means of banking.

- **Costs of Maintaining an Account with the Bank is Low Compared to Other Banks**

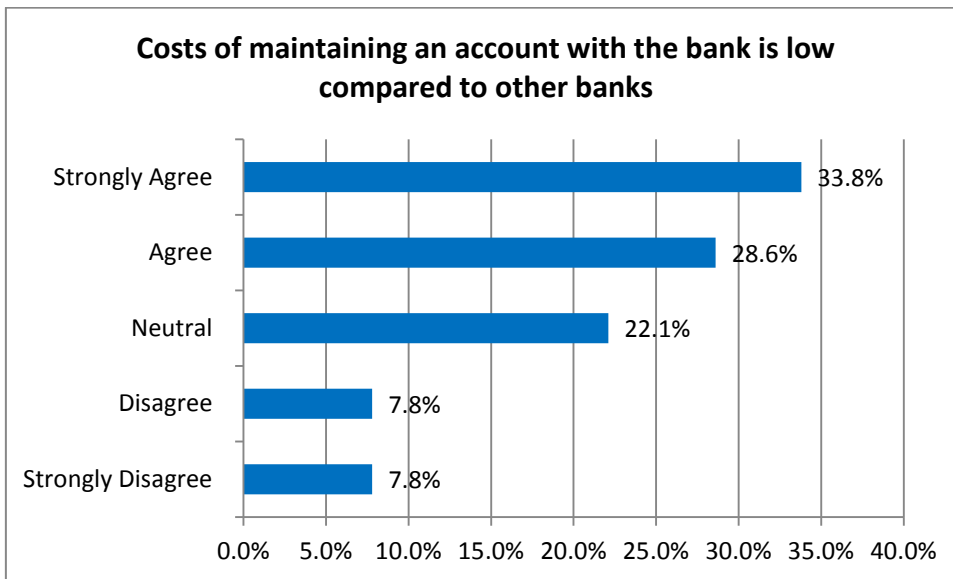


Figure 5.21: Maintenance Cost of an Account is Low Compared to Other Banks

The data presented in the figure above represent 62.4% of customers have agreed that the cost of maintaining an account with the bank is low compared to other banks, 15.6% of customer indicated their dissatisfaction and 22.1% did not agree or disagree. The banks products have evolved since the introduction of mobile and digital banking. It will therefore be relevant to establish the type of product, the customers' needs and assess if the current product is still relevant to the customer.

In order to protect or gain market share, organisations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers (Reichheld, 1996; Gronroos, 2000; Tsoukatos, 2008). Given the level of dissatisfaction with pricing, which in banking is directly related to the product, the bank will need to relook at its product offerings in terms of range and price offerings as well as review the product that the client has to eliminate this gap.

Table 5.3: Correlation between Behavioural Intentions of Customers and the Other Sub Dimensions

		Spearman's rho		
		Correlation Coefficient	p	N
Behavioural Intentions of Customers	Tangible	.763**	.000	77
	Reliability	.769**	.000	77
	Responsiveness	.756**	.000	77
	Assurance	.836**	.000	77
	Empathy	.878**	.000	77
	Customer Perceived Overall Service Quality	.877**	.000	76
	Customer Satisfaction	.866**	.000	77
	Price Satisfaction	.647**	.000	77

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation between the behavioural intentions of customers and price satisfaction is ($r = .0647$), the lowest amongst the dimensions surveyed. This indicates a moderate correlation compared to the others that were strongly correlated, thus confirming that this should be an area of review for the bank. According to Cheese (1994), price is rarely the only factor in the decision making process for a customer, but usually one of many factors to consider. In this research study the findings indicate that price satisfaction has scored the lowest indicating a significant level of dissatisfaction, despite this, 87% of the respondents have indicated that they would like to remain as clients of their bank confirming the supporting the literature that price is seldom the only factor in the decision making process for the customer.

Most customers leave a company because they feel they're not satisfied with the service or product offering (Rust and Zahorik, 1993). Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight of a service. To achieve satisfaction and retention, customer needs and wants must be fulfilled (La Barbera and Mazursky, 1983). In order to protect or gain market share, organisations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers (Reichheld, 1996; Gronroos, 2000; Tsoukatos, 2008). Given the level of

dissatisfaction with pricing, which in banking is directly related to the product, the bank will need to relook at its product offerings in terms of range and price offerings

5.3.2.3. Research Objective Three: To determine the level of customer satisfaction of customers in Nedbank

In addition to using the five dimensions of the SERVQUAL model to measure the customers perceptions of the service quality in Nedbank's Retail banking customers, the questionnaire consisted of a five questions to establish the customer satisfaction levels. This consisted of three questions that related to the overall perceived service quality and two questions on customer satisfaction. The individual questions will now be closely examined and findings discussed.

- **My Bank Always Delivers Excellent Overall Service**

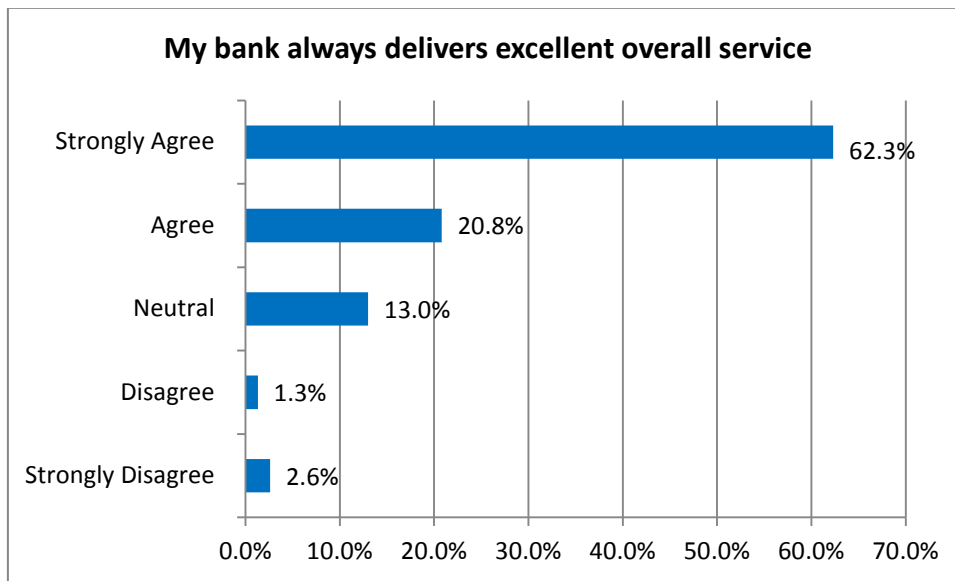


Figure 5.22: Excellent Overall Service Delivery

Figure 5.22 indicates that 62.3% of customers strongly agree that the bank always delivers excellent overall service, followed by 20.8% who agree, 13% of the respondents took a neutral stance whilst 2.6% strongly disagreed and 1.3% disagreed. This indicates an 83.1% level of satisfaction. The possible reasons for 3.9% of customers in disagreement, probably lies with service failures in the components of reliability and responsiveness discussed earlier in objective 2.

- **The Services Offered by my Bank are of a High Quality**

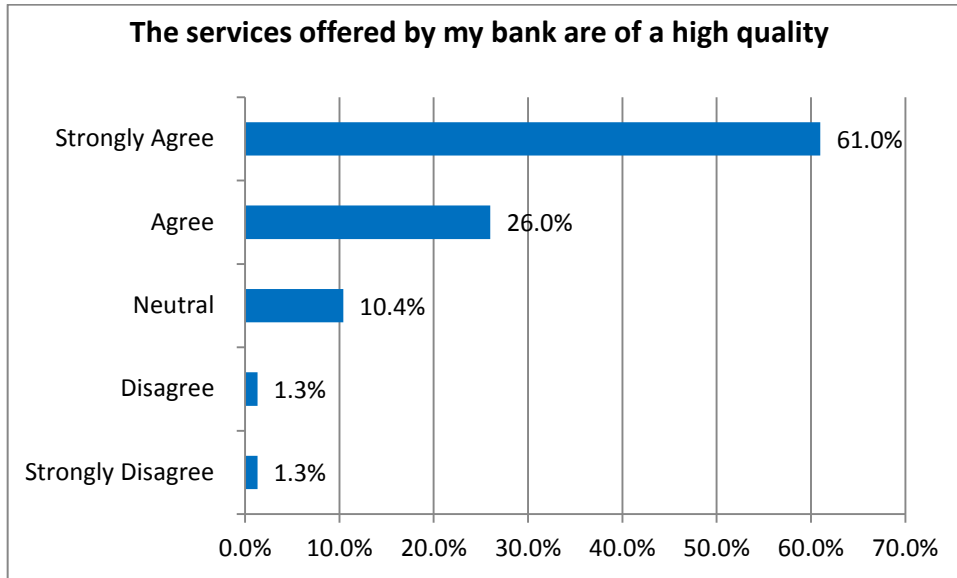


Figure 5.23: Bank Offers High Quality of Service

In Figure 5.23 above, 87% (strongly agree 61%, agree 26%) of the customers surveyed indicated that the services offered by their bank are of high quality, while 2.6% of the respondents indicated their disagreement. This dissatisfaction could be as a result of the dissatisfaction factors established. However the bank would need to take further steps to establish and to improve services. This will be discussed further in the recommendations.

- **I am Completely Satisfied with the Services Delivered by my Bank**

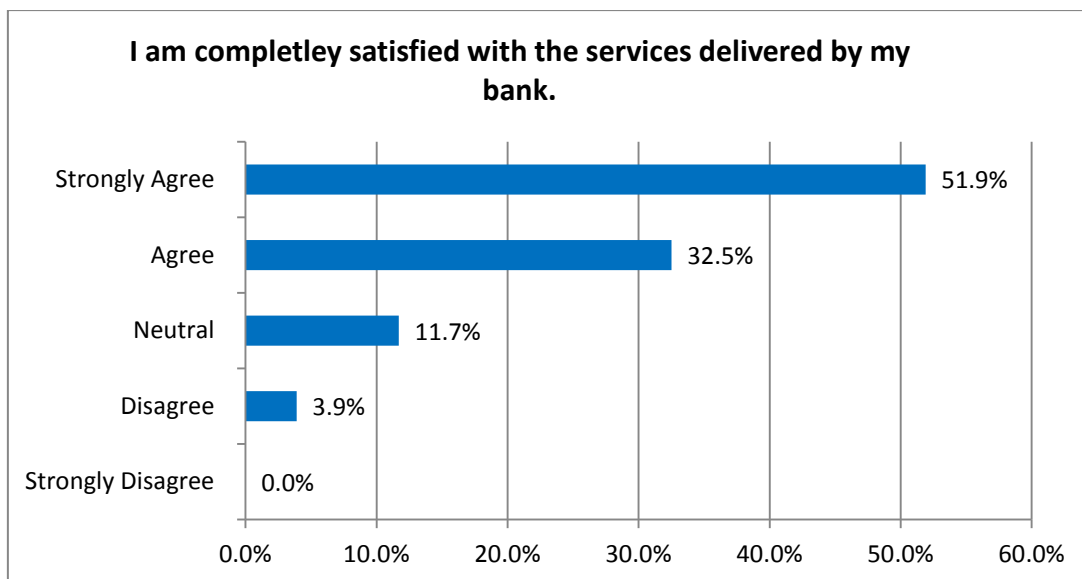


Figure 5.24: Complete Satisfaction with the Service Delivery

Figure 5.24 indicates that 84.4% of the respondents indicated that they are completely satisfied with the services delivered by the bank. None of the respondents indicated that they strongly disagreed, 3.9% indicated that they disagree and 11.7% expressed no opinion. This is a very positive result indicating that the majority of the customers surveyed were satisfied with the services delivered by the bank, however the bank needs to be cognisant of the dissatisfied customers and the reasons thereof.

According to (Petruzzellis, D'Uggento *et al.*, 2006) the higher the perceived service quality is, the greater the customer satisfaction and loyalty levels are. Tsoukatos and Rand (2006) in his report noted that provision of service quality is a predecessor of customer satisfaction as it influences the dependability of the customers to the organisation

Whilst the percentage of disagreeing respondents is low, the bank should make every effort to ensure that all customers are satisfied to avoid customer switching and to increase customer retention.

- **I Feel very Pleased with Services Delivered by my Bank**

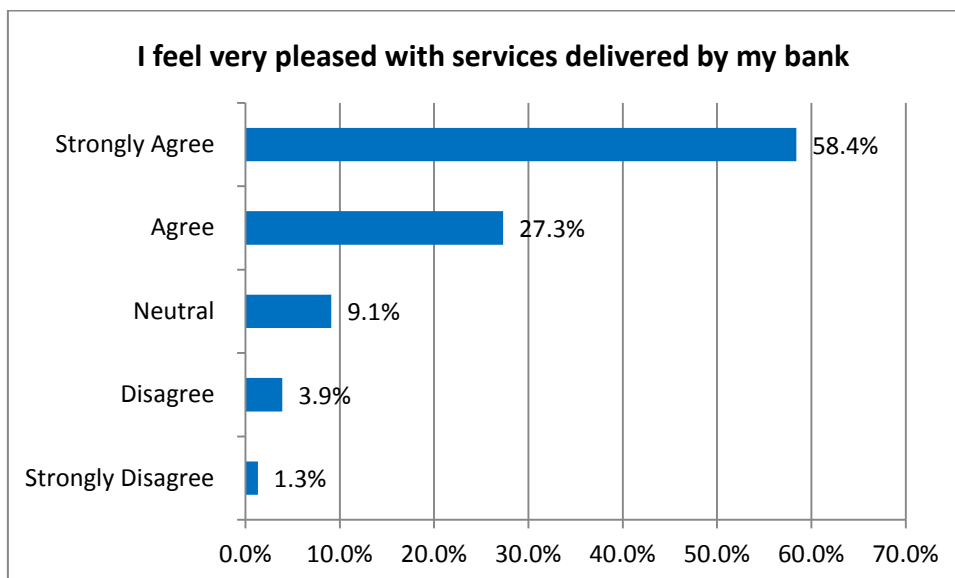


Figure 5.25: I Feel very Pleased with Services Delivered by my Bank

The above figure presents that 85.7% of the customers are very pleased with the services delivered by the bank, 9.1% expressed a neutral opinion and 5.2%

disagreed. This result is encouraging, however it also indicates that there is room for improvement. Exploring the factors discussed in objective two, as potential barriers should improve service delivery.

5.3.2.4 Research Objective Four: To determine if satisfied customers are loyal and will refer new clients

In order to research the above objective the questionnaire had five questions that related to the behavioural intentions of a customer with the focus on loyalty to bank and referral of new clients.

The responses to these components are discussed below.

- **I Would Like to Recommend my Bank to Friends and People I Know**

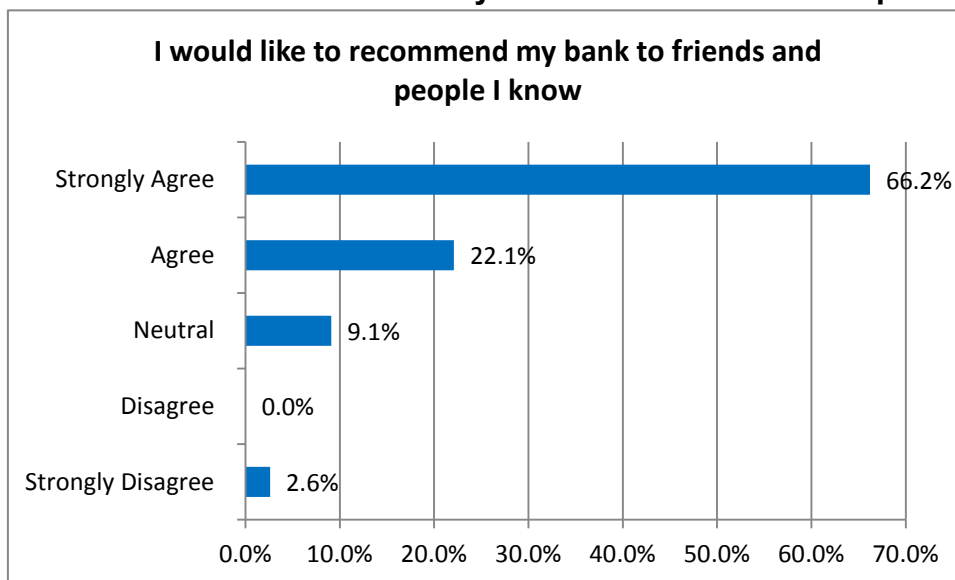


Figure 5.26: Recommendation of Friends and People I Know

According to Figure 5.26 88.3% of the sample surveyed indicated a positive response that they would recommend the bank to their friends and people that they know, 9.1% were undecided and 2.6% showed strong disagreement. The customers sell the company to others by word-of-mouth when they are satisfied with the services (Gee *et al.*, 2008) and thus increase firm's customer-base. This is a substantially positive result and the bank should develop strategies to

capitalise on the existing client base referrals and recommendations to grow their overall client base and ultimately increase market share.

- **I Consider Myself to be Loyal to my Bank**

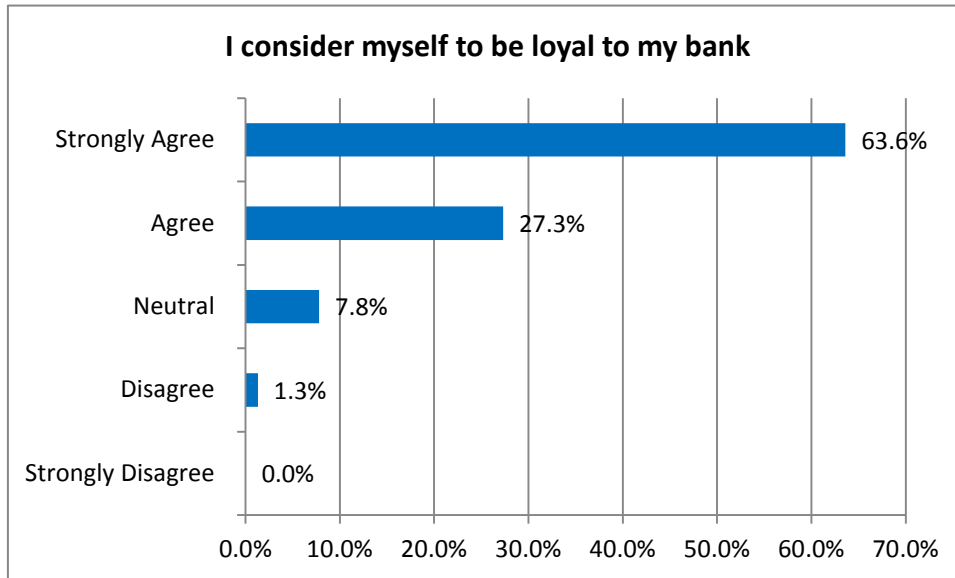


Figure 5.27: I Consider Myself Loyal to my Bank

The findings in Figure 5.27 reveal that a substantial number of 90.9% of the respondents consider themselves to be loyal to the bank, 7.8% did not have an opinion on this and 1.3% disagreed with this question. This level of loyalty can be attributed to the strong and positive level of correlation with customer satisfaction.

Table 5.4: Customer Satisfaction and Behavioural Intention of Customers

		Spearman's rho		
		Correlation Coefficient	p	N
Customer Satisfaction	Tangible	.780**	.000	77
	Reliability	.848**	.000	77
	Responsiveness	.797**	.000	77
	Assurance	.777**	.000	77
	Empathy	.843**	.000	77
	Customer Perceived Overall Service Quality	.913**	.000	77
	Behavioural Intentions of Customers	.866**	.000	77
	Price Satisfaction	.593**	.000	77

Table 5.4 above, indicates that the correlation coefficient between customer satisfaction and behavioural intentions of the customer is ($r = 0.866$) which is relatively high compared to the other dimensions, confirming that satisfied clients are loyal and will refer new clients to the bank. The finding in this study is consistent with the various studies previously undertaken to establish that customer satisfaction has a strong positive correlation with customer retention in the retail banking (Siddiqi, 2010; Kandampully and Suhartanto, 2000). The strong positive correlation means the customers will recommend the bank to other people.

The findings of this study support the findings that service quality is a precursor to customer satisfaction study by Miguel-Dávila, Cabeza-García, Valdunciel and Flórez (2010) yielded the same result. Ennew and Binks (1996) provide evidence to support their study conducted with small business banking clients that the concept of service quality leads to, customer satisfaction, loyalty, and the retention of customers. Indeed, much of the literature on the influence of customer satisfaction on building customer loyalty has been positive and generally implies that satisfaction is one of the determinants of customer loyalty (Hoisington and Naumann, 2003; Cronin et al., 2000; Gronholdt et al., 2000; Anderson and Fornell, 1994; Heskett *et al.*, 1990; Cronin and Taylor 1992; Reicheld and Sasser, 1990; Zeithaml et al. 1990; Oliver 1980). The findings of this study are consistent with the previous studies undertaken in this respect confirming the influence customer satisfaction on customer loyalty.

5.4 Summary

This chapter has presented a detailed analysis of the empirical data aligned to the research objectives of the study. The objectives were carefully analysed and critically compared to the literature review. This chapter also presented the research data, survey results and the strong correlations that were identified. In the next chapter recommendations for these findings is discussed together with the conclusion.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

The preceding chapters provided the context of the study, the research methodology adopted in this study together with the research objectives and the findings integrated with the researched literature. This chapter summarised the key findings of the study and proposed recommendations to improve the customer service and satisfactions levels in order to increase customer loyalty. This chapter also discussed the limitations of the study and suggested recommendations for future research.

The aim of this study was to investigate the effect of customer service on customer loyalty in Nedbank, Retail Banking at the Musgrave Branch. A literature review (chapter 2) was carried out and formed the basis for the empirical research that was conducted. The literature review revealed that there was a strong correlation between customer satisfaction achieved through customer service which ultimately led to customer loyalty. A summary of the key findings on each of the objective is discussed. In addition, conclusions and recommendations are provided.

6.2 Has the Data Answered the Research Question?

The research problem identified is relevant and vital to a fiercely competitive retail banking environment. The research objectives of this study were therefore aimed at establishing the factors that promoted customer satisfaction and loyalty in Nedbank and more specifically Nedbank Musgrave.

- **Objective One: To Identify the Factors that Influence Customer Satisfaction and Customer Loyalty at Nedbank**

The five dimension of the SEVQUAL model were used to measure the customers perceptions of the service quality in Nedbank, Musgrave. The study found that the dimension of Empathy which relates to the individualised attention and caring of customers ranked the highest with a mean score of 4.50 amongst the five

dimensions. This result was followed closely by the tangible component which relates to the physical attributes of the bank with a mean score of 4.49, Assurance 4.44, Responsiveness of 4.38 and Reliability of 4.25. The individual factors that have contributed to this score was analysed in detail in chapter 5.

- **Objective Two: To Identify the Potential Barriers to Customer Loyalty at Nedbank : Musgrave**

The individual questions that had the highest level of disagreement in the SERVQUAL model that measured the perceptions of the customers were used to establish the potential barriers. Although the reliability component had a mean score of 4.24, it was the lowest scoring dimension amongst the five dimensions was closely examined and deemed to be a potential barrier.

The Price Satisfaction sub dimension had the lowest mean score of 3.82 and was also considered as a barrier.

- **Objective three: To Determine if Customers are Satisfied with the Service Quality Offered at Nedbank : Musgrave**

The findings revealed that 84.4% of the customers indicated that they were satisfied with the level of service received, 11.7 % took a neutral stance and 3.9% disagreed, so 15.6% were not satisfied. The loss of 15.6% could have a severe impact on the Nedbank's market share and profitability. All banks are currently looking for opportunities to increase market share to retain existing clients and increase profitability and revenue streams. Through the study certain service breakdown areas have been established in the reliability and responsibility component as well as in the tangible component with regard to technology. These dimensions will be the focus in order to ensure a higher level of satisfaction.

- **Objective Four: To Determine if Satisfied Customers are Loyal and will Refer New Clients**

According to the findings, 88.3% of respondents indicated that they would refer people they knew to the bank, 9.1% were undecided while 2.6% indicated that they would not. In addition, 90.9% of the respondents indicated that they are loyal to the bank. The correlation co-efficient between customer satisfaction and behavioural intentions of the client indicated a strong relationship of .0866 confirming that satisfied clients will refer new clients to Nedbank: Musgrave.

6.3 Implications of this Research

The concerns of service quality may differ from one country to another, culture to culture and from industry to industry. It is therefore crucial to develop measures of service quality that are pertinent to the country and cultures where the service is offered. Many studies have been conducted in various segments of banking to test either the perception and the customers' expectation or only the customers' perception of customer services in various countries.

The culture and the diversity of these countries vary therefore the results will differ. In the South African context banks serve a multi-cultural, diverse client base whose perceptions vary. This study will contribute to understanding customers' perceptions of a retail bank in a South African setting. This study will also be of benefit to the following stakeholders:

- **Nedbank Management**

The study will benefit Nedbank management in the following ways:

- It will identify the areas of service breakdowns and develop strategies to rectify the problem;
- Nedbank Management will be able to implement measures to improve customer service efficiency and serviced quality and enhanced technology and promote a multi-channel, cost effective service approach.

- **Employees:**

Employees will be able to identify their strengths and weakness after the findings from this study is disseminated to them.

- **Shareholders**

The shareholders will benefit from an increase in profitability, client loyalty and greater brand loyalty.

- **Customers**

The benefit to the customers will be improved service, increased satisfaction and long term banking relationships.

6.4 Limitations of this Study

Certain limitations exist, which should caution against generalisation of the findings:

- ❖ The survey was a once-off event (not longitudinal) and cannot predict changes in customer loyalty due to changes in product/service quality, customer expectations, or competitors' advances.
- ❖ Sampling bias is present. The research is based mainly on a restricted sample of Nedbank: Musgrave.
- ❖ No comparisons or inter-bank analyses are made.
- ❖ A Comparison of different banks or their customers was however not the purpose of the research.

6.5 Recommendations to Solve the Research Problem

6.5.1 Information and Technology

Innovation is crucial in the fast changing business environment of the major banks. Customers are technologically adept and have migrated into the smart age technology. With the rise in the popularity of smart phones and tablet computers the savvy customer has become more amenable to the idea of banking via his/her portable devices, it's important that banks invest in

multichannel banking options. To ensure success of transacting with its customers through multiple channels, the bank must implement back-office systems that support the front-end technologies. Careful preparation and sourcing of the best solutions will offer the bank the best opportunity of using technology to innovate. Technology ought also to allow the bank to reduce its operating costs, which reduction may well be passed on to its customers.

6.5.2. Multi-Channel Integration

Customers prefer to interact with their bank using a number of channels. Over time, channel growth and enlargement has led to numerous silos of channel-specific customer data and a lack of assimilation between channels as they are often maintained separately from one another. The end result is limited sharing of information across the different channels, repetition due to channel-specific processes and a fragmented, inadequate multi-channel experience for the customer.

Adopting a service-oriented architecture (SOA) methodology can ensure a more reliable multi-channel experience. Data, applications and processes are utilised as services, which can be recycled across the varying channels, warranting that all channels have access to a common set of processes, systems and data thus eliminating duplication and improving response times to clients.

The bank can achieve stronger harmonization and amalgamation of their channels so that customer interactions can be dealt with, observed and completed across multiple channels. For example, a customer can commence an activity such as applying for a Cheque Account via one channel and complete it using another.

Generally banks have been structured along lines of business. This approach has served banks well for decades, but the fragmented environment constrains banks from adopting a more customer-centric approach. Customer information is traditionally product or account -centric and the bank requires that to be customer-centric.

In order to deal with customer information more effectively, banks must eliminate these silos of customer data by integrating information systems and processes beyond the various product lines in order that pertinent, current customer data can be shared with consumer-facing employees. This alleviates the issue of fragmented customer data and will then make it possible for employees to have a better grasp of who the customer is, their contact with the bank, which of the bank's facilities they're presently using and what the customer's current and imminent needs may be.

Using a service-oriented architecture (SOA), where customer information can be intergrated and consolidated across the various product silos, can deliver a single, comprehensive instantaneous view of a customer's relationship with the bank. By linking back-end legacy systems to front-end customer facing channels, a service-oriented architecture (SOA) allows customer information to be made accessible in real-time at all the bank's touch points – Automated Teller Machines, online banking, call centers and retail branches – so that the bank is able to provide precise, customised service based on a comprehensive relationship profile.

6.5.3 Operational Infrastructure and Efficiencies

The complexities and changing environment of a bank's daily operations have impacted on the primary business practices that underpin these operations. As a bank adds services, products, staff, channels and consumers, its Information Technology (IT) environment becomes increasingly intricate and the task of handling long-lived business methods becomes more crucial to its ability to provide excellent service. That ability is a paramount differentiator in the current environment, where banks are basically operating in a service market where there is little diversity among products. A complex IT environment can lead to gaps in business processes, which result in consumer service issues. For example, a fragmented home loan application process often leads to lengthy time delays, which eventually causes the customer to be so frustrated that he ends up taking his application elsewhere.

Technology can assist banks achieve functional excellence by eliminating automation gaps and allowing banks to homogenise on world-class practices

across the various product lines and channels. By removing redundant steps in the process and decreasing manual intervention, technology can dramatically minimize processing times for primary activities such as customer service requests, new account opening processes and loan applications.

6.5.4. Intelligent Inbound Cross-Selling

Banks persist to search for additional profitable revenue prospects. The apparent strategy is to cross-sell new products to existing customers, however, the implementation of the strategy is not easy as it seems. To effectively and efficiently tap into these revenue prospects, the bank should prioritise in reviewing key areas as explained above in Multi-Channel Integration and Operational Excellence. Upon completion of this task, banks will understand their customers present and future needs even better, thereby increasing the service quality offered.

An atmosphere of opportunity is created within the bank for intelligent inbound cross-selling. By maximising on business technology banks will be able to identify opportunities in real-time to cross-sell a product or service when the customer contacts the bank – be it via the call centre, the branch or online. Hence, the bank can forecast the best next product that may be of interest to that specific customer. The bank will be in a position to offer additional products or services only if they are appropriate and suited to the specific customer. This in turn assists to initiate a win-win situation for the customer and the bank thereby increasing both customer satisfaction and customer value.

6.5.5. Customer Relationship Management

Customer service levels are crucial in establishing and developing relationships. Management should review current process and methods in which services are offered in order to improve the service for customers. By training staff with regard to customer service, there will be an improvement in the service levels offered to customers. Hence, training is an important factor in the development of long term customer relationships.

At implementation stage it is imperative to identify, differentiate and then interact with customers in order to provide customised service. Therefore, it is necessary for the bank to know their customers and ensure that their needs are met. In addition, management should be cognisant of the fact that long term customer relationships demands constant customer attention.

6.5.6 Create “Moments of Truth”

Management should release resources by shifting routine transactions to lower-cost channel resources. It is imperative that management listen to voice of the customer as this brings about great customer experiences at “moments of truth”, hence enhancing customer satisfaction.

6.5.7 Invest in Winning “wows”

Management should initiate “wow” experiences which will generate a double benefit. It will generate savings as they constantly drive frequent interactions through low-cost channels. In addition, “wow” experiences serve as loyalty game changers and surpass customers’ expectations. The “wow” experiences include new technology to a familiar transaction, increasing speed, convenience and functionality. Mobile wireless technology and stronger data encryption also adds value and brings numerous new possibilities. When customers are afforded new and easy ways to do routine transactions, this also adds to the “wow” experience and earns lasting loyalty, while also siphoning off volume from high-cost live channels.

6.5.8. Make it Easier

The Automated Teller Machine (ATM) technology simplifies deposits, transfers and withdrawals should be used in attracting customers to low-cost channels for everyday transactions. For example, by not having to complete a deposit slip or use an envelope, customers will find it easier to deposit cheques and cash in the ATMs. Efficiencies can also be improved by stand-alone automated bank kiosks including internet and electronic banking facilities in shopping malls.

6.6. Recommendations for Future Studies

It is recommended that all branches of Nedbank should participate using the same research instrument that was designed for this study. A comparison can be conducted after variables that determine customer satisfaction and loyalty, in other financial services is undertaken. An impact study should be conducted after information from this study is disseminated and discussed with employees at Nedbank: Musgrave.

6.7. Summary

The aim of this study was to access the effect of customer service on customer loyalty. The service quality was tested through the SERQUAL model. This study also attempted to test the relationship between customer satisfaction and customer loyalty. The data collected was aligned to the objectives and have provided distinct answers to the research question. In the service quality dimensions the mean score values ranged between 4.2 and 4.5 indicating that a high service quality level is exists. However there is room for improvement in the reliability and responsiveness dimension. It was also evident from this study that a positive relationship exists between service quality and customer satisfaction. The dimension of customer satisfaction and customer loyalty also showed a positive relationship with a correlation co efficient score of.0866, however the price satisfaction and customer satisfaction dimension showed a moderate correlation of .0593 indicating that this is an improvement area. The results of this study have confirmed the theory reviewed in the literature that a relationship exists between service quality, customer satisfaction and customer loyalty. This research has provided Nedbank retail banking with significant insight into the current reality of the customer service quality, satisfaction levels and customer loyalty equipping them to make strategic decisions to enhance and improve the customer service model in Nedbank.

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Appendix 1 Gate Keepers Letter



8 March 2013

GRADUATE SCHOOL OF BUSINESS
AND LEADERSHIP, UKZN WESTVILLE

TO WHOM IT MAY CONCERN

RESEARCH IN NEDBANK

Mogna Govender, has discussed her intention to research the following topic as part of her dissertation i.e. 'The effect of customer service on customer loyalty', using KZN as a case study.

Permission is granted on the basis that the research data will be securely stored at UKZN for a period of 5 years, and will then be disposed of in accordance with the instructions from the ethical clearance committee. (Shredding after analysis)

Yours faithfully



FATZEL OMAR
REGIONAL GENERAL MANAGER
NEDBANK BRANCH NETWORKS, KZN




NEDBANK

NEDBANK INTEGRATED CHANNELS - KWAZULU-NATAL - HUMAN RESOURCES

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Nedbank Limited Reg No 1651/000009/06 VAT Reg No 4320116074, 135 Rivonia Road, Sandown, Sandton, 2196, South Africa
Directors: Dr RJ Khoza (Chairman) MWT Brown (Chief Executive) TA Boardman TCP Chikane GW Dempster (Chief Operating Officer) MA Enus-Brey ID Gledman*
DI Hope** WE Lucas-Bull PM Makwana NP Mxasana RK Morathi (Chief Financial Officer) JK Netshitenzhe JVF Roberts* GT Serobe MI Wyman* (*British) (**New Zealand)
Company Secretary TSB Jali 01 07 2012

We subscribe to the Code of Banking Practice of The Banking Association South Africa and, for unresolved disputes, support resolution through the Ombudsman for Banking Services.
We are an authorised financial services provider. We are a registered credit provider in terms of the National Credit Act (NCR Reg No NCRCP16)

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Mancosa.docxPage 1 of 1

Appendix 2 Informed Consent and Questionnaire

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

MBA Research Project

Researcher: Mogna Govender (0836628145)

Supervisor: Dr A. Kader (0829010225)

Research Office: Ms P Ximba 031-2603587

CONSENT

I.....(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE **OF** **PARTICIPANT:**

_____ **DATE:** _____

.....

Questionnaire pg 1

Appendix 3 Ethical Clearance



9 April 2013

Ms Mogna Govender 211518348
Graduate School of Business and Leadership
Westville Campus

Dear Ms Govender

Protocol reference number: HSS/0162/013M
Project title: The effect of customer service on customer loyalty

EXPEDITED APPROVAL

I wish to inform you that your application has been granted Full Approval through an expedited review process.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. Please note: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully








.....
Professor Steven Collings (Chair)

/pm

cc Supervisor: Dr Abdul Kader
cc Academic Leader: Dr E Munapo
cc School Admin.: Ms Wendy Clarke

Humanities & Social Sc Research Ethics Committee
Professor S Collings (Chair)
Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban, 4000, South Africa
Telephone: +27 (0)31 260 3587/8350/4557 Facsimile: +27 (0)31 260 4609 Email: ximbap@ukzn.ac.za /
snymanm@ukzn.ac.za / mohunp@ukzn.ac.za

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

INSPIRING GREATNESS



Appendix 4 Turnitin Report

Turnitin Originality Report

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THE EFFECT OF CUSTOMER SERVICE ON CUSTOMER LOYALTY AND SATISFACTION

A MBA RESEARCH PROJECT BY

Mogna Govender

University of Kwa Zulu Natal
Graduate School of Business and Leadership
Supervisor : Dr A Kader

Please read the statements below and indicate the degree to which you agree or disagree with each statement. If you strongly disagree with the statement , circle the number 1, if you strongly agree with the statement circle the number 5.

There are no right or wrong answers, please circle the number that best reflects your views.

Thank you for your participation.

Mogna Govender

	Strongly Disagree				Strongly Agree
1. My bank's physical facilities are visually appealing.	1	2	3	4	5
2. My bank uses state of the art technology and equipment in their service delivery.	1	2	3	4	5
3. The employees are well dressed and neat in appearance.	1	2	3	4	5
4. When the bank promises a certain service by a certain time, it does so.	1	2	3	4	5
5. When customers have a problem, the bank shows sincere interest resolving it.	1	2	3	4	5
6. My bank delivers its services promptly.	1	2	3	4	5
7. My bank always performs the service right the first time.	1	2	3	4	5
8. The bank employees tell me exactly when services will be performed.	1	2	3	4	5
9. The bank employees give me a prompt service.	1	2	3	4	5
10. The bank employees are always willing to help me.	1	2	3	4	5
11. The bank employees are never too busy to respond to my requests.	1	2	3	4	5
12. The bank employees instil confidence in customers.	1	2	3	4	5
13. Customers feel safe in transacting with the bank.	1	2	3	4	5
14. The employees are consistently courteous with their customers.	1	2	3	4	5
15. The employees have adequate knowledge to answer customers' questions.	1	2	3	4	5
16. The bank employees give customers individual attention.	1	2	3	4	5
17. The bank has their customers' best interests at heart.	1	2	3	4	5
18. The bank employees understand customers specific needs.	1	2	3	4	5
19. My bank provides operating hours and a location convenient to all its customers	1	2	3	4	5
20. The employees give off their personal attention.	1	2	3	4	5
21. My bank always delivers excellent overall service.	1	2	3	4	5

22. The services offered by my bank are of high quality.	1	2	3	4	5
23. My bank delivers superior service in every way.	1	2	3	4	5
24. I am completely satisfied with the services delivered by my bank.	1	2	3	4	5
25. I feel very pleased with services offered by my bank.	1	2	3	4	5
26. I would like to remain as a customer of my present bank.	1	2	3	4	5
27. I would like to recommend my bank to friends and people I know.	1	2	3	4	5
28. I will say positive things about my bank to other people.	1	2	3	4	5

29. I would like to keep a close relationship with my bank.	1	2	3	4	5
30. I consider myself to be loyal to my bank.	1	2	3	4	5
31. Interest rates on short, medium and long term loans are reasonable compared to other banks.	1	2	3	4	5
32. Foreign currency pricing and trading of my bank is reasonable compared to other banks.	1	2	3	4	5
33. Costs of maintaining an account with the bank is low compared to other banks.	1	2	3	4	5
34. Interest earned on fixed term deposits are high compared to other banks.	1	2	3	4	5
35. Bank charges on domestic banking are low compared to others.	1	2	3	4	5

Please place a cross (x) over the detail that best describes your demographic information. The demographic information will be used for statistical research purposes only.

Gender	M	F			
Age	+20 – 29	30 - 39	40- 49	50 - 59	60 +
Ethnicity	African	White	Indian	Coloured	Other
Education	Matric	Diploma	Degree	Masters	Doctorate

Thank you for your kind participation.