

**UNIVERSITY OF KWAZULU-NATAL**

**THE ASSESSMENT OF QUALITY SERVICE AT CAPITEC BANK IN KZN:**

**A PINETOWN REGION BASED CASE STUDY**

**BY**

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**DECLARATION**

I hereby declare that this thesis is the result of my own work except references cited that have been duly acknowledged. It has never been submitted for the award of any degree.

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## **DEDICATION**

This work is dedicated to God who gave me strength, led me to the completion, my loving husband for his support and encouragement. I also dedicate this work to my Capitec Bank management who also gave me support and time to focus on my studies. I know this dedication cannot compensate for the time you missed out during the period of this study. However it is to say that I really appreciate your love and support.

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## **ABSTRACT**

This work sought to assess and analyse customer satisfaction with quality of service delivery at Capitec Bank, Pinetown. The six Pinetown Capitec branch offices were purposively chosen for this work. The objectives of the study were to determine the impact of client satisfaction on the performance and growth of Capitec Bank using the SERVQUAL model that identified the influence of five dimensions (that is; tangibility, responsibility, reliability, assurance and empathy). A structured questionnaire was administered to targeted clients and employees of Capitec Bank at the Pinetown Branches. A total of 190 respondents were contacted; comprising 100 clients and 90 employees. The findings indicated that both clients and employees were more satisfied with tangibility followed by assurance, empathy, reliability and responsiveness in the branches. The relationship between employees and clients was mutual and cordial in terms of service delivery. It is recommended that managers should work at improving on the SERVQUAL dimensions to be ahead of competition and to be profitable.

Keywords: SERVQUAL, Service Quality, Customer Satisfaction

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## **CHAPTER ONE**

### **1.0. INTRODUCTION**

In this chapter, the background to the study is given, a statement of the research problem is made, the objectives of the study are spelt out, research questions are posed, the significance of the study captured, followed by the scope and limitations of the study, a brief research methodology is provided and the disposition/structure of the study outlined.

Capitec Bank; arguably is one of the fastest growing financial institutions in the emerging markets of South Africa (SA) since inception in 2001. Capitec Bank is the market leader in the increasingly competitive banking industry in SA in terms of unsecured lending market share, quality human capital, solid financial/assets base, technology, product quality and diversity, and very importantly, responsible corporate citizenship activities. The unanswered question regarding Capitec Bank growth is whether it is the level of service the bank is offering or there are other factors contributing to their growth. Hence the objective of this study is to assess the level of service quality delivery at Capitec Bank Pinetown Region.

Therefore, for this overwhelming growth, branch managers must clearly understand that offering excellent client service across all branches is essential. Knowing and understanding the company's strategic goal is important for all employees. Business objective action plan is primarily implemented by the first line management through training and evaluation of the sales consultants at the branches. Hence understanding clients, knowing what they need and what motivate them is essential for all participants. In recent years, increasing pressures have forced banks to reconsider and improve their efficiency to maintain their profitability and competitive nature (Cronje, 2012).

According to the researches' observation on banking industry, banks have done their research in an attempt to fill the gap completely by optimizing each and every client that put their foot inside the branch. Banks came up with different products to complete clients' banking which includes doing banking at the comfort of their own homes. Employees must have extensive training in client service and learn how to interact with the clients such that they identify the links that can be used to satisfy client's specific needs.

As stated earlier, there has been a drastic change in the banking sector that's becoming more competitive. Technological development has made it feasible for every bank to keep up with

the changing times and compete for continuous improvement and sustainability.

Power of technology has made it feasible for clients to get what they need. Companies are more challenged to keep their existing clients and to get new business (Lähtenmäki & Nätti, 2013). Lamberti (2013) argues that growth and globalization has more to do with client centric approach where competitive advantage can be developed and sustained. Sheth et al., (2013) agree with the latter, and argue that customer-centric marketing is significant in order to cope with diversified market and extensive technology. Placing clients in the centre of each and every decision and action plans is the priority of any company that is keen to achieve growth and sustainability.

Similarities on product offered and information transparency imposes more challenges for banks to differentiate themselves (Ganguli & Roy, 2011). The development of new processes that benefit clients, builds, maintain and have competitive advantage through client centric approach may be the call for all companies. While the main aim of this study is to explore the assessment of quality service; the study will also look at independent variables such as loyalty and relationship banking as a strategy to attract and retain customers.

### **1.1. Background to the Study**

Downe (2011) opined that customer satisfaction is the holy grail of success for businesses in the customer service industry. The goal of every successful business is to maintain a high level of customer satisfaction by providing their clientele with value added transactions through positive customer service interactions. In return the customer feels important and assisted during the interactions that ultimately lead to their desired end result.

Based on the researchers' work experience, client service representatives are often trained to know the basic elements of providing excellent customer service. They are taught to listen, to be patient, tolerant and above all helpful. A person with a short temper is not a good candidate for a customer service position dealing with a wide array of personalities. They keep the customers informed and happy since a business cannot sustain without a healthy clientele. A good experience means a happy customer and a happy customer is every business best asset.

Lamberti (2013) stressed that leveraging service quality has been shown to assist in both the retention and expansion of the existing customer base; thus in an attempt to establish a competitive advantage, marketing practitioners often seek to differentiate their service offering upon service quality.

Taiwo (2013) indicated that service quality and customer satisfaction are inarguably the two core concepts that are at the crux of the marketing theory and practice. According to Ganguli (2011), in today's world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers. The customer's overall satisfaction with the services of the organization is a function of all the encounters/experiences of the customer with that organization. Similar to service quality, customer satisfaction can occur at multiple levels in an organization, for example, satisfaction with the contact person, satisfaction with the core service, satisfaction with the product and satisfaction with the organization as a whole.

In the banking sector customers are not that loyal to one particular service provider, especially when they are not receiving value for money kind of service. Gremler and Brown (2013) argue that some customers subscribe to more than one bank network. Hence, contemporary companies are forced to consider how to create a loyal customer base that will not be eroded even in the face of fierce competition. Therefore, banking industries must realize the necessity of studying and understanding various antecedents (viz. service quality, trust, corporate image, and customer satisfaction) of the customer loyalty which might help them to develop a loyal customer base (Munusamy, 2012; Chelliah, 2012).

Literature has proven that offering a great service quality has a huge impact on customer retention, new clients acquisition and it also enhance the corporate (Negi, 2013; Ladhari, 2013).

This work is therefore an exploratory study to unearth quality service delivery on customer satisfaction in the Pinetown Region branches of Capitec Bank and to channel future research in customer service in SA.

## **1.2. Problem statement**

The key construct of this study is the assessment of client service quality at Capitec bank. In the existing literature, the construct is unclearly described, and there is a limitation in describing the construct in details, and it is not specific to Capitec Bank. For example, a study from Lamberti (2013) is only briefly describing which client-centric processes are necessary, however does not describe how these can be implemented. It also does not clearly provide the link between the elements on the client-centric processes, quality of service and effect of satisfaction.

Moreover, many authors take a broad view of the field (for example., Shah et al., 2012), and do not relate their findings to a particular type of business, and the underlying factors to these, that help to explain what it takes and how to build a strong relationship with clients.

Service quality to businesses is critical; it is also a challenge to measure service quality to service providers due to unique characteristics of services which include intangibility, heterogeneity, inseparability and perish-ability (Bateson, 2013; Douglas & Connor, 2011). In view of this, services require a distinct framework for quality explanation and measurement. Among the prominent frameworks, SERVQUAL model developed by Parasuraman et al. (2015; 2012) is a most preferable tool that is used to measure service quality in the service industry. The emerging situation calls for the assessment of service quality in relation to customer expectation and service performance to help Capitec Bank improve its service quality and enhance satisfaction so as to ensure customer retention.

Weimer (2013) mentioned that good customer service is an expectation held by the customers regarding the manner in which they are treated by anyone representing the company. Clients want and expect to be addressed in a respectful and professional manner when dealing with any business related interactions.

A negative customer service experience often leads to a dissatisfied or disgruntled customer; and an unhappy customer can tarnish the name and reputation of a company by generating negative feedback. Customer service is standard in customer satisfaction, so consumers expect to have their issue managed while being addressed in a polite and timely manner.

Customers want efficient and well trained people representing the businesses they deal with routinely. Being impolite, outspoken, disconnected or refusing to listen to a customer does not reflect a positive image for the company or its expectations of good client service. The focus must always remain on the customer and their needs, this make them feel valued.

Based on the foregoing, the question that needs to be answered in this study is: Is there satisfaction or dissatisfaction with the general quality of service delivery at the Capitec Bank in Pinetown?

The research therefore sought to evaluate the level of customer satisfaction on the quality of service delivery using the SERVQUAL model.

### 1.3. Rationale of the study

The rationale of the study came from the researcher's experience of 9 years of service at Capitec Bank as a Branch Manager. The researcher has worked in three different branches experiencing continuous growth as depicted in Figure 1. However, the question is why the bank is experiencing growth even in times of economic difficulties. Initially, Capitec Bank was dominated by low to middle income clients but today, the bank is attracting all income group levels. This study will enable Capitec management to understand the market dynamics and help in developing targeted strategies. It will also help improve their practices and their processes.

Capitec internal presentation was used to show how much Capitec has grown over the past years. The researcher has used the information to support the statement of continuous growth at Capitec bank.

**Figure 1: Capitec Bank Market Share**

	June 2012	Dec 2012	June 2013	Dec 2013	June 2014
<b>Absa</b>	34.3	32.9	30.5	30	29
<b>Capitec</b>	<b>9.1</b>	<b>10.8</b>	<b>12.7</b>	<b>14</b>	<b>16.8</b>
<b>FNB</b>	25.6	25.2	25.1	24.9	24.2
<b>Nedbank</b>	10.9	10.7	10.7	10.1	10
<b>STD bank</b>	23.4	23.9	24.9	25.2	23.9

*Capitec Internal Source*

**Figure 2: Income level growth**

Category	Jan-14		Jun-14		Jan-15		YoY % Growth
	No. of Clients	% of total	No. of Client	% of total	No. of Client	% of total	
a.R0	219 618	10.17%	201 635	8.62%	272 163	9.96%	24%
b.<R3000	623 573	28.88%	653 495	27.95%	752 950	27.56%	21%
c.R3001 and R5000	459 881	21.30%	512 607	21.93%	583 413	21.35%	27%
d.R5001 and R7500	321 820	14.91%	346 861	14.84%	413 389	15.13%	28%
e.R7501 and 10000	173 821	8.05%	197 104	8.43%	230 805	8.45%	33%
f.>R10000	360 395	16.69%	426 292	18.23%	479 436	17.55%	33%

*Capitec internal source*

Capitec Bank initially had targeted niche market that was abandoned by the big 4 banks, however, the records are now showing year on year growth on category F, which are clients earning more than R10 000.

#### **1.4. Aim and Objectives of the study**

The aim of this study is to assess the quality service at Capitec Bank; Pinetown Region. Customer satisfaction is defined as a term used in business to measure the kind of product and services provided by a company to meet its customer's expectations. Service quality is defined as the difference between the customer's expectations for the service encounter and the perception of the service received (Munusamy et al., 2012). A sample of 100 customers and 90 employees will be served with a structured questionnaire, and the study is envisaged to contribute to the improvement of service quality at the bank.

The specific objectives to help achieve this aim of the study were:

1. To assess service quality level of Capitec Bank using SERVQUAL.
2. To assess customer satisfaction level of the services provided by Capitec Bank.
3. To ascertain customer expectations of banking services to ensure customer retention.
4. To identify factors that contribute to Capitec growth
5. To recommend interventions based on the outcome of the study

#### **1.5. Questions to be answered in the research**

In order to provide answers to the research objectives, the following questions are posed for investigation:

1. What is the service quality of Capitec using SERVQUAL?
2. What is the perception of the services provided by Capitec Bank?
3. Is there any relationship between quality service and customer retention?
4. What factors have contributed to Capitec growth?

#### **1.6. Significance of the Study**

The output of this study will contribute to knowledge and literature in the subject under investigation. It will be immensely useful as a source of reference to researchers, academics, students, policy makers, marketing professionals and other stakeholders interested in how quality service delivery is impacting customer satisfaction in the business world especially in

SA. It will enhance the Bank's competitive position in the banking industry and ensure that Capitec Bank survive the competition.

To the management of Capitec Bank, the findings and results in this study will provide a more reliable scientific measure and perspective in describing and evaluating the level of their customer satisfaction with the services they deliver. Identifying what client expect and perceive to be quality, then revise and redesign its service to meet the perception and expectation of the customers. It will also serve as a source of information that brings to the fore the switching intentions of their current and potential customers. Therefore providing the empirical support for management strategic decisions in several critical areas of their operations, and above all, provide a justifiably valid and reliable guide to designing workable service delivery improvement strategies for creating and delivering customer value, achieving customer satisfaction and loyalty, building long-term mutually beneficial relationship with profitable clients and achieve sustainable business growth.

To stakeholders like investors, shareholders, employees, pressure groups, consumer associations, etc., the study provides information that suggests to the improvement in service delivery of the respective bank industries in SA.

### **1.7. Conceptual and Theoretical Framework**

Taking a value chain perspective (Porter, 2012, p. 38), suggest that "the customers should be at the centre of all activities". This study drew on Customer Satisfaction theory proposed by Berkman and Gilson (2012) who posit that customer satisfaction is recognized as being of great importance to all commercial organizations because of its influence on repeat purchase behaviour and word-of-mouth recommendations. Moore et al., (2013) suggest that customer satisfaction is seen as the essential determinant of business success because a customer is a person who purchases goods or services from another, buyer, patron, or a person one has to deal with. Rust et al. (2013) opined that the term customer is commonly used to refer to end-users of a product.

A customer refers to individuals or households that purchase goods and services generated within the economy. Smith (2014) indicated that historically, the word customer is derived from custom, meaning habit; a customer was someone who frequented a particular shop, who made it a habit to purchase goods there, and with whom the shopkeeper had to maintain a relationship to keep his or her "custom," meaning expected purchases in the future.

### **1.8. Scope of the Study / Mode of inquiry**

The study was conducted within the framework of assessing and analysing customer satisfaction through quality of service delivery in the Capitec Bank branches, Pinetown. The study was carried out at the Capitec Bank branch in Kwa-Zulu Natal (KZN), specifically located at Pinetown. It is a case study approach of one particular bank and does not cover other banks to reflect the entire industry evaluation to customer care. Hence the result will not be generalized but its findings will be placed in the relevant context of the individual retail bank studied.

### **1.9. Organization of the Study**

The study is organized into five chapters. Chapter one is the introductory chapter that covers the Background to the study, Problem statement and Purpose of the study, Research questions, Significance of the study, Limitations of the study, and organization of the study. Chapter two dealt with review of relevant literature. It covers banking industry and its role, state of quality service in banking industry in SA, Concepts and Theoretical Framework, customer, customer satisfaction, significance of customer satisfaction, customer satisfaction models, service and service quality; significance of service quality; service quality models, brief overview of Capitec Bank and chapter summary. Chapter three is the Research Methodology section. It focuses on the research designs, data sources, population, sample size and sampling technique, research instruments and data collection. Chapter four is presentation of data and analysis of results and findings. Chapter five is the summary, conclusion and recommendations.

### **1.10. Conclusion**

In this chapter the researcher identified research gaps in quality service delivery for attracting and retaining customers in the South African banking industry. Based on the gaps problems the problem statement was formulated. This enables the researcher to present the research objectives to address these problems. The objectives were divided into primary and secondary objectives.

A brief description of the research methodology to be used is discussed in this chapter. Chapter three will expatiate on the research methodology. The study is designed to conduct quantitative research and triangulation is applied. In the following chapter, an overview of related literature based on the research objective is formulated.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0. Introduction**

This chapter is devoted to the relevant literature review on the views required to connect to the research objectives on customer satisfaction through service quality delivery. For the purpose of an orderly presentation; the study reviewed related literature such as those which impinged on the research problem, definition and measurement of service quality, customer satisfaction and its management and improvements.

As a result, this literature review provides the basis upon which a study/research is built to approve, compliment, counter or establish any new trends that might have emerged. In addition to this, it proceeds to review other topics that are relevant to this research topic.

Due to globalisation, banking industry has become more dynamic, innovative and competitive. In search of competitive advantage, banks are placing more focus on service quality. Since products and services offered by banks are generally undifferentiated, the quality service delivery becomes a central tool for competition (Kumar et al., 2012).

The objectives for this chapter are to provide an outline of literature/strategies that can be used by financial institutions in pursuit of customer retention and the provision of quality services, as this would positively affect a bank's bottom line. This chapter is divided into eight sections; the first section will provide a description of two concepts that is customer and quality. Description is necessary because for a bank to be sustainable and profitable it need to have a deeper understanding of who its customers (and potential customers) are and what type of products/services they need and want. The connection between customer satisfaction, retention, loyalty, relationship banking and profitability are also explained. SERVQUAL model is also used to unpack the elements that affect the above mentioned factors.

### **2.1. Defining Customer**

A customer is a person who purchases goods or services from another; buyer; patron; or a person one has to deal with (Hayes, 2011). Rust & Oliver (2013) state that the term customer is mainly used to refer to 'end-users of a product/services', however, customers are not confined being the end users because anyone that purchases a product/service is a customer regardless of their intentions. Therefore, a customer refers to individuals or households that purchase goods and services generated in an economy.

According to Hayes (2011), historically, the word customer is derived from the word custom, meaning habit; a customer is someone who frequented a particular shop, who made it a habit to purchase goods there, and with whom the shopkeeper had to maintain a relationship to keep his or her custom, meaning expected purchases in the future. The classification of customers as individuals that frequently acquire goods and services from the same place is rather arguable, however, contemporary speaking this could be as a result of intensive marketing strategies often employed by companies aimed at selling as many products and services to the same customer.

The term customer is a generic and it is used to refer to anybody who receives/acquires a service or product from some other person or group of people (Hayes, 2011). Customer needs may be defined by the services or goods they require to achieve specific goals, different needs are of varying importance to the customer and they are influenced by marketing, cultural values and norms and communications.

### **2.1.1. Types of Customers**

Rust (2013) states that in retail the idea of focusing on the best current customers should be seen as an on-going opportunity, to better understand the rationale behind this theory and to face the challenge of building customer loyalty, there is the need to break down customers into five main types:

- **Loyal Customers:** These clients are wary of switching costs and the red tape of doing so. They constitute not more than 20 percent of client base, but make up more than 50 percent of sales. They are the ones who can and should influence one's buying and merchandising decisions. To appease such clients, it is imperative to always consider their views in order to solicit their inputs for them to remain loyal.
- **Discount Customers:** These clients compare bank fees and transactions, they opt to shop/bank frequently, but make their decisions based on the size of discounts or transaction costs. They usually open a few accounts, and use the service that is affordable to their needs at that time.

### **2.2. Concept of Customer**

- **Impulse Customers:** These clients acquire what appeals to them at that time; they walk into a branch on a whim with no particular product in mind. They often open accounts that largely remain inactive as a consequence the bank incur losses due to accounts going into negatives.

- **Need-Based Customers:** These clients are driven by a desire of acquiring a particular type of service/product. They often demand products or services that lead to long-term relationship with the bank such as opening the account for their salary deposit and daily banking transactions.
- **Wandering Customers:** These clients want a sense of experience; they have no specific desire in mind when they come into a branch. They enter the branch on account of what they heard not necessarily in need of an account.

### **2.2.1. Concept of Customer Satisfaction**

Buttle (2013: 44) states that ‘Customer satisfaction has been the subject of considerable research, and has been defined and measured in many ways’. “A customer can be either be dissatisfied or satisfied with a service rendered i.e. if a service or product offered is according to required specifications of the client, he will be satisfied if not he will be dissatisfied” (Szwarc, 2012, p.4). It is the customers’ fulfilment response to a customer experience, or some part thereof. Customer satisfaction is a pleasant fulfilment response. Dissatisfaction is an unpleasurable fulfilment response. The experience or some part thereof component of the definition suggests that the satisfaction evaluation can be directed at any or all elements of the customers’ experience. This can include product, service, process and any other components of the customer experience (Buttle 2013: 44).

The degree of service expected by the customers will be based on their understanding of the service or product they are acquiring. This level of understanding will be based on brand awareness obtained from the organisation’s marketing strategies, past experiences and the experiences of others (Brown et al., 2013).

According to Berkman & Gilson (2012), customer satisfaction is of great importance to all commercial organizations as it influences ongoing purchase behaviour and positive referrals. In general terms, “client satisfaction is seen as a vital determinant of a company’s success” (Moore, 2013, p.120). As competition increases, customer satisfaction is identified as a determinant of cost reduction, market share and return on investment (Burch, 2012).

### **2.2.1. Customer satisfaction in quality service delivery**

Literature is currently missing a clear and concise definition of what constitutes customer satisfaction, and the construct is very fluid and ambiguous (Lamberti, 2013).

Other authors are arguing that the significant process in customer quality services is concerned with dual value creation and customer interaction (through this paper mostly referred to as co-creation) (Shah et al., 2012; Boulding et al., 2012; Lamberti, 2013; Osborne & Ballantyne, 2012). Lamberti (2013) associates customer quality services with the generation of customer intelligence, co-creation and experience management.

Furthermore, Wagner & Majchrzak (2014) emphasizes the importance of collaborating with customers across all channels to facilitate knowledge creation with customers. They also stress the need for organizations to begin product development together with the customers. Customer satisfaction spanning across all functions and channels suggests the need for a holistic and enterprise-wide approach, where all value chain activities should be customer-centric. Ross (2010) defines customer satisfaction broadly as an enterprise-wide strategy with the customers as the main focus.

When going through the literature, it becomes apparent that customer satisfaction is connected to various approaches to relationship management. However, authors address this in very different ways. Some suggest the customer-satisfaction approach to be relationship-oriented, favouring close relationships (Shah et al., 2012; Bonacchi & Perego, 2011; Nolan, 2011). Also, Lamberti (2013) notes Sheth et al.'s argument about transactional customer centricity, but concludes that the general opinion through the literature is that customer satisfaction is relationship based.

One of the most important recent aspects of this customer satisfaction metric that academics (Anderson, 2013; Anderson and Sullivan, 2013; Bryant and Cha, 2006; Fornell and Johnson, 2013; Fornell et al., 2006; Homburg and Giering, 2001; Mittal and Kamakura, 2001) identify is differences in customer satisfaction across individual customers and competitive settings (product or service categories and firms). Based on the arguments and definitions seen through the literature, the working definition of customer satisfaction is derived. Hence, customer satisfaction is to have customers at the centre of every part of the value chain, including primary and support activities, and through a personalized approach facilitation of interactions with the customers and creating superior customer experiences in order to build strong and profitable relationships.

Taking a value chain perspective of (Porter, 2012, p. 38), the definition derived above, suggests that “the customers should be at the centre of all activities”. This classification of customer-satisfaction processes is chosen to promote the enterprise-wide perspective. Customer satisfaction is central to the processes of all internal functional areas of an organisation; this requires the customer to be identified and understood ((Brink & Berndt, 2012, p. 87).

It is imperative to acknowledge the customers of the organisation as the source of profit/income and an accessory that provides growth to the firm. Organisations that strive towards satisfying customers are regarded as customer centric organisations; this means that service management is based on a customer that makes the customer’s needs and expectations the central focus of the business (Brink & Berndt, 2012, p. 87).

### ***2.2.2. Characteristics of customer satisfaction***

A number of authors have identified organisational characteristics that can be used to demonstrate a customer satisfaction organisation. According to Band & Guaspari (2013, p. 39) “organisations should maximum value for clients through all its employees and that customer-engagement and the integration of customer value insights are integral to ensuring that an organisation has a client-centric focus”. Simplified; “a customer-engaged organisation should understands its customers and be willing to take action based on knowledge ascertained about clients” (Band & Guaspari, 2013, p. 39). Auerbach et al. (2012) further suggests that given the popularity of social media and their potentially adverse effects on sales and reputation, banks can no longer afford to avoid ensuring customer satisfaction and needs. This stresses the need for a concerted effort of re-aligning banking products and services with customer needs and trends.

Given the concept of customer satisfaction, (Singh, 2014, p. 187) points out that “banks should listen to clients in order to deliver products that they are willing to pay for”. Hislop et al. (2010, p. 4) stresses the importance of having a holistic understanding of the customer’s needs, and value adding as a key differentiator in a client-centric organisation. Kilgore et al. (2012, p. 8) indicates that the core themes surrounding a client-centred approach are intended to create value for the client by offering a tailor-made experience via convenience, providing

a sustainable relationship based on value creation, and improved relationships with the client through superior services and products. In addition, Selden (2013, p. 22) provides an insightful outlook on the dynamics and complexities around client-centricity therefore suggests four building blocks that can be implemented by an organisation for it to become client-centric.

#### *The four building blocks*

- Execute a report system that frequently provides information on client profitability
- To ensure company units are driven by needs-based customer segmentation
- To ensure client segments are clearly defined by value proposition and
- To ensure empowerment of contact-personnel ensuring that they are equipped to address client needs.

Client satisfaction is derived from the premise that seeks to address holistically the needs of clients rather than on the mere provision of services and products. It precisely refers to what products and services must be offered, how they should be delivered, and the extent to which clients are consistently being met. Selden (2013, p. 22) suggests that it is a multi-faceted approach that is not limited to merely meeting client needs, but rather meeting them on a consistent basis as they change. Similarly, Auerbach et al. (2012, p. 4) provides Apple as an illustrative example of a company that puts users at the centre of the product development. When striving for client centric it is crucial to identify and address the needs of clients by aligning the organisation through service and product related processes or empowering contact-personnel. Innovation should always be encouraged within the context of being client-centric as suggested by Selden & MacMillan (2006, p. 110) as it provides several organisational benefits.

#### ***2.2.3. Measuring customer satisfaction***

It is evidence that client satisfaction is the drive for each successful company; therefore it needs careful analysis as to how well each satisfy the client's needs. There have been many attempts to evaluate overall customer satisfaction (Brink & Berndt 2008, p. 70). According to Szwarc (2005, p. 28), a number of research agencies argues that their model of measuring customer satisfaction will provide an organisation with a competitive edge and business benefit. Lots of them usually contain some of the following elements:

- Job satisfaction;
- Client satisfaction;
- Brand image;
- Price value for money;
- Advocacy and loyalty;
- Competitive benchmarking

#### **2.2.4. Benefits of customer satisfaction in quality service delivery**

According to Brink & Berndt (2008, p.70) client satisfaction surveys provide several valuable benefits, which include the following:

- Survey for client feedback to address current issues.
- Survey is an indication that businesses want to act to the client's best interests.
- Survey assist on employee performance evaluations, identify if there is any training necessary.
- Survey assist companies to identify its strengths and weaknesses

#### **2.2.5. Problems in measuring customer satisfaction**

According to Brink & Berndt (2008, p.71) there are limits to interpreting any measure of customer satisfaction because of the following reasons:

**Level of aspiration:** Satisfaction depends on and is relative to customer's level of aspirations or expectation. Less prosperous customers begin to expect more as they see the higher living standards of others.

**Changes in level of aspirations:** Aspiration level tend to rise with repeated successes and fall with failures. Products considered satisfactory one day may not be satisfactory the next day, or vice versa. Years ago, most people were satisfied with a 21-inch colour television (TV) that received three or four channels. But once they become accustomed to a large screen High Definition (HD) model and enjoy all the options possible with digital satellite feed and a Digital Video Terrestrial (DVT), that old TV is never the same again.

**Personal concept:** Customer satisfaction is a highly personal concept and looking at the average satisfaction of a whole society does not provide a complete picture for evaluating effectiveness. At minimum, some consumers are satisfied than others. Though efforts to measure satisfaction are useful, any evaluation of effectiveness has to be largely subjective.

The above mentioned problems of measuring customer satisfaction, noted that the behaviour of people change over time so is advisable for banks to continuously measure the level of their customers satisfaction so as to react to the results as soon as possible before they become totally dissatisfied.

#### **2.2.6. Dimensions of Customer Satisfaction**

Sureshchandar *et al.* (2012), emphasized that customer satisfaction is a multi-dimensional construct as in quality. Taylor and Baker (2012) also concluded that service quality and customer satisfaction are separate constructs. Whilst satisfaction indicates the state of a customer's awareness, quality refers to the state of a business resources and efforts. Whiteley (2011) differentiated product and service quality by defining the former as "What you get" and the latter as "How you get it". This is in agreement with Grönroos (2013)'s two-dimensional aspects of service quality (technical quality – the quality of what is delivered; and the functional quality of how the service is delivered).

Customer satisfaction could be seen as the outcome of the difference between customer's perception and expectation of service quality, it should not be forgotten that factors such as price, packaging and situational factors such as the service encounter, would also influence satisfaction.

#### **2.3. Attitude and satisfaction**

Zeithaml & Bitner (2012) define service quality as the way in which the whole service experience is performed. Their conceptual model of customer perceptions of quality and customer satisfaction hypothesized that satisfaction is more of an attitude and this attitude would influence perceptions of service quality, which in turn would influence purchase intentions (service quality leads to satisfaction and eventually purchase intentions). Failure to provide reliable service may result in customer dissatisfaction and possible defection. This is based on the premise that a satisfied customer will continue to maintain a relationship and that relationship will lead to loyalty and longevity (Hallowell, 2000). Zeithaml *et al.* (2012) arrived at the same idea by looking at the probable behaviour of an unsatisfied customer. They maintain that an unsatisfied customer is likely to switch to a competitor and may inform others of the bad experience.

#### **2.4. Satisfaction with Attribute-specific and overall Performance**

Satisfaction can be related to a specific attribute of a product or service (Cronin & Taylor, 2012). Viewing satisfaction as attribute specific or overall performance depends on what one is interested in. If the interest is more on achieving marketing value, then attribute-specific would provide more useful insights to practitioners as to the extent to which a specific attribute of a service meets customer expectations or desires. Conversely, if the interest is focused more on achieving academic value, then overall performance measure would provide more academic value as it gives more useful information to academics and other stakeholders for the purpose of generalizations that call for attention for further research. In this study customer satisfaction is related to the overall performance of services delivered by Capitec Bank in SA because we want to treat it basically from an academic perspective with managerial implications.

#### **2.5. Degree of Satisfaction**

According to Kotler & Keller (2010), customer satisfaction does not only prevent customer complaints but more importantly it is meeting and even exceeding customer's expectations. Complains are synonymous with customer dissatisfaction. This view has its roots in motivation theory of Herzberg Fredrick (1968). The mere fact that, should there be no complains does not mean that clients are all satisfied with the product or service received.

“Conversely, customers can be dissatisfied with some things about an organization, but satisfied with the organizations' product or service offerings. Satisfaction is therefore holistic/total” (Kotler & Keller 2010, p.144) and can be in different magnitudes since customers can be extremely/very highly satisfied or delighted to just satisfied, and extremely dissatisfied to dissatisfied. In this study satisfaction is defined in both negative and positive magnitudes, from a very satisfied to a very dissatisfied client.

#### **2.6. Customer Satisfaction as a Process and an Outcome**

One area that has received considerable debate in customer satisfaction literature is whether customer satisfaction should be defined as an outcome or a process. Many early definitions conceptualized customer satisfaction as a process which is currently the dominant view held by most scholars (Oliver, 2013; Parasuraman et al., 2010). The process perspective presupposes that customer satisfaction is a feeling of satisfaction that results from the process of comparing perceived performance and one or more predictive standards, such as expectations or desires (Khalifa & Liu, 2012). This perspective is grounded in the expectancy

disconfirmation theory proposed by Richard Oliver (Oliver, 2013). The customer is satisfied if the performance of product/service is equal to his/her expectations (positive disconfirmation) and he/she is dissatisfied if the product/service performance is perceived to be below his/her expectation (negative disconfirmation). If expectation exceeds perceived performance, the customer is highly satisfied. By taking satisfaction as a process these definitions do not focus on satisfaction itself but things that cause satisfaction, the antecedents to satisfaction, which occur primarily during the service delivery process (Vavra, 2011).

More recent studies view satisfaction as an outcome or end result during the process of the consumption of a service. It is viewed as a post-purchase experience (Vavra, 2011).

This view has its roots in motivation theories that postulate that people are driven by the desire to satisfy their needs (Maslow, 2012) or that their behaviour is directed at the achievement of relevant goals (Vroom, 2011). In this way satisfaction is perceived as a goal to be achieved and can be described as consumer fulfilment response (Rust & Oliver, 2013). In the context of this study, customer satisfaction is defined from process perspective because we believe that in South African Bank market, customers' evaluation of bank services takes place primarily during the service delivery process and continues, not just an outcome that customers strive to achieve.

## **2.7. Personalised approach**

The first process significant to building customer satisfaction in the primary activities is personalisation. According to Galbraith (2013, p. 13), a firm embedded in the customer-centric orientation does their utmost to provide unique solutions customised to individual customer needs. Authors agree on the significance of personalised value propositions, but they are using different wording when addressing this (Payne et al., 2012; Lamberti, 2013). According to Prahalad & Ramaswamy (2014), the term customised is not appropriate because this links to mass-customisation, instead they are calling for 'personalising the co-creation experience' or 'individualised interactions' (see also Sheth et al., 2013).

Earlier in this paper the market focus was interpreted as 'unit of analysis', indicating that customer-centric organisations have their main focus on the individual customer. This interpretation takes base in Ramani & Kumar (2012)'s study, suggesting that market segments are moving towards an individual approach. More importantly they found the link

between the individual approach and organization's interaction orientation to be significant, suggesting personalisation as a prerequisite for interaction and co-creation.

Huang & Lin (2012) address personalisation as the segmentation or profiling of customers and the ability to predict the most suitable value proposition for customers based on their previous actions.

In addition to profiling the client, it is important to connect with your client such that the clients are able to communicate the links that may be used to hook the client in fulfilling the need. Further, personalisation is also about respecting customers who are not interested in making relationship or maybe not interested in a firm's value propositions at all (Huang & Lin, 2012). Moreover, they emphasise the need of a Customer Relationship Management (CRM) system to enable personalisation in order to get close to the customers. However, they highlight that personalisation is not just a single technology used in a specific department, but instead as a design emphasising the personalisation of the whole customer experience across all channels.

When elaborating on the need for making services personalised, it is necessary to emphasize the argument that personalised approaches do not require face-to-face interactions and with the rapid development in technology there are increasing needs to personalise services through technology-based channels (Alt & Puschmann, 2012).

In addition to developing new technologies to better personalise the way customers are served, there is a need for boosting customers' confidence in using online services. Customers will find confidence in technological solutions if they have superior experiences in using the technology-based service and if they find the solutions easy to use (Ganguli & Roy, 2011). According to Ganguli & Roy (2011), loyalty ratings serves as indicators to the degree of confidence held by customers and in the case of technology-based services, technological convenience, easiness and reliability and customer service are factors impacting loyalty.

In summary, most researchers' literature does not perceive customisation and personalisation as the same thing, and emphasise that personalisation of the value proposition is what becomes essential when striving to become a client focused organisation, because it enables

customer interactions. Personalisation is about respecting different needs by segmenting or profiling customers and technologies are becoming a necessity.

## **2.8. Experience Management**

Building on the prominence of co-creation, the next process significant to customer centricity is experience management.

As mentioned above, co-creation and experience goes hand in hand. Payne & Frow (2011) argue that in order to create the perfect experience, firms must create high-quality value through encounters or touch points. Hence, co-creation becomes a precondition for experience management (see also Prahalad & Ramaswamy, 2014). The definition of customer experience is; customers' internal emotional response to all interactions between them and the provider (Payne & Frow, 2012; Verhoef et al., 2013; Garg et al., 2014). In addition, Verhoef et al. (2013) add that the customer experience covers the whole customer journey from the initial search to the phase after the purchase and in a later article; Verhoef & Lemon (2013) argue that customer experience is holistic in nature, capturing all emotions across all purchase processes.

Moreover, Payne & Frow (2011) claim that branding in experience management is managing supporting activities to foster co-creation and this create superior experiences. In their article, they come up with a number of issues that firms should focus on. One particular tool is to map the customer journey, to find possibilities for improvement and the critical points of interactions (Payne & Frow, 2011). In addition, consistency across touch points and channels are critical to the perceived value of the experience (Lamberti, 2013; Prahalad & Ramaswamy, 2014). Hence, customer-centric strategies must include multi-channel management, in support of providing consistent and superior customer experience across functions (Payne & Frow, 2011; Verhoef & Lemon, 2013). Payne & Frow (2011) highlight brand consistency, indicating that image is a possible moderator of experience. This point of view is also supported by Verhoef et al. (2013). He also emphasizes the need to understand that the experience with one contact point may affect the experience with another. In addition, Galbraith (2013, p.13) points out the importance of the ability to manage touch points, suggesting that firms need to handle the dialogue and interaction over time and across functions. He argues that customer-centric firms should recognize the significance of communication with the individual customer, letting the next dialogue emerge from where the last ended.

A study by Khan et al. (2015), examining factors significant to customer experience finds the employees capability to do it right the first time, their friendliness and responsiveness critical to create superior experiences (Garg et al., 2014). Employee empowerment is also highlighted in the literature about experience management.

In the case example from Kopelman et al. (2012), employee empowerment are described as a customer-directed activity, because it enhances the customer service. Furthermore, in another case example, the fashion retailer Nordstrom is letting their employees know that they are allowed to use their own best judgment and that Nordstrom trust the decisions they make. Reibstein et al. (2011) call for marketing literature to address the impact of networks in order for organizations to understand how other companies might contribute to the customer experience. Tax et al. (2013), introduces the Service Delivery Network, suggesting that firms need to coordinate the service delivery with complementary providers. They argue that understanding the customer experience as an overall evaluation of all providers is critical and that customers' experiences with other providers may affect the experience with a given touch point.

In addition to mapping down the customer journey it is important that it is done from the perspective of the customers in order to identify all touch points with not only the organization but also with other firms. Understanding the customer journey also leads to the importance of developing relationships with customers as an element of becoming customer-centric (Payne & Frow, 2011). Hence, it is suggested that experience management is a prerequisite for relationship management.

Experience management is about ensuring consistency in communication across all channels and ongoing dialogues with customers to ease and make the communication efficient. It is important for firms to manage their image and make an effort to understand their role in the service delivery network in order to deliver superior experiences.

## **2.9. Concept of Quality**

The word "quality" is mostly referring to product or service. It may be interpreted differently; therefore there is a need for universal meaning. Literature got different explanations for quality in an attempt to come up with the common clarification. Quality was initially seen as

a defensive mechanism but it is seen as a competitive weapon for developing new markets as well as increasing market share (Davis et al., 2013).

Quality has been defined from diverse perspectives. Quality was primarily seen as a defensive mechanism but it is seen as a competitive weapon for emergence of new markets as well as growing market share (Davis et al., 2013). Quality can be defined as satisfying or exceeding customer requirements and expectations, to some extent it is the customer who eventually judges the quality of a product (Shen et al., 2010).

An extensive range of literature over the last 25 years has examined the concept of service and acknowledged the intangibility of services as one of the problems allied with measurement (Joseph et al., 2014). Furthermore, in the service sector, where production, delivery and consumption can occur simultaneously, the concept of quality refers to the matching between what customers expect and what they experience. When it comes to the service sector in banks, it turned out to be that they propose comparable kinds of services worldwide (Lim and Tang, 2010), rapidly corresponding their competitors' innovations. Nevertheless, customers can perceive differences in the quality of service.

Banks have realized the significance of concentrating on quality of services as an approach to increase customer satisfaction and loyalty, and to develop their core competence and business performance (Kunst & Lemmink, 2010).

### **2.9.1. Service Quality**

The world is characterised with an increase competition, service quality has become a popular area of academic research and has been acknowledged as an observant competitive advantage and supporting satisfying relationships with customers (Zeithmal, 2012). Service quality is a concept that has aroused substantial interest and arguments in research. There are difficulties in defining and measuring it with no overall consensus emerging (Wisniewski, 2001). Service quality has been defined as the overall assessment of a service by the customers (Eshghi et al., 2011), while other studies defined it as the extent to which a service meets customer's needs or expectations. Several practitioners define service quality as the difference between customer's expectations for the service encounter and the perceptions of the service received (Munusamy et al., 2012). Customer expectation and perception are the two main ingredients in service quality.

## **2.10. Banking service**

In the changing banking scenario of the 21st century, banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customer's satisfaction, and to play a major role in the growing and diversifying financial sector (Balachandran, 2013). There has been a remarkable change in the way of banking in the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognized the need to meet clients' aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder.

Basically, banking is a business that is registered to accept deposits from the public and make out loans. Technically, banks mobilize funds from the surplus units and channel it to the deficit units of the economy (Luckett, 2014). The objective of this fund channelling is to earn profit. This function makes banks one of the most important financial intermediaries in every economy and also assists Central Banks in achieving their monetary policies. Banks earn money in servicing beyond selling money. Banking services are about the money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of the institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

## **2.11. Service Quality Model**

Among the models for measuring service quality, the most acknowledged and applied model in diversity of industries is the SERVQUAL (service quality) model developed by Parasuraman et al. 2012. The model originally provided a list of ten determinants of service quality: access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles. Further studies merged correlated variables and reduced the determinants into five consolidated dimensions: tangibles, reliability, responsiveness, assurance and empathy as the instruments for measuring service quality (Parasuraman et al., 2011; Zeithaml et al., 2010).

The SERVQUAL model assesses customer expectations and perceptions of service quality by capturing the gap between expectation and experience. Service quality consists of five dimensions: tangibles (appearance of physical facilities, equipment, personnel and written

materials), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence), and empathy (caring and individual attention the firm provides to its customers). According to Hussain et al. (2015), reliability is considered the vital core of service quality.

#### **2.11.1. Reliability**

Reliability depends on handling customers' services problems, performing services right the first time, provide services at the promised time and maintaining error-free record. Furthermore, reliability is the most important factor in conventional service (Parasuraman et al., 2012). Reliability also consists of accurate order fulfilment, accurate record, accurate quote, accurate in billing, accurate calculation of commissions and keeping services promise. He also mentioned that reliability is the most important factor in banking services (Yang et al., (2014).

#### **2.11.2. Responsiveness**

Responsiveness is defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman et al., 2015). It is also involves understanding needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers safety in their transaction (Kumar et al., 2012).

#### **2.11.3. Empathy**

Parasuraman et al. (2015) defined empathy as the caring and individual attention the firm provide to its customers. It involves giving customers individual attention and employees who understand the needs of their customers and convenience business hours. Ananth et al. (2011) referred to empathy in their study on private sector banks as giving individual attention, convenient operating hours, giving personal attention, best interest in heart and understand customer's specific needs.

#### **2.11.4. Assurance**

According to Parasuraman et al. (2015), assurance is knowledge and courtesy of employees and their ability to inspire trust and confidence. According to Sadek et al. (2010), in British banks assurance means the polite and friendly staffs, provision of financial advice, interior comfort, eases of access to account information and knowledgeable and experienced management team.

### **2.11.5. Tangibility**

Parasuraman et al. (2015) define tangibility as the appearance of physical facilities, equipment, personnel, and written materials. Ananth et al. (2011), in their study of private sector banks, referred tangibility as modern looking equipment, physical facility, employees are well dressed and materials are visually appealing.

### **2.12. Objections to SERVQUAL instrument**

While the SERVQUAL instrument has been widely used, it has been subjected to various criticisms (Asubonteng et al., 2011). The criticisms include the use of difference scores, dimensionality, applicability and the lack of validity of the model, especially with respect to the dependence or independence of the five main variables (Babakus & Boller, 2010; Carman, 2011; Cronin & Taylor, 2012). Others include the fact that it does not address the service-encounter outcomes (Gronroos, 2013; Mangold & Babakus, 2011).

Although the developers of SERVQUAL initially considered service quality to comprise functional (process) and technical (outcome) dimensions, its instrument does not include any measure of the technical quality dimension. Essentially, technical quality has been neglected in efforts to study and measure service quality. SERVQUAL has been challenged on a number of grounds.

One stream of objections suggest that absolute measures of attitudes provide a more appropriate measure of quality than explanations based disconfirmation models (Cronin & Taylor, 2012).

Cronin and Taylor (2012) conclude that current performance best reflects a customer's perception of service quality and that expectations are not part of this concept. They perform an empirical test with four alternative service quality models:

SERVQUAL: Service quality = performance - expectations

Weighted SERVQUAL: Service quality = importance  $\times$  (performance - expectations)

SERVPERF: Service quality = performance

Weighted SERVPERF: Service quality = importance  $\times$  performance

From the results of their empirical investigation they conclude that the weight SERVPERF measure (performance only) performs better than any other measure of service quality.

Despite Parasuraman *et al.* (2012)'s initial claim that their five service quality dimensions are generic, it is generally agreed that this is not the case, and that the number and definition of the dimensions varies depending on the context. When measuring the quality of accounting firms, Freeman & Dart (2010) conclude that service quality is a seven-dimensional construct. Robinso & Pidd (2012) propose 19 dimensions of service quality in the context of management science projects. According to Robinson (2010), developing separate instruments depending on the purpose and context of the service quality measurement may be the most fruitful way forward. Since the understanding of service quality is so limited it seems unrealistic to be aiming for a global measurement approach until a much better understanding is obtained. According to Stauss & Weinlich (2011), a closer look, however, reveals some deficits of attribute-based quality measurement (like SERVQUAL). First, the data collected by these methods cannot completely reflect the customer's quality perception. Second, the respondents are forced to aggregate their quality experiences in a problematic way.

A customer of a bank asked to evaluate the friendliness of customer contact employees of a bank is forced to tick a single point on a scale even if he/she had contacts with three employees whose behaviour and friendliness differed considerably.

Third, as the quality items are formulated in a necessarily abstract manner, survey results are not particularly concrete (Bitner *et al.*, 2010).

### **2.13. Service Quality Measurement**

According to Wilson *et al.* (2011, p. 31), "quality is about listening to customers and delivering more than what they expect". It is about paying attention to the smallest details and getting to the smallest details and getting it right for the first time every time. Smallest details are then used to identify the need of the client that was not the initial need so that employees may use them to up sell or cross sell. Most importantly, quality is a continuous process that involves employees. They must be able to listen and connect with the client such that the client can be able to trust and disclose their needs. By making small improvements every day, we can make real progress and deliver increasingly higher level of customer value and satisfaction.

Quality allows management to measure and compare their performance with the previous performances, see if there is improvement then go back to the drawing board should there be

no improvement noted. It sets the standard, for their support services and enables them to focus on training and development on the most important areas. In terms of service quality dimension, Zeithmal et al. (2012, p. 82), emphasized that “customers do not perceive quality as an un-dimensional concept”. It is the customer’s assessment of quality which includes perceptions of multiple factors. Buttle (2011, p. 102) “in European Journal of marketing – SERVQUAL state that researcher have found that consumers consider five dimensions in their measurement of service quality”.

An array of factors or determinants has been identified in the literature for measuring service quality. For instance, Sachev & Verma (2014) measure service quality in terms of customer perception, customer expectation, customer satisfaction, and customer attitude. Despite the numerous models for measuring service quality, Nyeck et al. (2012) admit that the SERVQUAL model remains the most complete attempt to conceptualize and measure service quality. The model is extensive and widely used to measure service quality in the literature. Therefore this study adopts the SERVQUAL dimensions to measure service quality at Capitec Bank Pinetown Region.

#### **2.14. Consequences of Poor Quality Service**

Weimer. (2014) recommended that management must be able to identify the effect of quality of service to the company and to take these into account in developing and maintaining a quality assurance program. He outlined some of the major ways that poor quality affects an organization which include the following:

- Loss of business: failure to devote adequate attention to quality can damage a profit oriented organization’s image and lead to market share reduction.
- Liability – poor quality may create potential liability for a firm due to damages or injuries resulting from either faulty design or poor services.
- Productivity – productivity and quality are often closely related. Poor quality can adversely affect productivity during the client interaction. Conversely, improving and maintaining good quality can have a positive effect on productivity.
- Costs – poor quality service increases certain costs incurred by the organization.

In measuring customer satisfaction with service quality, it is significant to examine the service quality concept, its importance and the dimensions it has. Service quality has been a difficult-to-define concept that has aroused considerable interest and debate in the research literature. This is because the meaning of quality can be referred to in many attributes such as

the experience of the service encounters, or “moments of truth”, the evidence of service, image, price, and so on. These form the customers’ overall perceptions of quality, satisfaction and value (Zeithaml & Bitner, 2012). There are a number of different "definitions" as to what is meant by service quality. Since service quality is basically defined from customer perspective and not the manufacturers’, it is usually referred to as customer perceived quality.

The concept of consumer-perceived quality (CPQ) was first defined by Gronroos in 1982 as the confirmation (or disconfirmation) of a consumers’ expectations of service compared with the customer’s perception of the service actually received.

One definition that is commonly used defines service quality as the extent to which a service meets customers’ needs or expectations (Asubonteng et al., 2006). Parasuraman et al. (2012) support the same view, defining the concept of service quality as a form of attitude, related, but not equivalent to satisfaction, that results from a comparison of expectations with perceptions of performance.

Expectations are viewed as desires or wants of customers, i.e. what they feel as a service provider rather than the offer (Parasuraman et al., 2012). Although service quality has been perceived for a long time to be an outcome of customer cognitive assessment, recent studies confirm that service quality involves not only an outcome but emotions of customers. It is argued that during the consumption experience, various types of emotions can be elicited, and these customer emotions convey important information on how the customer will ultimately assess the service encounter and subsequently, the overall relationship quality (Wong et al., 2014). Edvardsson (2013) maintains that customer perception of service quality is beyond cognitive assessment as it is formed during the production, delivery and consumption of services and not just at the consumption stage. This is made possible as customers play their role as co-producers by carrying out activities as well as being part of interactions influencing both process quality and outcome quality. Therefore, an emotional reaction is part of a quality and favourable experience (Cronin, 2013; Sherry, 2012). The concept of service quality from the customer perspective, thus perceived service quality, is not a mistake simply because in the words of the guru the consumer, of course, perceives what he or she receives as the outcome of the process in which the resources are used, i.e. the technical or outcome quality of the process. But he or she also, and often more importantly, perceives how the process itself functions, i.e., the functional or process quality dimension. (Gronroos, 2011, p.151)

“The technical quality and functional quality dimensions of perceived service quality emerge”.

### **2.15. Significance and Drivers of Service Quality**

Delivering excellent service quality is widely recognized as a critical business requirement (Voss et al., 2014; Vilares & Coehlo, 2013). It is not just a corporate offering, but a competitive weapon (Rosen et al., 2013) which is essential to corporate profitability and survival (Newman & Cowling, 2011).

Wong et al. (2014) agree that in today’s dynamic market place and market space, organization no longer compete only on cost but more importantly on service/product quality. In a competitive marketplace where businesses compete for customers, delivering quality service is seen as a key differentiator and has increasingly become a key element of business strategy (Heskett et al., 2011; Kotler, 2013).

### **2.16. Players and the Role of Bank Contact-Personnel in Customer Satisfaction**

Capitec Bank network providers, in delivering services to customers, operate in an environment that involves purposeful relationships and interactions between several actors in many activities and with different resources.

The role that contact-personnel play in a client relationship is vitally important as they deliver the service directly to the client and contribute to creating satisfied and retained clients (Gustaffson et al., 2010; Yavas et al., 2012). Contact-personnel are in the best position to assess client evaluations and given this, management must take particular interest of the specific needs of contact personnel (Yavas et al., 2011). This implies that contact-personnel must be empowered to address the needs of clients. As suggested by Kilgore et al. (2013), in addition to having senior management purposefully leading a well-defined client-centric vision and get buy-in from contact-personnel, contact-personnel must be provided with an information technology infrastructure that supports the client-centric vision of the bank.

Barrutla et al., (2011) investigate the effects of empowerment on the performance of bank contact-personnel and the results showed empowerment to be a multidimensional construct that has both psychological and process/operational aspects. They distinguish between process-driven and decision-making empowerment citing benefits such as positive attitudes and job satisfaction, organisational commitment, a high propensity to stay with the organisation, improving innovativeness, word-of-mouth communication, job effectiveness

and productivity. Their study finds that of concern is that top management tends to undermine empowerment and have personnel that are not aligned to the requirements that empowerment requires.

The authors conclude that the relationship between the contact-personnel and client is vital for client satisfaction. This view is supported by Auerbach et al. (2012), who indicate that not only should contact-personnel be empowered through efficient organisational structure and the relevant tools at their disposal, but that they play a key role in ensuring long-term loyalty towards the bank. As Auerbach et al. (2012, p. 12) put it: “It is important that they have the power to implement solutions to the customer’s benefit. If this is not the case, there is a danger they will become just an appendage, which could quickly weaken the newly won trust of the customer.” Lavender (2004, p. 291) indicates that contact-personnel should have a strong, proactive sales culture in accordance with client-centric principles that allows information sharing to “understand, own and then maximise client relationships.” This further supports the view that contact-personnel must be empowered through processes (or tools) that enable them to identify and address client needs. The notion that client-centricity builds mutually beneficial bank-client relationships is therefore not a simple task, especially given that contact-personnel tend to be poor “listeners” of clients especially if they are not empowered by the bank with regards to tools they can use. Bergeron & Laroche (2009), suggest that the ability of contact personnel to listen to clients builds trust, improves service quality, reduces perceived risk, improves client satisfaction, increases repurchase intentions, improves sales performance outcomes and improves word-of-mouth publicity.

In addition to these studies, several researchers have focused on the relational and service quality aspects of bank-client relationships in the South African context. Rootman et al. (2007) find that a significant relationship exists between the knowledge and attitude of bank employees and the success of customer relationship management strategies adopted within South African banks. The study conducted by Coetzee et al. (2013) compare the perceptions of perceived service quality between clients and retail bank branch staff and find that clients tend to be experiencing higher levels of service quality than what bankers perceive them to be. Further to this, the physical layout of the branch and the ability of branch staff to conduct them professionally proved very important. Theron et al. (2010, p. 1005) find that in order to ensure relational commitment, “both the financial service provider and the clients should be willing to invest time and other resources to continue and maintain the relationship.”

The willingness of the client to remain in the relationship is further dependent on the banks' willingness "to travel the extra mile to maintain the relationship." In a further paper, Theron et al. (2010) establish that competence, relationship benefits, and bonding between bank managers and clients are the most important dimensions in relationship marketing. Rootman et al. (2011) investigate the relationship between marketing and client retention perceptions of managers in South African banks and find that communication and pricing are vitally important when influencing client relationships. The study ends by posing the question: how can bank managers understand the views of banking clients as well as adapt their banks' strategies to adhere to banking clients' relationship marketing and customer retention needs? This relevance of this question is the basis for this study.

These studies indicate that client-centricity is not merely a process of identifying and addressing client needs. Rather, it is proactive in design and requires consistent engagement with clients by suitably empowered contact-personnel that identify and address ever-changing client needs. Relational and service quality aspects are central to client-centricity, especially if the bank-client relationship is to be built on long-term mutual trust between the parties. In the end, the purpose of being client-centric is to maintain client relationships over a long period of time, as they change (Wong et al., 2014).

As such, this study investigates the perceptions of contact-personnel who are instrumental in facilitating the relationship with clients, and also identifies whether or not they are indeed empowered to be customer satisfaction.

### **2.17. Customer loyalty**

Winning customers and keeping them coming back are the most hard-fought elements of modern business. Customers are fought over because they are precious, and an organisation's ability to win customers and keep customers coming back are indeed extremely precious attributes. When customers feel they are dealing with the right company or organisation for their needs, they don't want to change. In fact, they want to be loyal (Robinson & Etherington, 2010). Beerli et al. (2014) find that, loyalty has been, and continues to be, defined as repeat purchasing frequency or relative volume of same brand purchasing.

They argued that loyalty is a concept that goes beyond simple purchase repetition behaviour since it is a variable which basically consists of one dimension related to behaviour and another related to attitude, where commitment is the essential feature. Brink and Berndt (2010) and Robinson & Etherington (2010) confirm the statement that loyalty goes beyond simple purchase repetition. Brink & Berndt (2010,p. 41) stated that “customer loyalty means that customers are committed to purchasing products and services from a specific organisation, and will resist the activities of companies attempting to attract their patronage”. They have a bond with the organisation, and the bond is based on more than a positive feeling about the organisation. It is an emotional and attitude-based preference resulting in the behaviour of spontaneous personal recommendation and / or purchase (Robinson & Etherington, 2006).

### **2.17. Conclusion**

It is important to identifying customers and understanding what they want so that businesses can provide them with the right quality services if they want to be profitable. Various forms of loyalty have been identified and how organisations can create and maintain loyal customers. Customer attraction is as important as retention, therefore, for a bank to retain its customers which would lead to profitability it needs to attract the right customers. It can be concluded that, there exist a relationship between customer loyalty, customer satisfaction, relationship banking, e-banking, customer attraction, retention and profitability as defined in the conceptual model presented in chapter one to improve customer attraction and retention.

This also proves profitability increase as stated in the primary objective of the research. Relationship banking and electronic banking are to an extent contradicting services that a bank provides to customers. While some customers still want relationship touch points which the e-banking services minimises, the bank should be able to manage between these two services so as to cater for each type of customers. Customer satisfaction surveys provides various benefits as stated earlier, hence, banks should continuously engage in customer satisfaction surveys so as to be able to respond to dissatisfied customers in time.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.0. Introduction**

This chapter looks at the methodology employed to achieve the objectives of the study. It focused on the population, sampling, research instrument and administration of the research instrument. The location of the study was Capitec Bank Pinetown Branch located at KZN metropolis.

### **3.1. Research Design**

There are three main research strategies: qualitative, quantitative and mixed approach that can be adopted for a study. A researcher may take a decision for any strategy based on the study to be conducted. The decision to use any strategy depends on the nature of work, the objectives of the study, the level and nature of the research questions and the practical considerations related to the research environment among others (Shih, 2014). While quantitative is hard, objective and standardized, qualitative is soft, rich and deep (Corbetta, 2013). The mixed approach combines the two approaches together in a study (Neuman, 2015).

The study adopted quantitative method, because quantitative method allows explanation of a phenomenon by collecting numerical data that are analysed using mathematically based method, particularly statistics (Aliaga & Gunderson, cited in Muijs, 2014). The researcher used cross-sectional survey technique for data collection. Cross-sectional survey allows information to be collected from sampled customers from the customer base of Capitec Bank which is prohibitively expensive to study (Holton & Burnett, 2012). To gather data for the study, the researcher employed questionnaire survey as the research design. The research strategy is consistent with past studies with similar motives. For example, Anderson & Sullivan (2013) conducted a large-scale survey to ascertain drivers of customer satisfaction. Nearly all the research reported earlier that studied drivers of service quality were survey based.

### **3.2. Data Sources**

The study made use of both primary and secondary sources of information from the Capitec Bank Plc., employees and its clients.

### **3.2.1. Primary Data**

The primary sources of data include information that was gathered from the questionnaires that were administered to the respondents. The advantage of using primary data is that, it is more reliable since it comes from the original sources and is collected especially for the purpose of the study.

### **3.2.2. Secondary Data**

The secondary source of data includes Capitec Bank annual reports, brochures and manuals. A number of both published and unpublished materials on customer service in the telecommunication industry and effects from journals and articles as much as possible were used. Data collected from the secondary sources significantly complemented primary data and enhanced the interpretation of the results (Batsa, 2008).

## **3.3. Population, Sample Size and Sampling Techniques**

### **3.3.1. Population Size**

In conducting a study, possibility of gathering data for the entire population is difficult and expensive. Therefore using the smaller unit samples becomes an option to represent the relevant attributes for the units (Graziano & Raulin, 2013). There are five Capitec bank branches in Pinetown Region. An average of 200 customers visiting a branch per day based on researcher's observation from each branch electronic queuing system. Each branch is characterised by Branch manager, assistance branch manager and an average of fifteen service consultants.

### **3.3.2. Sample Size and Sampling Techniques**

Two separate samples were selected based on staff and valued customers of the organisation. The sampling techniques used in this study were purposive and simple random sampling. The purposive sampling was adopted because the intension was to gain an insight into the customer service phenomenon, hence the need to choose personnel who were well versed in the industry.

Purposive and convenient sampling was used to select which branch of the organization to visit for the study. This is guided by the fact that even though there are other branches within the Kwa-Zulu-Natal (KZN) region to be preferred for the study, all of them could not be chosen for the study. Simple random sampling was important to the study, since the study

was intended to ensure some randomness and representativeness in the sample. The selection of the respondents for the study was guided by sampling procedure: the process involving sampling frame identification and the determination of relevant sample size. At the targeted branch, stratified random sampling was used to select customers and employees for the study.

This was guided by the structure of leadership at the Pinetown branch. This method of sampling therefore ensured that staffs in the contact personnel and managerial categories were contacted. Prior to the administration of the questionnaire, managers of the Pinetown branch were contacted for permission and staff list of the branch obtained. Names of staff were randomly selected from the various levels. The number of staff picked from a particular level depended on the number of staff. It was the researcher’s plan to include all service consultant personnel; however, some of them were on leave. All automatic teller machine ATM assistants were to participate except those who were not permanently employed to their availability.

This was intended to ensure representativeness in the sample. While at the branch, customers that come to do business were counted and a tenth of each of the customers was approached and the purpose of the study explained to him/her. Also the customers were chosen from all the classified customer groups: for example salaried workers, retail, small and medium enterprises as well as corporate clients using the simple random sampling method. This was repeated until the number of respondents was obtained in the selected Pinetown branch that was visited. Ten customers were contacted per day and each was made to consent to the study before questionnaire was administered

**Table 1 Guide: sample size and technique for selecting respondents**

<b>Target Group</b>	<b>Estimated Number</b>	<b>Sample Selected</b>	<b>Technique used</b>
<b>Staff</b>			
ATM Assistants	15	10	Questionnaire
Service Consultants	75	70	
Management	10	10	Questionnaire
<b>Customers</b>			
Individual Customer	200 per day	100	Questionnaire
<b>Total</b>	300	190	

The non-probability sampling method of random sampling, specifically, Quota Sampling, was adopted in the selection of the sample size for the staff at the office chosen. This method ensured that representative samples of all the known elements of the population occur in the sample.

### **3.4. Data Collection Instrument**

The main instrument used to collect information for the study was the questionnaire. Questionnaires were given out to both staff and customers at the selected branch of the organization. The first part of the questionnaire sought information on demographic characteristics of the respondents. Then services of the bank were assessed on the SERVQUAL variables: Tangibles, Assurance, Responsiveness, Empathy and Reliability, to determine the level of satisfaction derived from the services. The third part of the questionnaire required the respondent to rate their intentions to continue patronizing the bank's service on a pre-defined five-point scale: 1 –Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 – Strongly Agree. A structured questionnaire was used to gather relevant data for the study. All the items measuring service quality dimensions were standard questions developed by Parasuraman et al. (2012), to measure service performance. The items measuring customer retention were extracted from the literature by Rust & Zahorik, (2014). These were the main areas around which data gathered from clients were analysed.

#### **3.4.1. SERVQUAL Model approach**

The SERVQUAL model is a quality management framework that depends on the psychological dimensions that form the basis of a customer's perceived quality of a service. It has served as the basis for quality measurements of the banks and client in numerous research projects and is considered the most common method for measuring service quality (Blešić et al., 2012; Mohammad et al., 2012). The purpose of using SERVQUAL is to provide a diagnostic methodology for uncovering broad areas of a company's shortfalls and strengths (Parasuraman et al., 1988).

### **3.5. Data instrument Administration**

The initial questionnaire developed was piloted to five respondents at each of the five branches. The pilot was done to verify that the questions are clear and unambiguous ensuring the consistency with the objective of the study. This was done to ensure reliability and the validity of the questionnaire.

### **3.6. Variable Measurements**

#### **3.6.1. Independent variables**

The independent variables are the SERVQUAL dimensions: Tangibles, Responsiveness, Reliability, Assurance and Empathy developed by Parasuraman et al. (2012). These dimensions measure customer retention by taking into account the performance of the service and the expectations of customers on the service provided. Several varying number of items were developed to measure each dimension.

#### **3.6.2. Dependent variable**

Customer retention/loyalty is the dependent variable that the study measured with the independent variables. The customer retention is an indicator of customers being satisfied with the services rendered by the bank. Customer retention indicators included repeat business of the customers, referrals by the customers as well as the customers' preference of the bank to others.

### **3.7. Data Analysis**

The raw data obtained from the research is useless unless it is transformed into information for the purpose of decision making (Emery & Couper, 2013). The data analysis involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyse the data for the study. The data was edited to detect and correct, possible errors and omissions that are likely to occur, to ensure consistency across respondents. The data was then coded; to enable the respondents to be grouped into limited number of categories. The Microsoft Excel software was used for this analysis. Data was presented in tabular form, graphical and narrative forms. In analysing the data, descriptive statistical tools such as bar graph, pie charts etc. were used.

### **3.8. Data reliability**

According to Polit & Hungler (2013, p. 445), reliability is the "degree of consistency with which an instrument measures the attribute it is designed to measure". The two questionnaires which were answered by both groups (clients and employees) revealed consistency in responses. Reliability can also be ensured by minimising sources of measurement error like data collector bias. Data collector bias was minimised by the researcher's being the only one to administer the questionnaires, and standardising conditions such as exhibiting similar personal attributes to all respondents, for example, friendliness and support. The physical and

psychological environment where data was collected was made comfortable by ensuring privacy, confidentiality and general physical comfort. The participants were asked to answer the questions at their convenient time and to assure confidentiality, the participants were told not to write their names on the questionnaires.

### **3.9. Conclusion**

In this chapter the researcher provided a theoretical background to the research methodology and has shown how this theory has been applied to provide an overview of the methodology that guided the study. In the following chapter, the analysis, interpretation and results of the empirical study will be provided.

## CHAPTER FOUR: RESULTS/FINDINGS AND INTERPRETATION OF ANALYSIS

### 4.0. Introduction

This chapter presents and reports on the results from the empirical investigation as described in the previous chapter. The data gathered from the questionnaires are based on the responses of Capitec bank's clients and employees in Pinetown, SA.

As stated in chapter three, the research methods used were of a quantitative nature. The quantitative analysis was generated from clients and employees using questionnaire.

### 4.1. RESEARCH RESPONSE

As stated in Chapter three, the sample size for this study is 190 (100 clients and 90 employees). Hence, the response rate was 85% for clients and 91% for employees (see Table 4.1).

**TABLE 4.1: Overall response rate**

Clients	Responses	Percentage %
Received	85	85
Outstanding	15	
<b>Employees</b>		
Received	81	90
Outstanding	9	

Capitec field study work

Table 4.1 below presents the mode of questionnaire data collection. The questionnaire data collection mode was by handing questionnaires out. The questionnaires that were handed out were collected three weeks later.

### 4.2. ANALYSIS OF RESULTS

The questionnaire of the empirical study was divided into three sections for clients and employees: Section A which dealt with biographical details. Section B dealt with dimensions of service quality and section C dealt with the five dimensions of service quality.

#### 4.2.1. Analysis of biographical data

Table 4.2 indicate the age of the respondents. All the age groups in the population were represented in the sample. The majority (47.05%) fell into the 26-35 years age group, (23.53%) fell into the 18 -25 years age group, (17.64%) fell into the 36-50 and (11.76%) fell into 51-60 years age group

**Table 4.2: Age of respondents**

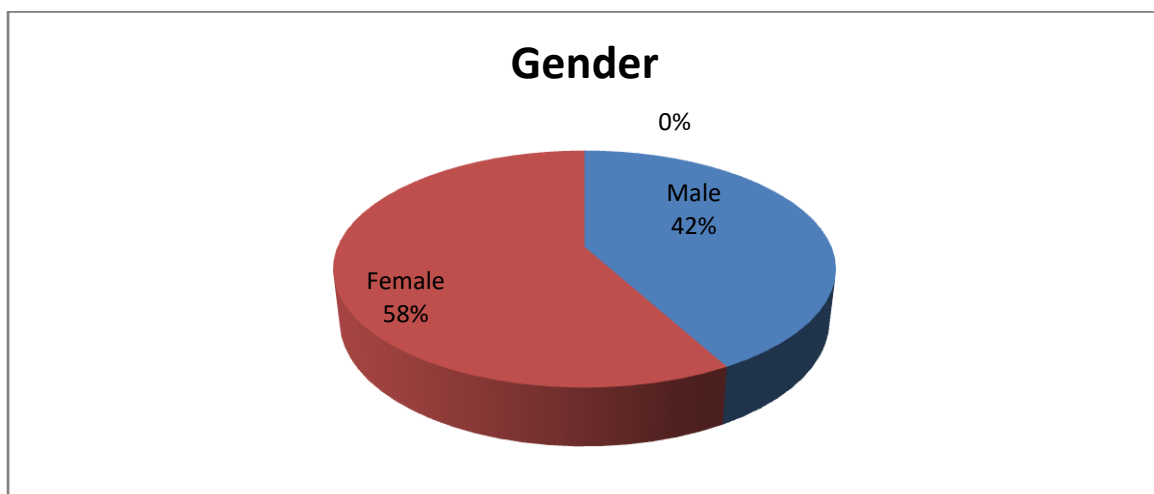
#### CLIENTS AGE GROUP

Years	Respondents	Percentage %
18-25	20	23.53
26-35	40	47.05
36-50	15	11.76
51-60	09	09.41
61-above	07	08.50
TOTAL	91	100

#### 4.2.2. Gender of the respondents

Figure 4.1 indicate the gender percentage of the respondents. Fifty eight percent of the respondents were females while 42% were males.

**FIGURE 4.1: Graphical illustration of respondents' gender (%)**



### 4.2.3. Educational level of the respondents

23.53% had primary school, 58.82% had secondary school while 17.65% had tertiary education.

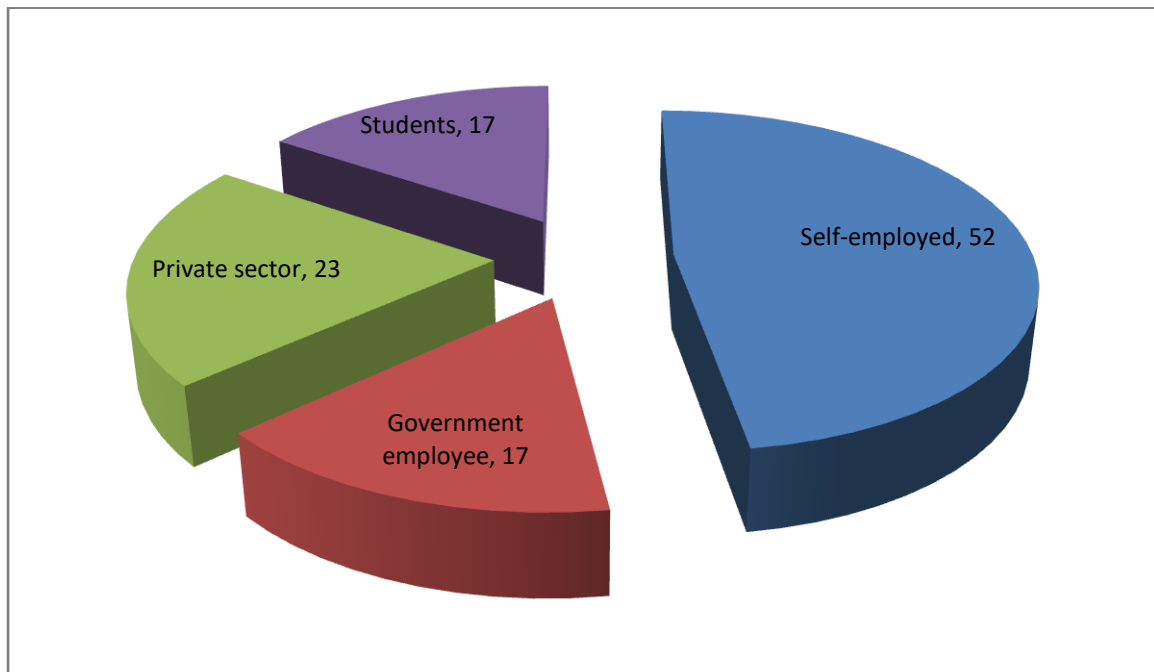
**TABLE 4.3: Educational level**

Level	Respondents	Percentage (%)
Up to primary	20	23.53
Up to secondary	50	58.82
Up to tertiary	15	17.65
TOTAL	85	100

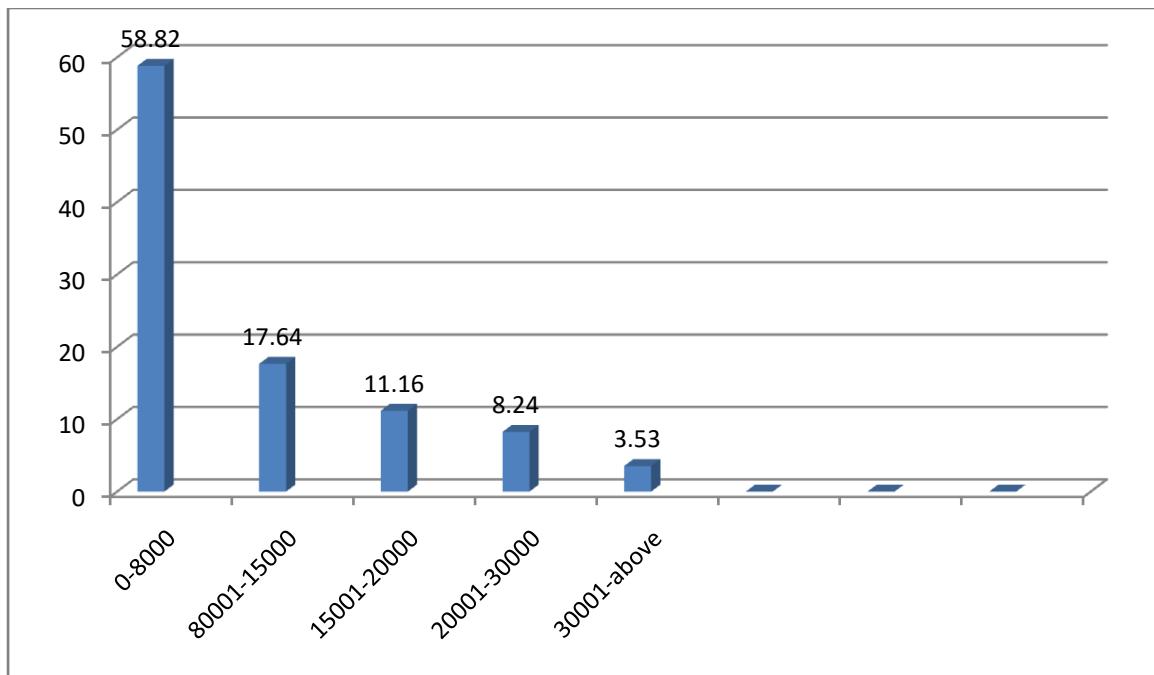
### 4.2.4. Respondent's Occupation

Figure 4.2 indicate the occupation percentage of the respondents. 52% represented self-employed, 17% represented government employee, 23% represented private sector and 17% represented students. However, while self-employed people were the majority, the findings also show that government employees and students have the same percentage of patronage.

**FIGURE 4.2: Graphical illustration of respondents' occupation**



**Figure 4.3: Graphical illustration of respondents' income group**



The figure 4.3 indicates that Capitec bank is still dominated by low income earners as indicated that 58.82% of their clients earns an income up to R8000. This shows that the bank still need to grow its book for middle to high income earners as 3.53% earn above R30 000. These results are in contradiction with the report (figure 2, Capitec internal source) shown earlier indicated that Capitec is attracting more on clients earning eight thousand rand and above.

#### **4.3. Analysis of Service Quality Dimensions of Capitec Bank Pinetown South Africa**

In this analysis a five point Likert scale had been used.

- 1----- Strongly Disagree
- 2 ----- Disagree
- 3 ----- Uncertain
- 4 ----- Agree
- 5 ----- Strongly Agree

In order to measure the level of service quality delivery, the five dimensions: tangibles, empathy, responsiveness, reliability and assurance developed by Parasuraman et al. (2013) were used.

The performance of the services delivered was measured by the customers' expectation and perception of the SERVQUAL dimensions, a descriptive statistics on the respondents from the customers were used to undertake the needed measurements.

The quality gap according to Parasuraman et al. (1988), is the difference between perception (P) and expectation (E). (Q= P-E).

When Q is positive it implies customers are satisfied and when negative dissatisfied

**4.4. Formulas: Mean ( $M = \Sigma(X)/ N$ ), STD  $S^2 = \Sigma (X - M)^2 / n-1$**

**4.5. Responsiveness Dimension**

Responsiveness is the willingness to help clients and provide prompt service and others such as making information available to customers and not appearing too busy to respond to request.

**Table 4.4: Descriptive Statistics on Responsiveness Dimension (Clients)**

***Responsiveness Expectation:***

Item	Mean	Standard deviation
Employees ensure that client comes first	4.78	0.257
The staff is eager to assist	4.5	0.241
The staff give you prompt and quick service	4.65	0.25
The staff constantly updates you regarding your queries	4.2	0.225
Staffs can understand the customers' needs	4.55	0.244
The staff performs the service they promise	4.7	0.22
Average	4.56	

Table 4.4 indicate that the mean score for the expectation were recorded with a mean indicating 4.56, this is an indication that Capitec bank deals with its responsive dimension. Out of the six elements for responsiveness, the item of employees ensuring that the client comes first gave the highest score of 4.78 for its expectation; however it was lower than the perception on 4.20. This indicates that clients feel that the time to service is not too long.

**Table 4.5: Descriptive Statistics on Responsiveness Dimension (Employees)**

***Responsiveness Perception:***

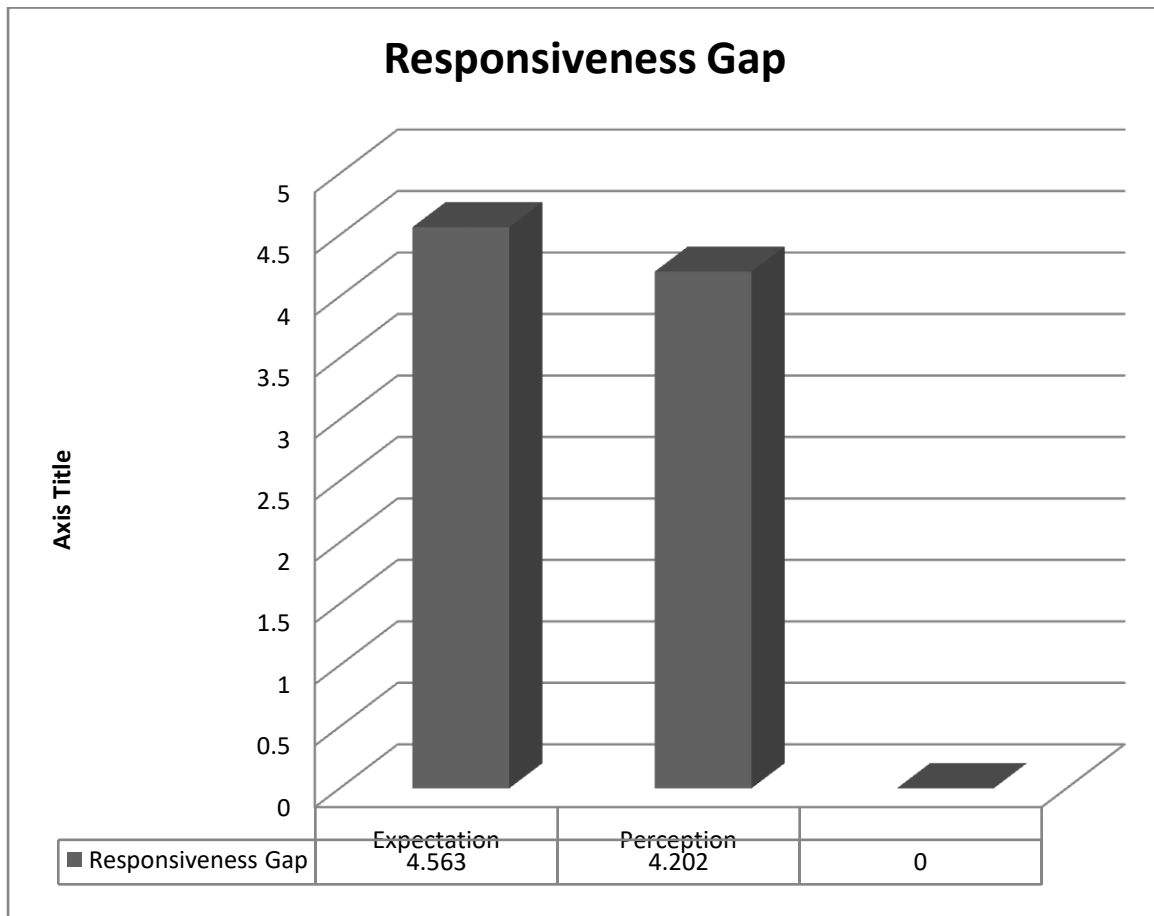
<b>Item</b>	<b>Mean</b>	<b>Gap</b>
You ensure that client comes first	4.20	-0.58
You eager to assist	3.99	-0.51
You give prompt and quick service	4.43	-0.22
You constantly updates clients regarding their queries within service level agreement	4.57	-0.37
You understand the customers' needs	4.32	-0.23
<b>Average</b>	<b>4.2</b>	

**Source:** Field work December 2015

Table 4.5 clearly indicate that, all the mean score for the expectation and perception were recorded with a mean indicating 4.2 which shows the earnestness of which the company deals with its responsiveness dimension. Out of the six items, the item employees give timely service gave the highest mean score of 4.57 for its perception. However, it was relatively lower than the expectation of the clients. This means that clients waiting time is minimal at the banking hall.

The grand mean yielded 4.2 for its perception indicating that clients agree that Capitec Bank is responsive to its services. Overall responsiveness shows that clients are happy with how the bank shows responsiveness towards their clients. An item of the staff updating clients regarding their queries came as the shortfall as the mean expectation was 4.2 on clients and employee expectation was 4.57.

**Figure 4.4: Analysis of service dimension gap for Responsiveness**



The study has shown that the total service quality level of the responsiveness fails to meet the expectation of the customers of Capitec bank as well. As shown in Figure 4.4, as they were expecting a service quality level of 4.563 (84.04%), the bank was delivering a service quality level of 4.202 (99.64%) which falls short of 0.377 (7.54%) on the expectation of the customers and represents an unsatisfactory level of service delivery for the dimension for the descriptive analysis.

#### **4.6. Assurance Dimension**

Assurance Dimension is the knowledge and courtesy of employees and their ability to inspire trust and confidence.

**Table 4.6: Descriptive Statistics on Assurance Dimension (Clients)**

*Assurance Expectation:*

Item	Mean	Standard deviation
Employees are knowledgeable about the product offer	4.65	0.265
The bank honour their commitments	4.57	0.261
The staff are polite towards clients	4.54	0.259
The behaviour and knowledge of employees instil confidence into clients	4.63	0.264
Average	4.85	

**Table 4.7: Descriptive Statistics on Assurance Dimension (Employees)**

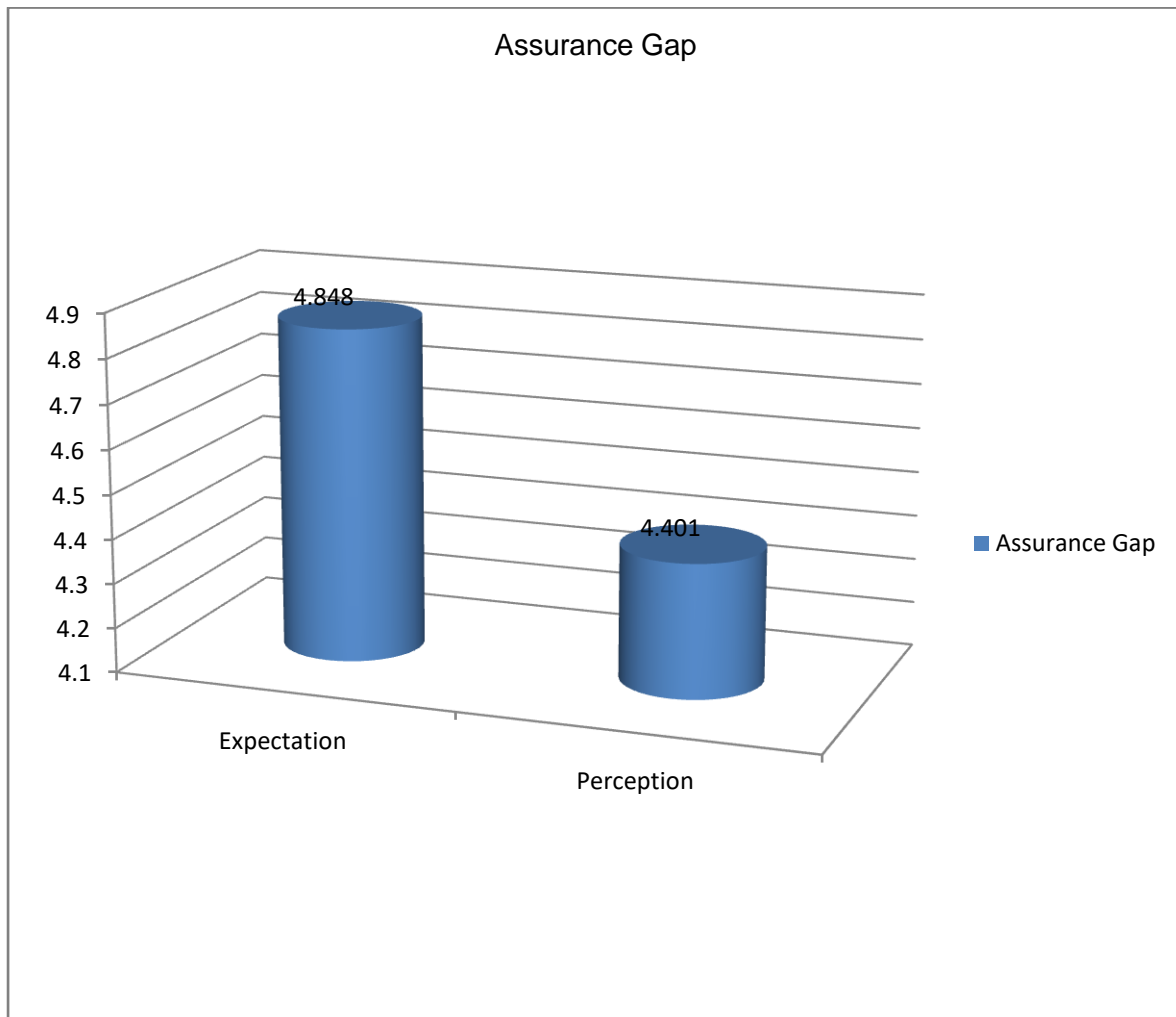
*Assurance Perception:*

Item	Mean	Standard deviation
You are knowledgeable about the product offer	4.43	-0.22
You honour their commitments	4.29	-0.26
You are polite towards clients	4.41	-0.13
Your behaviour and knowledge instils confidence into clients	4.47	-0.16
Average	4.4	

**Source:** Field work December 2015

The explanatory statistics on the assurance shows that, the expectation of the clients as well as its perception all recorded a mean far above 4.0; this shows that clients agree that there is an assurance to transact banking business with Capitec Bank Pinetown. An item in Table 4.7 indicates that the behaviour of employees inspires confidence in customers yielded the highest mean score of 4.47 for the perception factor. This means employees of Capitec Bank exhibit professionalism in their dealings with clients, because they know their work. The grand mean score of 4.40 is also an indicator of customers having assurance in Capitec Bank.

**Figure 4.5: Analysis of service dimension gap for Assurance**



From the gap analysis for satisfaction, respondents were expecting a service quality level of 4.85 (97.00%); they were of the opinion that, they were receiving a service quality of 4.40 (88.20%), a service quality gap of 0.310 (3.80%) lower than their expectation. This shows a general dissatisfaction on the assurance dimension.

The reliability dimension of a business body is the ability to perform the promised service reliably and truthfully, in this study, the researcher deals with the promise of executing a task, solving clients' problems and taking sincere interest in the problems solving and others.

**Table 4.8: Descriptive Statistics on Reliability Dimension (Clients)*****Reliability Expectation:***

Item	Mean	Standard deviation
When you have a problem, staff shows a sincere interest to help you	4.75	0.256
Staff has your personal and banking information up to date and error free	4.63	0.249
Clients can feel a sense of security during the transaction process	4.55	0.258
Employees perform service correctly first time	4.45	0.24
Staff keeps service level consistence to all clients	4.50	0.242
Staff act on their promise	4.60	0.248
Average	4.58	

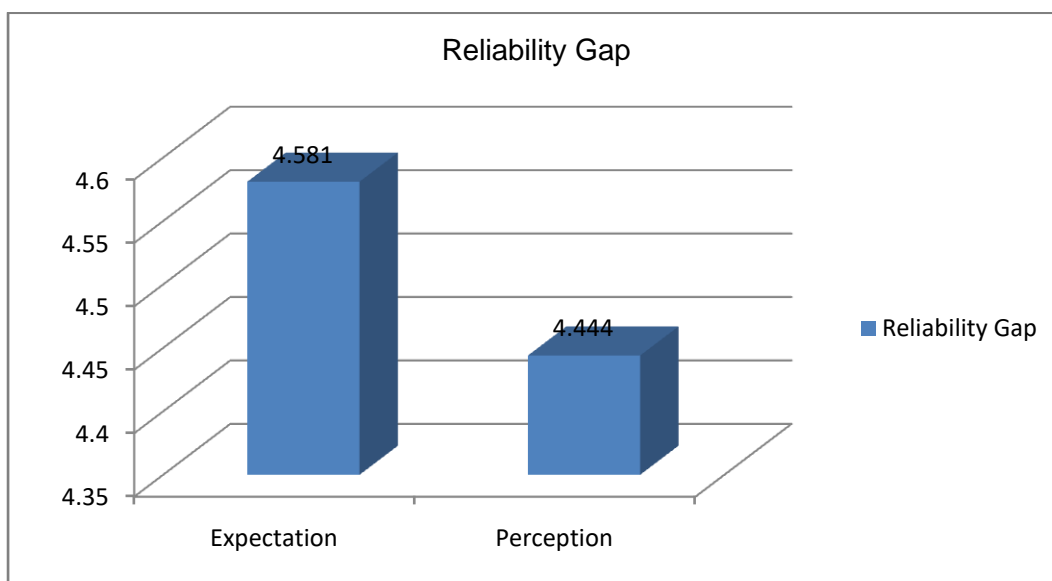
**Table 4.9: Descriptive Statistics on Reliability Dimension (Employees)*****Reliability Perception:***

Item	Mean	Standard deviation
When clients have a problem, you show a sincere interest to help them	4.65	-0.1
You keep clients personal and banking information up to date and error free	4.44	-0.19
You make clients feel a sense of security during the transaction process	4.51	-0.04
You perform service correctly first time	4.53	-0.08
You keep service level consistence to all clients	4.15	-0.35
You act on their promise	4.38	-0.22
Average	4.44	

On the reliability issue the quality services delivered by Capitec Bank, six items were measured. The mean scores of the items in Table 4.8 for both expectation and perception indicate that the services of Capitec Bank are reliable.

Clients are provided with the services as promised and when there are problems, the bank shows interest and the preparedness to deal with the problems customers encounter. Out of the five items measuring service reliability, item; the bank insists on accurate and error free records yielded highest score of 4.53 for its perception. This means that Capitec Bank keeps proper records of transactions and provides as accurate as possible financial statements and other data on transactions of its customers. Cumulatively, irrespective of the higher means for both expectation and perception, the cumulative mean score were 4.581 and 4.444 respectively.

**Figure 4.6: Analysis of service dimension gap for reliability**



As shown in Figure 4.6 above, as customers were expecting a service quality level of 4.581 (91.62%), the bank was rather delivering a service quality level of 4.444 (88.88%) with a service gap of 0.163(3.26%) falling short of the expectations of the customers. This indicates that, quality service delivery was unsatisfactory to the customers in terms of service quality dimension on reliability.

These findings are in total agreement with Hussar (2000), who stated that the increasing rate of technology growth has affected the expectations of customers from their service providers thereby affecting service quality.

#### 4.7. Empathy Dimension

Empathy Dimension deals with the caring, individualized attention the firm provides to its clients

**Table 4.10: Descriptive Statistics on Empathy Dimension (Clients)**

*Empathy Expectation:*

Item	Mean	Standard deviation
The staff always has your best interests at heart	4.4	0.218
The staff gives you personal attention	4.35	0.215
The staff understands your personal banking needs	4.15	0.205
The staff treats you as person with individual needs	4.2	0.208
The bank has operating hours that are convenient to you	4.05	0.2
Staff always willing to listen and carter individual needs	4.1	0.203
<b>Average</b>	<b>4.2</b>	

In Table 4.10, expectation for empathy shows that customers are treated well and the bank understands the importance of satisfying the needs of its clients. Bank employees are trying to be consistent to all clients when it comes to service levels.

**Table 4.11: Descriptive Statistics on Empathy Dimension (Employees)**

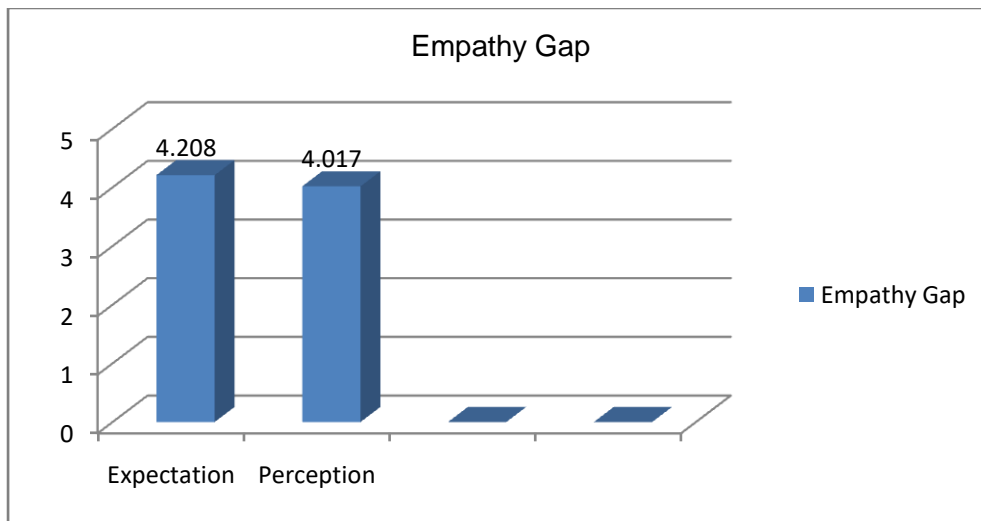
***Empathy Perception:***

<b>Item</b>	<b>Mean</b>	<b>Standard deviation</b>
You are knowledgeable about product on offer	4	-0.35
You keep to your promise	4.01	-0.34
You are polite towards clients	4.02	-0.13
Your behaviour and knowledge install confidence into clients	4.03	-0.17
The bank has operating hours that are convenient to you	4.01	-0.04
Staff always willing to listen and carter individual needs	4.03	-0.07
<b>Average</b>	<b>4.017</b>	

**Source:** Field work December 2015

For empathy dimension, six items were used. Generally, the results shows a higher mean score for perception and expectation which indicate that customers are treated as priority. Capitec Bank understands the needs of its clients and tries all endeavours to give equal attention to all clients without any prejudice. As shown on the table, employees offer customers personal service with the highest mean score of 4.017 for its perception. By aggregation, the grand mean 4.208 also confirms that customers agree that Capitec Bank has its customers at heart.

**Figure 4.10: Analysis of service dimension gap for Empathy**



As shown in Figure 4.10, as customers were expecting a service quality level of 4.208 (84.16%), they were rather giving a service quality level of 4.017 (80.34%), falling short of 0.183(3.66%) of their expectations

#### 4.8. Tangibility Dimension

Tangibility deals with the appearance of physical facilities, equipment, and appearance of personnel, and communication materials, descriptive statistics were taken based on the expectation and the perception of the customers of the bank.

**Table 4.12: Descriptive Statistics on Tangibility Dimension (Clients)**

***Tangibility Expectation:***

Item	Mean	Standard deviation
The branch layout is clearly demarcated and easy to understand	4.63	0.252
The branch is visually appealing and clean	4.7	0.256
The staff is neatly and professionally dressed	4.61	0.251
The branch has modern equipment	4.64	0.253
The equipment of bank is sufficient and visible for customers' usage	4.61	0.251
Average	4.638	

Out of the items, customers are very much interested in the equipment used to deliver the services. With tangibles, the mean results of the items in Table 4.12 indicate that customers agree that Capitec Bank has modern-looking facilities to perform the banking services. Among the tangibles, the item; materials and equipment for service delivery are modern and efficient produced the highest mean.

**Table 4.13: Descriptive Statistics on Tangibility Dimension (Employees)**

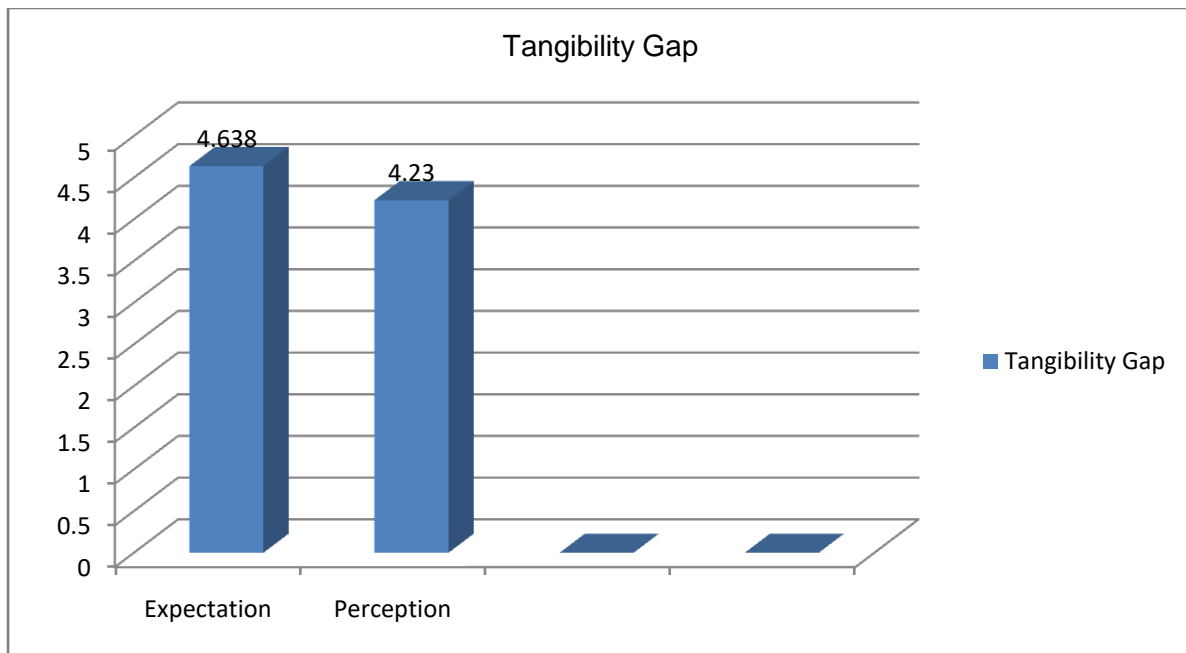
*Tangibility Perception:*

Item	Mean	Gap(Expectation/Perception
The branch layout is clearly demarcated and easy to understand	4.14	-0.48
The branch is visually appealing and clean	4.29	-0.41
You dress neatly and professionally	4.1	-0.51
The branch has modern equipment	4.3	-0.34
The equipment of bank is sufficient and visible for customers' usage	4.01	-0.6
Average	4.23	

**Source:** Field work December 2015

From Table 4.13, the average scores (mean) are so high in relation to the scale of measurement. This means that customers consider visually appealing physical facilities, efficient equipment and good-looking workers.

**Figure 4.11: Analysis of service dimension gap for tangibility**



Evidently, it has been shown from Figure 4.11 that, in terms of tangibility, as the clients were expecting the bank to provide a service quality level of 4.638 representing 93%, the bank are rather providing a service quality level of 4.230 representing 84.6% with a gap of 0.648 (12.96%) lower than the expectation of the customers.

#### **4.9. Client Relationship**

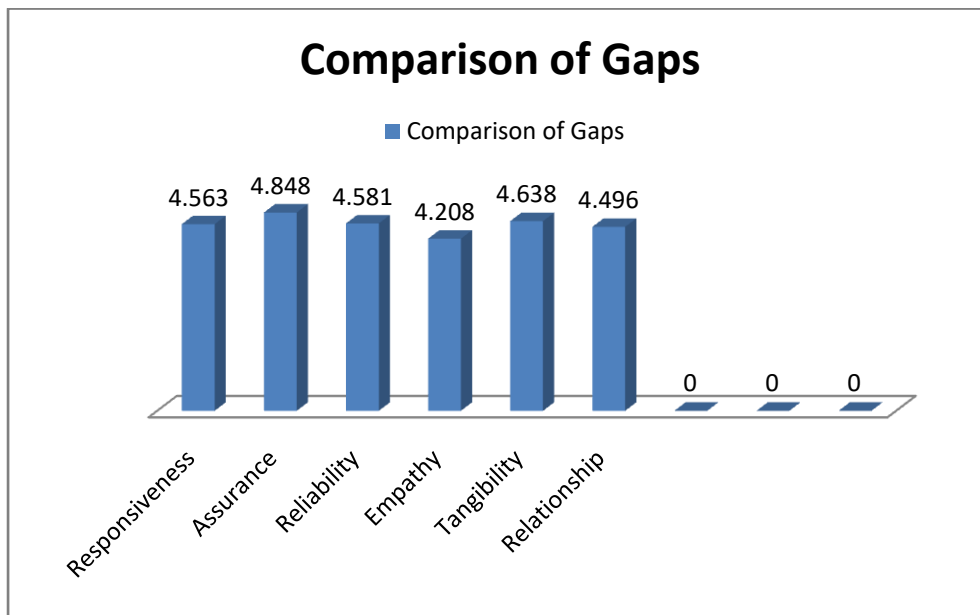
In a broader sense, there are two core elements relationship banking is based on, that relationship banks (1) engage in multiple interactions with the respective borrowers (2) through multiple products and over time and thereby invest in obtaining costly, proprietary information on borrowers that remains confidential.

As a bank provides more services to a customer, it creates a stronger relationship with the customer and gains more private information about him or her. Such relationships can potentially benefit both banks and their customers. For instance, relationship banking can help banks in monitoring the default risk of borrowers, providing the banks with a comparative advantage in lending. Relationship banking can also lower banks' cost of information gathering over multiple products. Depending on the competitiveness of the banking sector, such benefits to banks can lead to increased credit supply to customers, through either greater quantities and/or lower prices of credit (Boot & Thakor, 2014).

#### 4.10. Comparison of Overall Service Delivery Gaps of Service Quality

One of the objectives of the study is to obtain the service delivery gaps of both the expectation and perception of the respondents in the bank in order to establish the trend of the gap analysis for each of the service quality dimensions.

**Figure 4.12: Comparison of General Expectations and Perception of Customers**



#### 4.11. Conclusion

The quality service delivery gaps for the perception and expectation of service delivery among the dimensions were somehow significant by the use of the graphic representation but such significance can only be established with a statistical method. As shown in Figure 4.12, the gap for tangibility, reliability, responsiveness, assurance, empathy and relationship were insignificant since all dimensions were having a perception mean value more than an average of 4.0. SERVQUAL performance of quality service delivery by measuring perception indicates the seriousness of which the bank attached to its service delivery to be able to compete keenly in the market for expansion of customers which agrees with Beerli et al. (2004) who describes clients satisfaction as the measure of the extent a bank fulfils the general expectations of a client and how far and/or close does the existing bank come to the clients' ideal bank in his or her mind

## **CHAPTER FIVE: DISCUSSION OF FINDINGS**

### **5.0. Introduction**

This chapter puts together all the information gathered from the first four chapters. The objectives, literature reviewed, the methodology and the data analysed in the previous chapters.

The discussion summary generated out of the objectives is also presented in this chapter. A conclusion to the project as well as recommendations for further studies to Capitec Bank as a company is presented in this chapter.

### **5.1. Discussion**

This project presents the relationship between service quality and the customer satisfaction at Capitec Bank Pinetown region. The five SERVQUAL dimensions showed a positive relationship with the client satisfaction. It was also suggested that the suitable instrument that can be used to measure the service quality is the SERVQUAL model. Bank Managers can also use it to measure service quality on their own respective branches as that will result in a standardized level of client service. Clients will not have to prefer one branch over the other but will be indifferent as a result of the standardize service.

Various findings of the discussion of data analysis emerge, which tends and satisfy the objective of the study. The discussion has been categorized into various subsections to deal with the specific objectives of the entire study and other results which also followed from the analysis of the data.

### **5.2. Service Quality Dimensions Discussion**

The study brought to bear that, both customers and staff were found to be in an agreement with a higher score for the five service quality dimensions. It became evident that, customers were grading the service quality with respect to the level of satisfaction for service rendered to them. On the part of the customers, tangibility was found to be the best dimension, followed by assurance, empathy, reliability and responsiveness, whereas on the part of staff tangibility and assurance were also found to be the best dimensions, followed by responsiveness, empathy and reliability. Clearly the responses from the customers were quite consistent as compared to the service perception from the staff. Both staff and customers

agreed that, tangibility is the best delivery of all the dimensions, and reliability was found not to be of its best.

### **5.2.1. Assurance on clients and employees**

The finding for customer service quality in this study has revealed that assurance is an important element to measure client satisfaction (Yu-Chi et al., 2015). This element came as the best on the results (Table 4:6). Knowledge and courtesy of the employees which includes their ability to inspire trust and confidence to everyone walking in the bank is very important for sustainability and growth of the bank. The study showed that both clients and employees understand the importance of the assurance. Clients are trusting banks for their huge funds therefore it is important for banks to ensure their commitment to keep their money safe.

Product knowledge was the most important part on the assurance dimension. This was indicated by the result as the highest measure on assurance. It is crucial for any business to ensure that employees are perfectly educated or trained about the features and the benefits of the products they are offering. Service consultant used that information to fill up the gaps clients are identifying during the client interaction. Employees would know exactly how and which need is suitable for an individual client and that is sold with much confidence. The study showed that product knowledge is one of the elements that attract and retain clients at Capitec bank. According to Sadek et al. (2010), in British banks, assurance means the polite and friendly staffs, provision of financial advice, interior comfort, eases of access to account information and knowledgeable and experienced management team.

According to Ramana (2014), the behaviour for each employee shows a huge effect on the client's confidence in remaining and in spreading positive word of mouth. Capitec staff is not spending most of their time on external marketing, but they use the opportunity of the client sitting with them at that time to optimize and offer more than the client's expectations. This assists the Capitec Brand to improve. The results also showed that assurance dimension ensures the sustainability and growth at Capitec bank as the company.

The outcome confirms the effect on focusing elements of SERVQUAL model is directly affecting the level of service. The service offered by Capitec Bank on assurance outperforms the customer expectation resulting in the long lasting relationship, trust and customer retention.

### 5.2.2. **Tangibility on clients and staff**

The result revealed that tangibility had the best result on both clients and staff. The client's expectations were however, slightly more than that provided by the bank. This is in agreement with Rubinstein (2010), who found out that, because business globe is moving across borders, tangibility of corporation has increased dramatically across all service delivery. This finding may be attributed to that fact since banks are in a competition for customers, items on tangibility were expected to be higher. However this is not so, since perception falls short of the expectation of the customers, which also can be attributed to the fact that, respondents are having higher expectations thereby leaving it in such underscore for its perception on the tangibles ( Table: 4:12).

The outcome is in agreement with Capitec Bank mission statement of ensuring simplicity. The bank wanted to attract all those clients who preferred to keep their savings at home because of the perception that being in the bank premises is a hassle and some were getting uncomfortable. The workstations for all Capitec Bank branches are designed for all clients to have direct contact with service consultant, no barriers, made things better in terms of communication. Using the client's own language, having non complicated layout was an added advantage for Capitec bank clients.

Employees are more open and enjoy how they interact with clients. The branch environment and layout is making things easier for the service consultants to connect with their clients which is enabling them to have a personal touch and come up with things that would add value to clients. Clients are then open to contact consultants for whatever problems they are experiencing, thereby creating the long lasting relationship with clients. Service consultants use that opportunity of giving excellent service to create a positive word of mouth while optimizing the client in front of them.

The service offered by service personnel at Capitec Bank branches is in line with the Gronroos (2001) opinion which suggests that perceive service is to be either high-touch or high-tech. Capitec Bank is on High-touch services as the bank mostly depends on employees in the service process producing the service. Capitec Bank long term plan is to become the best bank in the world and they understand that people's side of business is important for the bank to deliver high- touch service.

High-tech services are predominantly based on the use of automated systems, information technology and other types of physical resources. Gronroos maintains that high-touch also includes physical resources and technology-based systems that have to be managed and integrated into the service process in a customer-oriented fashion (Gronroos, 2001). This strategy had a positive outcome at Capitec as a support for service personnel to perform more than expected by the clients. Banking services include both high-tech and high-touch services. For example, high-tech services include Internet/Telephone/Short Messaging Service (SMS), ATM machines whereas high-touch services consist of instructions and personnel assistance in using the services.

### 5.2.3. **Empathy dimension on clients and employees**

According to the results, empathy is seen as caring and giving of undivided attention to individual clients (Parasuraman et al., 2012). Empathy requires a business to identify a gap in the market and fill that gap to satisfy the need that is not yet satisfied. Capitec bank saw a gap where potential clients were in need of the banking extended hours which is convenience for clients. The study also reveals that growth in Capitec Bank number of clients is because clients are able to go to work and be able to find the Capitec bank branches still open after working hours to cater their individual needs. Ananth et al. (2011) referred to empathy in their study on private sector banks as giving individual attention, convenient operating hours, giving personal attention, best interest in heart and understand customer's specific needs. The research findings concurred with Ananth, that putting clients in the centre of the business objective; know what they want, and then act on their needs that were preciously not catered for is the tool to grow each business.

It is interesting to see that although employees are not that keen to the extended working hours, client expectation is showing good response as it indicates that employees are still acting on their best interest and gives full personal attention during the client interaction.

### 5.2.4. **Reliability discussion on client and employees**

The study findings on reliability shows that the clients' expectation is (4.581) while employees' expectation is (4.444) (see table on reliability). This shows that in terms reliability that is handling customers' services problems, performing services right the first time, provide services at the promised time and maintaining error-free record (Parasuraman et al., 2012), Capitec Bank has highly efficient and effective service delivery plans. This is more revealed in the information given by the majority of respondents that Capitec provides

paperless transaction by making sure that all clients' information are well captured and stored in the system to avoid human error in capturing. The study results also concurred with Yang et al. (2014), which state that reliability consists of accurate order fulfilment, accurate record, accurate quote, accurate in billing, accurate calculation of commissions and keeping services promise.

### **5.3. Perception of Capitec Bank service on Customer Satisfaction on**

The higher the service quality dimension delivery which eventually results in a higher satisfaction level of customers, the higher the performance of the company (Ananth et al., 2011). The findings on SERVQUAL model values shows that the service quality dimensions tend to have an impact on the performance of the operations of Capitec Bank Pinetown. This was evident due to the general agreement among the total service quality delivery of service dimensions of Capitec Bank, Pinetown. Setting the service level agreement high has resulted in more clients' satisfaction in most areas of service dimensions. The use of mystery shopper had made it possible for Capitec to achieve outstanding results on client service.

### **5.4. Relationship between quality service and Customer Satisfaction on Operations of Capitec Bank**

The study reveals that, the customers' satisfaction on the service quality dimensions tends to have a positive impact on the operations of Capitec Bank. Due to the satisfaction level on the various dimensions, it has led to a positive impact on the effects of customers relationship with Capitec Bank Pinetown as was given by the staff to be of better leading to a more positive delivery on operations of Capitec Bank as was realised in the customers comparison of services of Capitec Bank Pinetown and their competitors in the industry. In other words it was found that, customers' satisfaction caused Capitec Bank, Pinetown to improve on its operations as their customers are always ready to embrace new innovations from Pinetown.

### **5.5. Customer Satisfaction effects on Individual Staff**

The relationship between Capitec Bank Pinetown and its customers were found to be cordial and mutual in terms of quality service delivery. This has resulted in an increased knowledge of staff and hence improved the confidence level of customers. Comparison of the perception of service revealed that, staff perception on their service delivery was found to be consistent with that of the customers in terms of ranking the order of priority of delivery on both sides. This indicate that, staff also become satisfied when customers are satisfied and put much confidence in them, which is much convincing that they are delivering their best to their

customers. Hence customer satisfaction has effect on the delivery of duties of an individual staff.

### **5.7. Conclusion**

Service quality delivery acts as a feedback of the overall delivery of services to customers and clients of the company. This study effectively assesses the effectiveness and efficiency of customer satisfaction with service delivery in Capitec Bank Pinetown on the background of the ever increasing competition in the Banking industry through service delivery. The study assessed the level of quality service delivery and its effect on customer satisfaction at Capitec Bank in Pinetown.

Generally, the responses to service quality dimensions used to measure the performance of the banking services provided by Capitec Bank, Pinetown South Africa established that the bank services are relatively high. All items measuring the service quality dimensions gave average score of more than 4.0. By comparing the average scores to the scale of measurement, service performance is agreed by customers to be high. The services are reliable, employees' behaviour response confidences in customers, the bank's physical facilities are attractive, equipment for service operations is efficient, and customers are given equal attention. Notwithstanding the high average scores, the level of service performance varies from one dimension to the other.

Among the dimensions, reliability ranked first as the highest performance of the banking services. By this, Capitec Bank is consistent in the delivery of banking services as promised at every time and all time, trying to be as accurate as possible with less error in record keeping. Despite the high average scores of service performance, the expectations of the customers on banking services also yielded high average scores beyond 4.0 for each of the items measuring the SERVQUAL dimensions, but considering the items in aggregation, varied scores were achieved with tangibility yielding the highest grand mean score. Customers expect the Bank to focus on tangible factors like computerisation, ATMs among others to attract customers.

By comparing the average scores of the respondents regarding the performance and expectations of customers on the banking services provided by Capitec Bank Pinetown, customer expectation responses yielded higher scores than the performance of the services provided by Capitec Bank. The average scores of customers' expectations exceeded that of the perception of the SERVQUAL dimensions. It can be concluded from the analysis that,

customers are not satisfied with the services of the Bank. However the differences between the scores are not much significant, because percentage performance relative to expectation ranges from 90% to 96%.

With a little effort banking services of Capitec Bank can be at par with customers' expectations. To ensure customer retention, Capitec Bank needs to revise its quality strategy, giving particular attention to the expectations of the customers, improve all the SERVQUAL dimensions to exceed what the customers expect. By this, there will be a guarantee to retain the customers.

## **CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS**

### **6.0. Introduction**

Presentation and investigation of the study was done in the previous chapter. The outcome was then integrated with the results from the literature as well as that of the problem statement. There were important factors that needed to be a focus for Capitec bank for acquisition and retaining clients while making a profit. This is the last chapter and the final one. It joins together everything from the first to the fifth chapter. This chapter includes the recommendations which are looking at the study and conclusions.

### **6.1. Limitations**

A number of participants/respondents did not buy in for participation. They regarded the study as the waste of their time as they had to use their lunch time to complete the questionnaire. They did not see the benefit of the study because of the assumption that senior management will not even look or value their opinions. It was supposed to take them at least two days to bring back the document, but some of them took more than three days and the researcher had to constantly remind them to respond.

Senior management could not allow clients to take more time completing the questionnaire after being assisted as that took time for those clients who were waiting for assistance. Time of service and time to service was negatively affected because the researcher needed to have extra minutes with a client before leaving the work station.

Some respondents (clients) were finding it difficult to understand the language used in the questionnaire, which resulted in more time spent to complete. Researcher had to translate to their language of convenience. Some respondents were using their lunch time for work therefore making it difficult to finish due to time constraint.

### **6.2 Recommendations**

Using the findings and the analysis, recommendations are made for improvement purposes.

#### **6.2.1. Service Quality Delivery**

Industry is characterised by steep competition. It is recommended that management should effectively look at all areas affecting quality of service negatively. Reliability and responsiveness came as the focus area of improvement in the study and reasons contributing

to that should be identified. Management need to look at the processes that does not add value to their clients as well as inviting propositions from the employees on what support they need from management to offer not good but great client service. Action plan will help not only on great service but will also keep and attract more clients which will result in growth and sustainability.

### **6.2.2 Reliability recommendations**

Capitec bank needs to look at each root cause of problem from all angles. Combine all issues that are reported to their client care department with those escalated to online customer service site (Hello peter). The banks need to see if there is no relationship of common finding from those complains. Management of Capitec bank will then need to come up with the corrective action based on a specific area of concern. The action plan must be in a way that no reputation of the similar problem happens in future.

Management need to change complaints platform especially when the client complains about the branch. Client care department will still sent the complaint back to the branch for the management of that branch to solve the problem. This may be bias because it may happen that the branch manager had already attended to a query but the client was not happy. Therefore a complaint department needs to deal will all complains sent by the clients. That department must then have a turnaround time to report back to the client and they should be measured on it.

Complaint department should have a department within the department, auditing and doing a follow up if the client's complain was resolved and if the client was happy with the outcome. Client need to be asked for their recommendations as well on the problem so that the bank will know exactly what clients want.

Branches in Pinetown Region are mostly very busy branches based on the researcher's observation. Management are expected to be at the banking hall driving and ensuring the smooth operation especially on client service. This limits managers the time to be spent on emails and on responding to clients which delays the turnaround time to report back to the client. Time of service targeted tome to be extended. Service consultants are pressurising with a targeted time to spend with the client and end up making errors when capturing client's details. Sometimes service consultants would make errors when calculating client's net take home pay and even advice client to obtain settlement letters using incorrectly

captured information. This result in clients not getting what was promised to them when the actual transaction is done and the client is not qualifying for the product that was promised earlier.

### **6.2.3. Responsiveness recommendations**

Responsiveness includes the readiness of the service consultant to assist clients. Each consultant have name badges all the time , however it does not disclose if the consultant is still new in the company or is an old service consultant. Clients expect the same level of product knowledge and level of confidence. It becomes difficult for the newly recruit to offer the same level of information. To have their name tags as Trainee will indicate to the client that a person who is assisting at that time might not have all information hence it is recommended to have Trainee badges.

A service consultant attend to clients from eight in the morning till six or more depending how busy the branches are with one hour lunch time. It is expected of them to be on their work station all the time and to show same attitude from the first client to the last client. Energy levels may be affected such that the midday to late client may not receive the same service. It is then recommended that each branch has shift work to maintain same level of client service.

### **6.2.4. Empathy Recommendation**

Management need to relook some of the processes that were implemented to enhance or to show exclusive client service. Each service consultant is expected to stand up and greet each client that comes into the consultant's workstation. The process is quickly affecting the energy levels on the employees side due to exhaustion, thereby affecting the quality of actual service received from the client. It is then recommended for management not to make it compulsory for the process to be done as it contributes more harm than benefit.

### **6.2.6. Tangibility recommendation**

Capitec bank is operating on a queuing tickets system where clients are issued with the tickets according to their needs as soon as they enter the branch. There are two televisions from which the tickets are called from. Clients do get confused as the system is not as user friendly as possible especially when the branch is too busy as same number would be called but with the different letter. Clients will then assume their tickets is being called as they often

look at the number itself. It is recommended that the sitting plan for client who comes for cashier and enquiries be together separately to those clients who come to be assisted from the consultants side. Clients should be directed and sit facing the television screen where their tickets will be called.

#### **6.2.7. Ongoing research on SERVQUAL**

Due to competition from other four banks it is recommended that, Capitec Bank should regularly and periodically research on their service quality dimension and to know how each dimension is performing as part of its strategy for competition.

#### **6.2.8. Comparison of Capitec Bank to their Competitors**

It is recommended that Capitec should use the compliment or complaint box in each and every branch. Management should check and analyse on what clients are not happy with. This will assist in continuous improvement and to act on exactly what client wants. Follow up on all reveters to find out why they left Capitec to the other bank and also interview randomly why clients are switching their banking to Capitec bank. This will help Capitec to avoid similar mistakes by the other banks as well as to correct the mistakes Capitec is doing. In view of this, it can lead to customers switching in their numbers to Capitec Bank, thereby leading to increase in customer base and resulting in increase in revenue.

#### **6.2.9. Suggestion for further research**

On the academics front, future researchers are hereby called upon to conduct a research to measure the service quality delivery of the various Capitec bank regions of the same level, to ascertain the extent of service quality delivery among overall Capitec banks in South Africa. Further study on why employees do not value the research done on service quality. Identify if they understand that it is a tool that can be used to better their working environment as well as making life easier for both employees and clients.

Research was unable to obtain as much response from clients due to time constraint, therefore further research to be done where sample size will be bigger so that more clients' input will be known and be taken into consideration.

### **6.3. Conclusion**

In this chapter an outline of the scope of research was discussed for the aim of understanding the bases of the recommendations. Recommendations to accomplish research objectives were done. Finally, gaps for more research were identified.

Capitec bank has become competitive and is showing growth with more clients joining the bank. That makes competition tough as they are taking clients from other banks. Competition is becoming stronger as the market that they targeting is becoming the target for other banks as well. It does not end there; Capitec is also expanding its markets from lower to middle income group. Therefore, competition is from every side of the market which requires client to be a centre of each and every bank.

The recommendations will make it feasible for Capitec banks to acquire and keep their clients satisfied. Effective feedback to clients should be a continuous process to enhance trust.

SERVQUAL model came as a useful tool in assessing the service quality at Capitec bank. Some elements of the model came as focus area for the bank as improvement is needed from it. Clients are not having any idea on what are Capitec service levels agreements on quality of service hence their responses showed that Capitec bank is exceeding their expectations.

Capitec Bank policies, procedures and processes are in line with the client service; however employees, specifically service consultants, feels that they are not complying with the service level agreements due to long working hours. They feel it is impossible for them to give the first up to the last client the same level of client service.

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## **8.0. Appendix**

Questionnaire

Informed consent form

## QUESTIONNAIRE TO CUSTOMERS

Dear Sir/Madam

You have been selected to respond to this questionnaire for the study of “**ASSESSMENT AND ANALYSIS OF CUSTOMER SATISFACTION WITH SERVICE DELIVERY OF CAPITEC BANK, PINETOWN**”. You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential.

Thank You.

Please choose the option that applies to you by putting a cross on a tick column. Please give only ONE answer.




### Section A:

Demographic	Characteristics	Tick
Gender	Male	
	Female	
Age Group	18-25	
	26-35	
	36-50	
	51-60	
	Above 61	
Education Level	Up to Primary Level	
	Up to Secondary Level	
	Up to Tertiary Level	
Occupation	Self Employed	
	Government Employee	
	Private Sector Employee	
	Student	
Income Group	0-8000	
	8001-15000	
	15001-20000	
	20001-30000	
	30001 and above	

**Section B:**

When completing this section, please indicate how the following statements apply to you as CAPITEC BANK client.

I chose CAPITEC BANK because:

The six dimensions of service quality	Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Reliability	1. When you have a problem the Staff shows a sincere interest to help you.					
	2. The staff has your personal and banking information up to date and error free.					
	3. Customers can feel a sense of security during the transaction process.					
	4. Employees perform service correctly the first time.					
	5. Staff keeps service level consistent to all clients.					
	6. The staff performs the service they promise.					
						
Responsiveness	7. Employees ensure that client comes first.					
	8. The staff is eager to assist.					
	9. The staff give you prompt and quick service.					
	10. The staff constantly updates you regarding your queries.					
	11. Staffs can understand the customers' needs.					

Dimensions of Service Quality	Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Assurance	12. The staffs are knowledgeable about product on offer.					
	13. The bank can honor their commitments.					
	14. The staff is polite towards you.					
	15. The behavior and knowledge of the staff instill confidence in you.					
Empathy						
	16. The staff always has your best interests at heart.					
	17. The staff gives you personal attention.					
	18. The staff understands your personal banking needs.					
	19. The staff treats you as person with individual needs.					
	20. The bank has operating hours that are convenient to you.					
	21. Staff always willing to listen and carter individual needs.					

Dimensions of Service Quality	Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Tangibles	22. The branch layout is clearly demarcated and easy to understand.					
	23. The branch is visually appealing and clean.					
	24. The staff is neatly and professionally dressed.					
	25. The branch has modern equipment.					
	26. The equipment of bank is sufficient and visible for customers' usage.					
	27. The branch ATM easily assessable to client.					
	28. Capitec Bank ATM is user friendly.					
Relationship	29. Staff connects and gives personal touch with clients.					
	30. You trust the staff members who personally deal with your accounts.					
	31. The bank addresses your credit [or lending] needs.					
	32. The staff provides you with good advice on your accounts.					
	33. The branch staff is always accessible to you, especially when you need them the most.					
	34. You trust your bank staff.					
	35. The staff communicates with you in a manner that you understand.					

**Section C:**

When completing this section, please indicate how the following statements apply to YOU AS CAPITEC BANK EMPLOYEE.

The six dimensions of service quality	Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Reliability	1. When the client has a problem you show a sincere interest to help.					
	2. You capture client's personal and banking information up to date and error free.					
	3. You make clients feel a sense of security during the transaction process.					
	4. You perform service correctly the first time.					
	5. You keep service level consistent to all clients you interact with.					
	6. You perform the service promised.					
Responsiveness	7. You ensure that client comes first.					
	8. You eager to assist.					
	9. You give prompt and quick service.					
	10. You constantly update clients' queries within service level agreement.					
	11. You understand customers' needs.					

Dimensions of Service Quality	Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Assurance	12. You are knowledgeable about product on offer.					
	13. You keep to your promise.					
	14. You are polite towards clients.					
	15. Your behavior and knowledge instill confidence into clients.					
Empathy						
	16. You always have client best interests at heart.					
	17. You give your full attention to clients.					
	18. You always try to understand clients' personal banking needs.					
	19. You understand client's individual needs.					
	20. You always willing to listen and carter for clients' needs.					

Dimensions of Service Quality	Statement	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Tangibles	22. The branch layout is clearly demarcated and easy to understand.					
Relationship	23. The branch is kept appealing and clean.					
	24. You always dressed neatly and professionally.					
	25. The branch has modern equipment.					
	26. The equipment of bank is sufficient and visible for customers' usage.					
	23. You connect and give personal touch with clients.					
Relationship	24. You ensure to build trusting relationship with your clients					
	25. The bank addresses your credit [or lending] needs.					
	26. You provide clients with good advice on their accounts.					
	27. You always accessible to clients when they enter the branch.					
	29. You communicate with clients in a manner that they understand.					

19 November 2015

Mrs Fikile Olga Mkhize (9805550)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mrs Mkhize,

Protocol reference number: HSS/1547/015M  
Project title: The assessment of Quality Service at Capitec Bank in KZN

**Full Approval – Expedited Application**

In response to your application received on 20 October 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

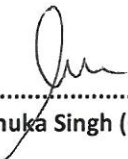
Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

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

Yours faithfully



.....  
Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Professor S Migiro  
Cc Academic Leader Research: Dr Muhammad Hoque  
Cc School Administrator: Ms Zarina Bullyraj

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