UNIVERSITY OF KWAZULU-NATAL

UNDERSTANDING DECLINING CUSTOMER SERVICE RATINGS AT A MAJOR SOUTH AFRICAN COMMERCIAL BANK

By

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CONFIDENTIALITY CLAUSE
Date 2008-07-16 **TO WHOM IT MAY CONCERN**
Due to the strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of 6 months.   Sincerely   D Munien

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I, Devanamah Munien declare that

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Date   16 July 2008

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ABSTRACT

In recent years, the four major South African commercial banks (ABSA, Standard, First National Bank and Nedbank) have been measuring customer satisfaction and loyalty through market research, the results of which reflect their customers' perception of service delivery by these banks. Standard Bank has shown steadily declining service levels since 2004 as perceived by its customers in the feedback to the monthly customer service surveys.

Standard Bank, Personal and Business Banking in KwaZulu-Natal is the case study of this research. The Bank in KwaZulu-Natal implemented structural, technological and process changes during the period 2004 to 2006. Customers expressed dissatisfaction with the installation of centralised contact centres and retail credit centres during their visits to the bank. Customer dissatisfaction was evident in the customer comments in the monthly customer survey. This provided strong motivation to the Standard Bank's Central Customer Service Support Unit that customers still preferred the personal touch rather than the speed and efficiency that technology and new structures and processes promised to deliver. Senior Executives at the bank were measured on sales and service performance in their areas of responsibility. The customer service component comprised a weighting of 45% of the overall performance scorecard. There was a growing concern that the bank needed to regain customer confidence and as a result, repositioned itself as a bank that focuses on meeting customer needs balanced with a need to be profitable.

Enhancing customer loyalty has become a popular topic for managers, consultants and academics. The arguments in support of loyalty are simple to understand. Loyal customers are reported to have higher customer retention rates, commit a higher share of their category spending to the firm, and are more likely to recommend others to become customers of the firm (Keiningham, Cooil, Aksoy, Andreassen & Weiner 2007).

The Standard Bank subsequently adopted the strategic operating model with customer centricity as the core theme in August 2006. The operating model is underscored by the

strategic C@Ps (Compass Aligned Performance System) that aligns the Bank's performance with its strategic objectives.

To monitor their performance and guide improvement efforts with regard to customer loyalty, managers frequently rely on customer feedback systems. This feedback is typically obtained through customer surveys that contain measures of satisfaction, repurchase intention, and word-of-mouth intention (Keiningham et., al 2007).

Customer feedback survey ratings at this bank indicate a downward trend since 2003. This study will focus on customer service ratings in KwaZulu-Natal branches during the period 2004 to 2007, total customer accounts in the bank's books in KwaZulu-Natal, the ATM availability statistics and attempt to link these changes to the declining service ratings.

Customer satisfaction is strongly influenced by customer expectations. The gap between perceived quality and expected quality, called "expectancy disconfirmation is a strong predictor of customer satisfaction (Keiningham et., al 2007). Customer responses in the monthly feedback surveys indicate dissatisfaction with service delivery in some areas of the bank. This study will further investigate the competence of the two core customer delivery channels, the Automated Teller Network and the Branch Network in delivering to customer expectations.

The research will be conducted by analysis of secondary data available on the customer service ratings for the period 2004 to 2007. ATM uptime data has been made available from the bank's ATM reports for the period 2004 to date.

To assess whether the declining customer service ratings have contributed negatively to retention of customer accounts, secondary data available from the bank's database will be analysed and the findings presented in this study.

The knowledge and competence level of staff in the bank will be analysed by the results from questionnaires sent to a population of branch and support staff in the bank. This research was conducted through the use of questionnaires handed out to a cross-section of the bank's population in 6 randomly selected branches in urban KwaZulu-Natal. When conducting research for the purpose of this study, quantitative and qualitative methods were used.

From the research it was noted that the performance of the ATM delivery channel could have contributed to declining service levels. This was evident in the ATM availability information from 2004 to date. The research has provided a base for a weak positive correlation between the performance of the ATM and the Customer Evaluation of Branch (CEBS) ratings. Although the ATM performance shows levels above 96%, it is evident that customers are experiencing variations in the service provided at ATM's in the province.

Analysis of secondary data available in the bank's database, shows that accounts opened during the period 2004 to 2007 were significantly higher that the total number of accounts closed. From the total accounts on hand at the end of each month for the period under review, it is clear that the total accounts are on the increase year on year. It is easy to conclude from the analysis of available data that declining service levels have not contributed to a loss of customer accounts, however, the scope of the research does not allow for investigation into the value of accounts closed and opened.

From the analysis of responses to the questionnaires, it is noted that there is a moderate correlation between the knowledge and competence of staff and the creation of value for customers. Good customer service cannot be predicted by trained and knowledgeable staff alone.

Employees need to develop a sense of ownership of delivery to customers. This should be facilitated by line managers and supervisors. The bank is fortunate in that it has numerous improvement interventions at its disposal, including a structured framework in

which staff can develop and enhance customer service skills and their performance managed accordingly. This will ensure that individual employees are motivated to be a critical link in the chain that delivers quality and creates customer value.

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<div align="center">**CHAPTER ONE**</div>

Introduction to the Study: Understanding Declining Customer Service Ratings at a Major South African Commercial Bank

1.1 Background of the Study

In recent years, the four major South African commercial banks (ABSA, Standard, First National Bank and Nedbank) have been measuring customer satisfaction and loyalty through market research, the results of which reflect their customers' perception of service delivery by these banks. Standard Bank has shown declining service levels since 2004 (Standard Bank, Service Support Department May 2007).

Standard Bank, Personal and Business Banking in KwaZulu-Natal is the case study of this research. The Bank in KwaZulu-Natal implemented structural, technological and process changes during the period 2004 to 2006. Customers expressed dissatisfaction with the installation of centralised contact centres and retail credit centres during their visits to the bank. Customer dissatisfaction was evident in the customer comments in the monthly customer survey. This provided strong motivation to the Standard Bank's Central Customer Service Support Unit that customers still preferred the personal touch rather than the speed and efficiency that technology and new structures and processes promised to deliver. Senior Executives at the bank were measured on sales and service performance in their areas of responsibility. The customer service component comprised a weighting of 45% of the overall performance scorecard. There was a growing concern that the bank needed to regain customer confidence and, as a result, repositioned itself as a bank that focuses on meeting customer needs balanced with a need to be profitable (Standard Bank Service Support Department May 2007).

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To monitor their performance and guide improvement efforts with regard to customer loyalty, managers frequently rely on customer feedback systems. This feedback is typically obtained through customer surveys that contain measures of satisfaction, repurchase intention and word-of-mouth intention (Keiningham et., al 2007).

1.2 Problem Statement

Customer feedback survey ratings at this bank indicate a downward trend since 2003. This has been established through an in-depth analysis of customer ratings of the bank's service undertaken by Markinor – an independent research company (Standard Bank Service Support Department May 2007). This study will focus on changes within this bank during the period 2004 to 2007 and attempt to link these changes to the declining service ratings.

This study will investigate the performance of the two core customer delivery channels, the Automated Teller Network and the Branch Network in delivering to customer expectations. The downward trend in customer ratings is evident in an analysis of monthly customer surveys for the period 2004 to 2007. This is a cause for concern as excellent customer service is the key differentiator in retention of customers and sustained business growth.

 1.3 Objectives of the Study and Research Questions

The primary objective of the research is to investigate why there has been a decline in customer service ratings. In order to achieve this, an in-depth understanding of the two core delivery channels i.e. the ATM and the Branch Network will be needed. This will be explored in detail in the study to be undertaken.

By far, the most commonly used customer perceptual metric by managers is satisfaction (Keiningham et., al 2007). Keiningham et., al (2007) observe that this is "because it is generic and can be universally gauged for all products and services (including non-profit and public services). Even without a precise definition of the term, customer satisfaction is clearly understood by respondents, and its meaning is easy to communicate to managers."

Customer satisfaction or dissatisfaction results from experiencing a service quality encounter and comparing that encounter with what was expected (Keiningham et., al 2007). What must be taken into account is the customer's need for quality improvements and his willingness to pay for it.

For Retail Banking, share-of-wallet is defined as the stated percentage of total assets held at the bank being rated by the customer. Researchers Jones and Earl Sasser (Keiningham et., al 2007) assert, "the ultimate measure of loyalty, of course, is share of purchases in the category" (i.e. share of wallet).

Markinor South Africa conducts bi-monthly market research on behalf of Standard Bank Personal & Business Banking. This is based on a sample of customers that have concluded transactions at the bank's branches during the previous month. This survey comprises a list of questions that customers answer based on their experience at the bank. The outcome of this survey reflects as a score out of 10 (rolled up as a provincial score) and attempts to measure customer perception of the Bank's service on a monthly basis. The Bank's survey results have shown a declining trend since 2004. In 2004 the score was 8.70 declining to 8.46 in 2007 (Standard Bank Service Support Department May 2007).

Based on the review of literature on customer satisfaction, the following research questions will be answered by this study. Understanding the question is an essential first step to effective question answering (Kwon 2007).

The purpose of the study is to compile current customer survey data in order to investigate declining service rating by:

- Analysing and evaluating the performance of the Standard Bank's ATM and Branch Network channels in meeting customer needs;

- Measuring to what extent lower customer service ratings negatively impact on customer retention;

- Determining if lack of knowledge & skills of bank staff contribute to lower customer service ratings.

The following research questions will be answered by this study:

1. Is there a relationship between the response times of the ATM network and lower customer service ratings?
2. Is there a negative impact on customer retention due to lower service ratings?
3. Is there a relationship between lower customer service ratings and the current knowledge and competence level of bank staff?

Much of the research regarding customer satisfaction and customers' actual behaviour has focused on the relationship between satisfaction and retention. This emphasis is largely the result of early research, which identified customer retention as a key driver of firm profitability (Keiningham et., al 2007).

1.4 Research Methodology
Information will be gathered from both secondary and primary sources as listed below.

1.4.1 Secondary Sources
Information will be obtained from various sources, such as text books, journals, previous studies on the subject. Information will also be obtained from the Standard Bank's intranet site and use of the internet. Customer survey data will be obtained from the bank's Service Support Division. This will provide customer scores per month for each year as well as detailed customer comments for each customer surveys. In-depth analysis of these comments will contribute to root cause analysis of declining customer service survey scores. Account volume information will be obtained from the bank's Business Support Division.

1.4.2 Primary Sources

Primary data will be sourced through administering of questionnaires for completion by total permanent staff population of the selected six branches in the city and surrounding area of Durban. Written approval was obtained from the Provincial Director, Operations in KwaZulu-Natal. All stakeholders have been assured that information obtained will be treated as confidential and that the results will be used for research only.

1.4.3 Target Population

The target population constitutes the staff of the Standard Bank Personal and Business Banking in KwaZulu-Natal).
In KwaZulu-Natal there is a total of 52 branches and a total of 1484 employees. Questions will be in a format in which respondents are asked to indicate on 5 point Likert scale. The data would be analysed using SPSS computer software. A pilot study will be done with 15 employees. The target population is the employees in the bank's Branch Network. Timeframe for the research will be four months.

1.4.4 Research Instrument

A questionnaire will be designed with the following sections. Biographical data such as gender, age, income, qualification, experience and department will need to be completed. The second part of the questionnaire requests respondents to select one item on a 5 point Likert scale. The first five questions relate to Training/Knowledge and Competence, while the second five questions relate to Customer Service. Every employee at the selected branches will receive a questionnaire to be completed and returned to the researcher in a reply-paid envelope.

1.4.5 Results and Interpretation of Data

Secondary data will be collected for each year as required for the study and interpreted through the use of bar charts and trend graphs.
Primary data will be analysed using SPSS computer software and conclusions drawn from the reports produced.

1.5 Limitations of the Study

The study will be conducted in the bank environment and feedback will be provided by the employees of six branches (Albert Street, Greyville, Musgrave Road, Florida Road and Durban North and Overport City). The responses of staff will be based on the levels of experience, their understanding of how their individual contribution influences how customers perceive the bank's service. Their response would also be determined by how they are managed by their immediate superiors and how their performance is measured against set criteria. There is also the danger of incorrect or irrelevant performance measures that dictate what they learn and how they perform. The population at branches is diverse and the responses will depend on the style of leadership that prevails at the branch. One of the six branches is newly installed and responses from this branch may show greater variation.

1.6 Definition of Concepts

Key concepts used in this study are explained below:

- Structure: authority relationships coordinating mechanisms, job redesign and spans of control
- Technology: work processes, work methods and equipment
- People: attitudes, expectations, perceptions and behaviour
- Outsourcing: refers to the practice of having another company (known as a vendor, third party provider, or consultant) provide products and services to an organization as an alternate to the organization providing the services from within .
- Value Chain: the primary analytical tool of strategic cost analysis is a value chain identifying the separate activities, functions and business processes that are performed in designing, producing and marketing, delivering, and supporting a product or service. Value chain identifies the primary activity that creates value for customers and the related support activities (Thompson, Strickland and Gamble 2005).
- Service quality: is a measure of how well the service level delivered matches the customer's expectations. Delivering quality service to customers

consistently means that customer expectations are met and their experiences should be consistent.

- Customer Service refers to the processes for handling and addressing customer complaints, customer financial queries, face-to-face, or telephonically or electronically (BMI – Techknowledge, S A Call Centre Report, 1998).

- The balanced scorecard is a technique to measure business unit performance which can also be used at department or cluster level. Developed by Kaplan and Norton (Lynch 2000), the balanced scorecard combines quantitative and qualitative measures of the selected strategy. The scorecard uses various perspectives to give a balanced picture of current performance and drives future performance. Typically the four perspectives are financial, customer, business process and innovation.

1.7 Structure of the Study

The chapters in this study are as follows;

Chapter One - This is the introductory chapter the presents the problem to be investigated. It outlines the aims of the study and the hypotheses that will guide this study.

Chapter Two - Chapter two presents relevant literature and previous studies on the problem.

Chapter Three - The research methods used in the study, research design, research instruments and their administration, as well as their analysis are discussed in this chapter.

Chapter Four - This chapter introduces the subject of this study, The Standard Bank of South Africa Limited, Personal and Business Bank in KwaZulu-Natal.

Chapter Five - This chapter presents the results as well as the analysis. The results are presented in the form of figures, tables and trend graphs.

Chapter Six - This chapter tables the recommendations and concludes the study.

1.8 Conclusion

This chapter introduced the research problem, objectives and limitations of the study. The next chapter will review literature relevant to the case study.

CHAPTER TWO

Literature Review

2.1 Introduction

In the previous chapter the research problem, the objectives and limitations of the study was introduced. A brief overview of the research methodology to be applied was recorded.

The business environment in South Africa is constantly changing and no organisation can isolate itself from the changes and remain profitable. Be it public or private organisations, they have to face the reality that to exist and be relevant they have to change with the needs and preferences of those stakeholders that are the reason for their existence. This in itself means the organisation also has to, in view of the globally competitive environment, continue to redefine and align its strategy to meet the changing demand. Therefore organisations are expected by stakeholders (such as customers, employees, shareholders and government) to devise and execute strategy that will drive profitability and retain their customers.

The objective of this literature review is to present the theoretical background of how customers behave and what motivates this behaviour. The key concepts covered in this review make reference to the studies by authors Mullins (2005), and Perreault and McCarthy (2005). The remainder of this chapter will discuss the importance of strategy, organisational behaviour, the management of people in the organisation, the necessary legislation and different approaches to creating and adding customer value.

2.2 Corporate Strategy

Lynch (2000) defines corporate strategy as concerned with an organisation's basic direction for the future: its purpose, its ambitions, its resources and how it interacts with the world with which it operates. Its people, its finances, its production methods and its environment (including its customers) play a role in this strategy.

Lynch (2000) further describes corporate strategy as an organisation's sense of purpose.

Every organisation has to manage its strategies in three main areas:

> the organisation's internal *resources;*
>
> the external *environment* within which it operates; and
>
> the organisation's ability to *add value* to what it does.

Lynch (2000), maintains that in order to determine what makes "good" corporate strategy, several important questions need to be asked around three core areas of corporate strategy:

- Was the purpose itself reasonable? For example, perhaps the purpose was so easy that any old strategy would be successful.
- What do we do when it is difficult to define the purpose clearly, beyond some general objective of survival or growth? Such vagueness may make it difficult to test whether a "good strategy" has been developed.
- Since the whole purpose of strategy is to explore what we do in the future, can we afford to wait until it has been achieved before we test whether it is good?

Lynch (2000) lists the key success factors in a strategic analysis of the environment and refers to Porter's Five Forces Model as contributing to analysing the competitive industry environment. Porter identifies five basic forces that can act on the organisation:

1. the bargaining power of suppliers;
2. the bargaining power of buyers;
3. the threat of potential new entrants;
4. the threat of substitutes; and
5. the extent of competitive rivalry.

2.3 Building Capable Organisations:

A capable organisation is able to identify problems with respect to participation behaviours in the four core domains (family life, livelihood, environmental stewardship and civil society), formulate effective policies to respond to these problems, design effective programmes to reflect these policies, and manage their

implementation in ways that optimise impact. When an organisation is capable, it is able to co-ordinate, influence and balance the economic, political and social factors that shape human capacity development. Economic factors include growth rates, labour market conditions, international economic relationships and conditions, private sector activities, and development assistance.

2.4 Leadership

According to *Useem*, (Mullins 2005) leadership is a matter of making a difference. It entails changing an organisation and making active choices among plausible alternatives, and depends on the development of others, and mobilising them to get the job done. Leadership is at its best when the vision is strategic, the voice persuasive and the results tangible. Today leadership is increasingly associated not with command and control but with the concept of inspiration, of getting along with other people and creating a vision with which others can identify.

Good leadership involves the effective process of delegation and empowerment. The leadership relationship is not limited to leader behaviour resulting in subordinate behaviour. Leadership is a dynamic process. The leader-follower relationship is reciprocal and effective leadership is a two-way process which influences both individual and organisational performance (Mullins 2005).

Customers have great freedom and can do almost anything they want. They have no real responsibility to the organisation. However, it is the way the organisation's people are led that will determine how well they will support the organisation's objectives in keeping and growing their customer base.

2.5 Organisational Structure

Structure is the pattern of relationships among positions in the organisation and among members in the organisation. Structure makes possible the application of the process of management and creates a framework of order and command through which the activities of the organisation can be planned, organised, directed and controlled. The structure defines tasks and responsibilities, work roles and relationships and channels of communication. The structure of an organisation affects not only productivity and economic efficiency but also the morale and job satisfaction

of the workforce.   Structure is also an essential feature of the learning organisation and empowerment and must be responsive to the changing environment.

The functions of the formal structure, and the activities and defined relationships within it, exist independently of the members of the organisation who carry out the work.   However, personalities are an important part of the working of the organisation.   In practice, the actual operation of the organisation and success in meeting its objectives will depend upon the behaviour of people who work within the structure and who give shape and personality to the framework (Mullins 2005).

2.6 Organisational Behaviour

Organisational behaviour is concerned with the study of the behaviour of people within an organisational setting.   In involves the understanding, prediction and control of human behaviour.   The study of organisational behaviour embraces therefore an understanding of:

- The behaviour of people
- The process of management;
- The organisational context in which the process of management takes place;
- Organisational processes and the execution of work; and
- Interactions with the external environment of which the organisation is part
(Mullins 2005).

2.6.1 Organisational Excellence, Core Values and Core Competencies

2.6.1.1 The Search for Organisational Excellence

The organisation is one of mankind's all-time great inventions. An organisation is intended to operate as one unit, with all its parts in efficient coordination. But too often it does not. The parts operate at disparate levels of efficiency, or they overlap, or they work against one another's best interests - therefore against the best interests of the organisation as a whole. There is misunderstanding and miscommunication, sometimes by accident and sometimes not. Things get done, progress is made. But not enough of the right things to get done as well as they should. Progress, however it

is defined, does not meet expectations. The search has been on for many years to find ways of improving organisational effectiveness. Everyone agrees that there is room for improvement, that the organisation as we know is not perfect. Failure of the organisation to perform as a functional unit limits full realisation of its potential. What to do about it and how to improve the organisation to make it more productive an efficient are subjects of great disagreement (Kepner and Tregoe 1981).

2.6.1.2 Building Quality into People

There seems to be a need to come up with human-oriented definition of organisational excellence, which clearly signals, that the first step in building organisational excellence is building quality into people. Such a definition, which is called "the 4P" definition of organisational excellence, has been presented by Dahlgaard and Dahlgaard-Park (2006). According to this definition, organisational excellence is a result of building quality into the following 4Ps:

1. People
2. Partnership
3. Processes of work; and
4. Products/service products.

The first priority of any quality strategy must be to build quality into people, which is the essential foundation and necessary catalyst for improving partnerships, processes and products. But what does that really mean? In order to answer the that question we need to understand human nature, human needs and human psychology, because the project of "building quality into people" can only be carried on when we get a profound knowledge of people and psychology (Dahlgaard and Dahlgaard-Park 2006).

2.6.1.3 Rational Management

Rational Management means making full use of the thinking ability of people in an organisation, it is a continuing process. It aims at major change and therefore demands major commitment. We must identify the significant people within the organisation, for they should be the first to learn and use new ideas. It is imperative to pinpoint all the people within an organisation who make things happen. The

objective is to move the organisation closer to its full potential (Kepner and Tregoe 1981).

2.7 The People-Organisation Relationship

It is the general belief that the majority of people come to work with the original attitude of being eager to do a good job, and desirous of performing well and to the best of their abilities. People generally respond in the manner in which they are treated. Where actual performance fails to match the ideal this is largely as a result of how staff perceives they are treated by management and the management function (Mullins 2005).

2.7.1 Human Resource Management

To make the best use of people as a valuable resource of the organisation, attention must be given to the relationship between staff, and the nature and content of their jobs. The work organisation and the design of jobs can have a significant effect on staff and their levels of performance and productivity. Attention needs to be given to the quality of working life. The manager needs to understand how best to make work more satisfying for staff and to overcome obstacles to effective performance.

Recognition of the needs and wants of staff and of the nature of grievances is a positive step in motivating them to perform well. The efficiency, their commitment to the aims of the organisation, and the skills and attitudes they bring to bear on the quality of service offered are fostered by good human relationships and HRM policy and practice.

2.7.1.1 Impact on Profits

A major study undertaken for the CIPD (Chartered Institute of Personnel Development) confirms people management issues do have a tangible effect on profits. Research based on an intensive examination of more than 100 medium-sized manufacturing firms in the UK reveals that:

- People Management is not only critical to business performance: it also outstrips emphasis on quality, technology, competitive strategy or research and development in its influence on the bottom line.

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- Companies whose attitude surveys reported high levels of job satisfaction and commitment among staff showed improving financial performance.
- Furthermore, HR practices explained nearly one-fifth of the variation between companies in productivity and profitability.

The results strongly support the link between effective people management and strong business performance (Mullins 2005).

2.7.2 Human Capacity Development

Duanne Schultz states in his book Growth Psychology: Models of the healthy personality that the theme of a highly popular movement, called "growth psychology", is to find and define a healthy personality. According to the growth psychologists there is a desirable level of growth and development that goes beyond "normality". They argue that it is necessary for human beings to strive for that advanced level of growth in order to realise, or actualise, all of their potential (Viviers et., al 2000).

Schultz refers to Abraham Maslow who states the problem clearly: "If you deliberately plan to be less than you are capable of being, then I warn you that you will be unhappy for the rest of your life". The concept of healthy personality, which obviously connects with our theme of a competent human being, is vitally important.

In the mid-1970's Stephen Covey started reviewing 200 years of success literature as part of a doctoral programme (Viviers et., al 2000). Covey cautions that much of the success literature of the past 50 years is superficial because it is filled with social image consciousness, techniques and quick fixes – with social band-aids and aspirin remedies that confront acute problems and sometimes even appeared to solve them temporarily, but leave the underlying chronic problems untouched to fester and resurface time and again (Viviers et., al 2000).

According to Schultz, in Maslow's view all human beings have an innate striving or tendency to become self-actualising. We are motivated by other universal and innate needs, arranged in a hierarchy form from strongest to weakest. We can think of Maslow's hierarchy of needs as a ladder. Lower level needs must be satisfied before we can move to higher order needs. He claims that according to Jung the first

requirement of individuation is that the person be aware of those aspects of the self which have been neglected. Jung defined the individuation process as that of becoming a unique individual, a single "homogeneous being". It also implies becoming one's self (Viviers et., al 2000).

Salutogenesis – "sense of coherence" is a new approach, which replaces the old pathogenic orientation. In terms of this approach, stress need not necessarily be viewed negatively in the workplace or in people's private lives, but as an opportunity for optimisation which can lead to positive outcomes regarding stress and coping (Viviers et., al 2000).

2.7.3 Lifelong Learning in an Organisation

Self-Development in the 1970's and 1980's was used to describe an individual's attempts to develop knowledge, skills and abilities. A person's efforts towards self-betterment were aimed at doing what the job required successfully. Nothing has changed in the 21st century. We still need to be effective in terms of knowledge, skills and abilities to do a good job. To convert an organisation into a learning organisation, it will need change agents to help it withstand the onslaught of the new millennium and global competition (Viviers et., al 2000).

2.7.3.1 Training

Organisations provide the transfer of knowledge and skills through specially designed training programmes that should meet the needs of the organisation. Banks are increasingly providing the core training (hard skills) through their learning centres by use of satellite, desk, computer based training facilities. Outsourcing the interactive, leadership, teamwork and other "soft" skills is becoming a common feature in the business arena, with vendors vying for business producing similar outcomes through the use of different programmes. To this end, business benefits from training and development and the broader knowledge that comes from vendors that employ training consultants that have experience and knowledge of the industry on a national or global perspective. Often this also hampers transfer of learning as line management can abdicate the responsibility of the transfer of skills into the workplace, relying solely on the delivery of knowledge and skills by the vendor without the continuity of increasing competence back in the workplace.

2.7.4 Different Work Situation

Some people may have a set motivation to work, whatever the nature of the work environment. However, different work situations may also influence the individual's orientation to work. For example, the lack of opportunities for teamwork and the satisfaction of social expectations may result in an instrumental orientation to work, and a primary concern for economic interests such as pay and security. In other situations where there are greater opportunities to satisfy social needs, membership of work groups may be very important, and individuals may have a more solidaristic orientation to work. It is the responsibility of management to manage. But organisations can only achieve their aims and objectives through the co-ordinated efforts of their members. This involves the effective management of human resources. However it is important always to remember that it is people who are being managed and people should be considered in human terms. Unlike physical resources, people are not owned by the organisation. People bring their own perceptions, feelings and attitudes towards the organisation, systems and styles of management, their duties and responsibilities, and the conditions under which they are working. At the heart of successful management is the problem of integrating the individual and the organisation, and this requires an understanding of both human personality and formal organisations. Management should, therefore, endeavour to create the right balance between the interrelated elements which make up the total organisation, and to weld these into coherent patterns of activity best suited to the external environment in which the organisation is operating. Consideration must be given to developing an organisational climate in which people work willingly and effectively. People and organisations need each other. Attention should be focused, therefore, on improving the people-organisation relationship. Management is an integral part of this relationship. It should serve to reconcile the needs of people at work with the requirements of the organisation. Management is essentially an integrating activity which permeates every facet of the operations of the organisation. The style of management adopted can be seen as a function of the manager's attitudes towards people, and assumptions about human nature and behaviour (Mullins 2005).

2.7.5 Reward and Recognition

Skinner tries to explain motivation through linking rewards to time intervals or the rate of performance (Misselhorn 2005).

"Employee recognition is better used with a sense of purpose – to systematically link it to the performance and behaviour you are most seeking" (Nelson 2005). Research by Dr Gerald Graham of Wichita State University supports these observations. In multiple studies, he found that employees preferred personalised, instant recognition from their direct supervisors more than any kind of motivation. In fact, in another survey of American workers, 63% of the respondents ranked a "pat on the back" as a meaningful incentive. In Graham's studies, employees perceived that manager-initiated rewards for performance were done least often, and that company-initiated rewards for presence (that is, rewards based simply on being in the organisation) occurred most often. Dr Graham concluded, "It appears that the techniques that have the greatest motivational impact are practiced the least even though they are easier and less expensive to use."

Graham's study determined the top 5 motivating techniques reported by employees to be:

1. The manager personally congratulates employees who do a good job.
2. The manger writes personal notes about good performance.
3. The organisation uses performance as the basis for promotion.
4. The manager publicly recognises employees for good performance.
5. The manager holds morale-building meetings to celebrate success.

For example (Nelson 2005), Robin Horder-Koop, manager of programmes and services at Amway Corporation, the distributor of house and personal-care products and other goods in Ada, MI, uses inexpensive ways to recognise her 200 people who work for her on a day-to-day basis:

- thank you notes for employees who help out in other departments as well as a luncheon with company officials in the executive dining room;
- workers are recognised on a rotating basis. Each month photos of different employees are displayed on bulletin boards along with comments from co-workers about why they are good colleagues;
- She sends thank-you notes to employees' homes when they do outstanding

work and notes to the family thanking them for their support when an employee has to work overtime or travel extensively;

- At corporate meetings, employees play games such as Win, Lose or Draw and the Price is Right, using questions about the company's products. Winners get prizes such as tote bags and T-shirts (Nelson 2005)

2.7.6 Increasingly Diverse Workforce

Changes in today's work environments include more than innovative technology, team management, and different work routines. You can also expect to see hordes of new faces. The number of working women has increased in the past decade therefore male dominated jobs are now a thing of the past. Communicating in this diverse work environment requires new attitudes and skills. Acquiring these new employment skills is certainly worth the effort because of the benefits diversity brings to consumers, work teams, and business organisations. A diverse group of employees is better able to read trends and respond to the increasingly diverse customer base in local and world markets. In the workplace, diversity also makes good business sense. Teams made up of different people with different experiences are more likely to create the different products that consumers demand. Customers also want to deal with companies that respect their values. They are more likely to say. "If you're a company whose ads don't include me, or whose workforce doesn't include me, I won't buy from you" (Guffey, Rhodes & Rogin 2005).

2.7.6.1 South African Context

The African race group makes up the majority of the consumer population in South Africa. The buying power of this group has increased tremendously in the years following the first democratic election of 1994 where the African National Congress won by a majority vote to rule the country. Access to education and equal employment opportunities has seen this group's earning power grow. Trade barriers due to apartheid have also disappeared, making South Africa a global player in world markets. The trade within South Africa has also burgeoned due to cheap imports from China, India and other growing economies. This has created entrepreneurial opportunities within our borders with local folk taking advantage of self employment in the sale of these goods. In order to meet the needs of diverse groups making up the country's population it is important for business to structure their communication so

that it meets the needs of all people. An example here is, in KwaZulu Natal, with the greater banking population made up of Zulu speaking Africans, the employees at branches and the facilities available do not meet the needs of these customers by virtue of language, promotions, advertising etc. In many of the KwaZulu Natal branches, frontline staff cannot speak or understand Zulu, causing much frustration for customers. In the rural branches it is often the case that the entire staff population is African hence communication does not become an issue.

2.8 Marketing

Marketing plays an essential role in providing customers need-satisfying goods and services and, more generally, in creating customer satisfaction. Simply put, customer satisfaction is the extent to which a firm fulfils a customer's needs, desires, and expectations. Production and marketing are both important parts of a total business system aimed at providing customers with need- satisfying goods and services. These together supply five kinds of economic utility: form, task, time place and possession utility that are needed to provide consumer satisfaction (Perreault and McCarthy 2005).

2.8.1 The Marketing Concept and Customer Value.

A customer may look at a market offering from two views. One view deals with the potential benefits of that offering; the other concerns what the customer has to give up in order to get those benefits. A consumer is likely to be more satisfied when the customer value is higher i.e. benefits exceed costs by a larger margin. Competition cannot be ignored. Consumers have choices about how they will meet their needs (Perreault and McCarthy 2005).

Firms that embrace the marketing concept seek ways to build profitable a long-term relationship with each customer. Building relationships with customers requires that everyone in a firm work together to provide customer value before and after each purchase.

2.9 Role of Needs in the Business Cycle

A **want** refers to a vague feeling that something is absent or unavailable, although the missing "something" cannot always be clearly defined. A **need,** on the other hand, is experienced much more intensely and the object of a need is definable. It refers to anything that is necessary but lacking or constitutes a condition requiring relief. It is a strong internal desire to gain, acquire or achieve something. It creates an uncomfortable tension within a person until the desire is satisfied. In formal terms, a need is the psychological feature that awakens an organism to action towards achieving a desired goal, forming the reason for the particular action and giving purpose and direction to behaviour. All human beings experience diverse wants and needs. The satisfaction of these wants and needs forms the underlying stimulus for any business activity. People feel needs and then try to satisfy them. When one need is satisfied, another appears in its place. Businesses work on these never-ending needs spiral. The unsatisfied needs experienced by consumers are business opportunities to business people. The more needs that can be created, the better the business climate. Business activities are therefore driven by the satisfaction of human needs (Nieman & Bennett 2006).

People are willing to go to great lengths to satisfy their needs. It an ingrained urge in human desire to gain maximum satisfaction with minimum effort, that is, to get the highest satisfaction of needs with limited need-satisfying resources. This is called the **economic principle** and forms the fundamental basis of economic activity (Nieman & Bennett 2006).

We (as consumers) have to make choices to satisfy our various needs. Consumers are willing to offer much to relieve the desire for certain products and services. This universal drive for need satisfaction provides a stimulus to business ventures. Businesses must therefore identify the needs for specific products and services and make these available to prospective customers. This forms the foundation of business.

2.10 Shift Focus to Customer and the Demand Chain

Traditionally, the initial focus in managing the supply chain was on components (raw materials) which are assembled (or transformed in the case of raw materials) and

pushed through distribution channels in the hope that someone will buy them. Most often, these products were derived not from some demonstrated need or customer preference, but from the manufacturer's historical strengths, resources and best instincts. The tradition supply chain is a linear, left-to-right progression in which the consumer stands passively at the end. This is not only due to competition, but also to the fact that we are in an "era of compression" characterised by shrinking populations in some parts of the world owing to a drop in birth rates in developed countries and because of the Aids epidemic in developing countries like South Africa. Fewer new consumers will therefore buy products and services. At the same time, consumer buying behaviour is changing. People are spending less time shopping than in the past, focusing instead on other ways to spend valuable time and energy (Nieman & Bennett 2006).

2.11 Product Development and Product Management

2.11.1 Product Failure

Product failures are seen amongst the best firms, therefore there can be no easy answer to the question "What leads to new product success"?

The leading cause of new product failure is the absence of a perceived need by the intended end-user. If our development process begins with a problem/need the end user has and agrees is important, then we have answered the toughest question. Fortunately, organisations today are getting close to their stakeholders (Crawford and Di Benedetto 2006).

2.11.2 New Product Development

As part of new product development, input from stakeholders are taken into account in developing products. Product development in Standard Bank has in recent years taken cognisance of customer needs, however, there are still many gaps in the features that originally promised to deliver value for the customer. Hence the many service breakdowns and service recovery initiatives that is undertaken each month. Customer complaints regarding the absence of a promised feature in a product is frequently seen in the feedback received from customers.

2.12 Price

Price is a measure of value. Prices in the marketplace are a rough measure of how society values particular goods and services. If consumers are willing to pay the market prices, then apparently they feel they are getting their money's worth. Similarly, the cost of labour and materials is a rough measure of the value of the resources used in the production of goods and services to meet these needs. "Give customers what they need" – in the past each department (Financial, Sales, etc.) thought of its own activity as the centre of the business. Although much has changed since then, it still holds true in many companies today (Perreault and McCarthy 2005).

2.12.1 Pricing by the Four Major Banks in South Africa

In recent months, the main four banks in South Africa (ABSA, First National Bank, Nedbank and Standard Bank) have been criticised for pricing that makes banking services unaffordable for the ordinary consumer. Basic bank charges for withdrawals and deposits are seen as too high and unreasonable. Recent media articles view bank charges as fixed by what is seen as the "monopoly" of the "big four banks". Bank charges are currently under review by the Competition Commission after pressure from unions and watchdog organisations. Comparisons amongst similar products found that the pricing was more or less the same given the various pricing packages for different accounts.

2.13 Brands and Branding

2.13.1 Brand Preference

A brand is a "name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition."

According to Phillip Kotler, a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want. Kotler defines five levels to a product:

1. The core benefit level is the fundamental need or want that consumers satisfy by consuming the product or service
2. The generic product level is a basic version of the product containing only those attributes or characteristics absolutely necessary for its functioning
3. The expected product level is a set of attributes or characteristics that buyers

normally expect and agree to when they purchase a product

4. The augmented product level includes additional product attributes, benefits, or related services that distinguish the product from competitors.

5. The potential product level includes all of the augmentations and transformations that a product might ultimately undergo in the future

(Keller 2003).

By creating perceived differences among products through branding and developing a loyal customer franchise, marketers create value that can translate to financial profits for the firm. Thus, a brand is a valued intangible asset that needs to be handled carefully (Keller 2003).

2.13.2 Brand and Firms

Brands also provide a number of valuable functions to firms. To firms, brands represent enormously valuable pieces of property, capable of influencing consumer behaviour, being bought and sold, and providing the security of sustained future revenues to their owner. For these reasons, large earning multiples have been paid for brands in mergers or acquisitions, starting with the boom years of the mid-1980's (Keller 2003).

2.13.2.1 Service Brands

Although there have been strong service brands for years (e.g. American Express, British Airways etc), the pervasiveness and level of sophistication in branding services has accelerated in the past decade. One of the challenges in marketing services is that relative to products, they are more intangible and more likely to vary in quality depending on the particular person or people involved in providing the service. Brand symbols may also be especially important because they help to make the abstract nature of services more concrete (Keller 2003).

2.13.2.2 Consumer Decision on Brands

Brands identify the source of or maker of a product and allow consumers to assign responsibility to a particular manufacturer or distributor. Brands take on special meaning to consumers. Past experience with the product teaches consumers about brands. They find out which brands satisfy their needs and which do not. Brands

provide a shorthand device or means of simplification for their product decisions (Keller 2003).

2.13.2.3 Risks in Consumer Product Decisions

Brands can reduce the risks in product decisions. Consumers may perceive many different types of risks in buying and consuming a product:

Functional Risk – product does not perform to expectations

Physical risk – product poses a threat to the physical wellbeing or health of the user or others

Financial risk – the product is not worth the price paid

Social Risk – the product results in embarrassment from others

Psychological Risk – The product affects the mental wellbeing of the user

Time Risk – the failure of the product results in an opportunity cost of finding another satisfactory product (Keller 2003).

To consumers, the special meaning that brands take on can change their perceptions and experiences with a product. Once consumers' make product choices, the sellers' responsibility is to service the product (Keller 2003).

2.14 Opportunities and Challenges with an Ageing Population with Relevance to Retail Banking

The world's population is getting older because of longer life expectancy and lower fertility rates in most countries. With the world population getting older, leading to an increased level of accumulated wealth, the consumer demand encountered by banks is shifting from credit products to savings products. This trend is apparent in most industrialised countries.

The demographic changes that will occur for an extensive period create opportunities for retail banking. The fact that there will be an ongoing increase in the old-age dependency ratio across the world has opened up a need for households to bear a greater responsibility for managing the financial obligations that ageing represents. For instance, more and more countries are cutting back on publicly provided benefits, such as state funded pensions and health care. Thus there will be a greater demand for financial products and services to compensate for this shift in liability. Common to

these measures is the need to highlight risk management and encourage long-term savings (Lindbergh, Nahum and Sandgren 2007).

2.15 Service Performance

2.15.1 A Service Defined

The word "service" is a frequent feature in the modern marketing vocabulary. A service is intangible and heterogeneous; its production, distribution, and consumption are simultaneous processes; it is an activity or a process; it is a core value created in buyer-seller interactions; customers participate in its production; it cannot be stored; and there is no transfer of ownership when it is sold. These characteristics indicate that there are significant interactive qualities in service encounters – that is services are produced, distributed, and consumed in an interactive process that involves the perspectives of both the service provider and service receiver. Customer service is associated with the building of bonds to ensure long term relationships of mutual advantage to both parties (Egan 2004).

2.15.2 Service Performance by Employees in Service Encounters

The general structure of the service performance of employees and use of the essential knowledge and skills that are required to deliver the service parallel the basic elements of any music composition. Service firms conceive and execute service performances at this basic level. Astute firms such as Fedex, Ritz Carlton, and Southwest Airlines incorporate improvisation into their service design by allowing their employees to use their discretion to accommodate customer expectations during a service encounter (John, Grove and Fisk 2006).

2.15.3 The Service Encounter

The construct of the service encounter is based upon an interactive process between a service provider and a service receiver. However, most research in the field of services marketing ignores the service provider's perspective, and there have been too few studies that have attempted to explore the concept of the service encounter beyond the service receiver's perspective (Svensson 2006).

It has been observed that service encounters are human interactions. Czepiel insisted that research into service encounters should take into account the perspectives of both parties involved in this human interaction. If both are not considered, a unidirectional understanding of these human interactions will be achieved, instead of bidirectional ones. Furthermore, it has been noted that service quality contributes to the strength of interpersonal, intra-organisational and inter-organisational relationships or service encounters (Svensson 2006).

2.16 Customer Loyalty

Enhancing customer loyalty has become a popular topic for managers, consultants, and academics. The arguments in support of loyalty are simple to understand. Loyal customers are reported to have higher customer retention rates, commit a higher share of their category spending to the firm, and are more likely to recommend others to become customers of the firm (Keiningham et., al 2007).

2.17 Customer Satisfaction

By far, the most commonly used perceptual metric by managers is satisfaction Keiningham et., al (2007) observe that this is "because it is generic and can be universally gauged for all products and services (including non-profit and public services). Even without a precise definition of the term, customer satisfaction is clearly understood by respondents, and its meaning is easy to communicate to managers." With regard to satisfaction's relationship to customer behaviour, research has shown a link between satisfaction and customer retention and customers' share of category spending i.e. share of wallet (Keiningham et., al 2007).

2.18 Perception

Perception is the way we view the world based on observations, feelings, beliefs etc. We live in a world of self-generating beliefs, which remain largely untested. We adopt those beliefs because they are based on conclusions, which are inferred from what we observe, plus past experience. Our ability to achieve the results we truly desire are eroded by our feelings that:

- Our beliefs are the truth

- The truth is obvious
- Our beliefs are based on real data
- The data we select are real data"

(Viviers et., al 2000).

2.18.1 Reading Customers' Minds

A publication listed below featured a cover story on "Predictive Analytics" as follows:

2.18.2 Predictive Analytics for Banks as a Tool to Retain Customers

Predictive analytics tools are helping banks understand customers' behaviour and meet their unique needs with tailored products and services, improving customer retention as a result. The ability to predict when a customer may jump ship for a competitor's offerings would be gold to banks, allowing them to focus efforts on retaining that customer. While they can't look into the future or read customers' minds just yet, banks increasingly are realising the benefits of analytical tools in retaining existing patrons (Bruno-Britz 2008).

2.18.2.1 Using Available Customer Data

For years, analysts and other industry observers have criticised banks for concentrating more on acquiring customers than on retaining those they already have. They usually cite the fact that although banks have truckloads of data on their clients, they just don't seem to know what to do with all that information.

According to Michael Nicastro, chief marketing officer with Glastonbury, Conn-based core systems provider Open Solutions, a good place for banks to begin is in changing how they operate. "Banks have to think differently to use predictive analytics" he says. "They have to stop marginalising and commoditising their core systems. Legacy systems are great transaction collection systems, but they don't tell you anything about the data – it's unfiltered data. The fundamental problem is the base information about your clients." He further explains "Retention is about knowing how to play against your biggest competitors."

Many banks are taking the first steps to better anticipate their customers' needs and intercept any churn before it happens. Although most aren't using analytics throughout the entire organisation, they are taking a measured approach so that they can see what works and what needs improvement (Bruno-Britz 2008).

2.19 Implications for the Management of Customer Relationships

Relationship development and performance are dynamic processes in which the various dimensions of a relationship self-organise into a mutually consistent pattern of performance, perceptions, and attitudes that represent the "personality" of a relationship (Svensson 2006).

2.19.1 Providing Customers With Value

Those companies that provide their customers with superior value obtain a competitive advantage. Because of growing competition in the financial services industry, quality has become an essential issue. The management of service quality can be seen as one of the major challenges for banks. In this regard relationship marketing is able to focus on value concepts and to consider how value is added to customer needs (Raich 2007).

2.19.2 Integrating People in the Service Organisation with Customers

This study shows the relevance of integrating the consumer perspective in the analysis of relationships. Customers are not primarily connected to the broader service system, but rather to the people in the service organisation. Retail banks' success depends on the way employees respond to customers' expectations and needs. There is also emphasis the importance of bank employees because customers usually evaluate the bank based on their experiences with its staff. In this regard attributes like friendliness, competence, know-how, courtesy, empathy, etc. support perceptions of a positive employee attitude to customers (Raich 2007).

2.19.3 Banks Selling a Reputation Rather than Products

Raich (2007) argues that banks do not sell products; they sell their reputation with every customer relationship. From this point of view, the following implications can be derived from the basic values and objectives:

- Responsibility – the issue of responsibility is mostly expressed by objectives. Dealing responsibly with money is attributed to the individual and well as to retail bank. Individuals have to handle their own money life carefully and should avoid getting into financial difficulties. Retail banks have to create a feeling of security for their customers concerning their money transactions. The retail bank's responsibility mainly refers to the careful granting of loans, but they should also avoid activities that give the impression of only wanting to make as much profit as possible by selling as many products and services as possible. They should try to maximise customers' funds and at the same time protect them form risks and damage. If a retail bank follows this principle, a stronger commitment from customers can be obtained.

- Trustworthiness – money transactions are a business of personal relationships. In financial services relationships are one of the major factors in customer satisfaction and customer loyalty. The basic values have shown the importance of trust, which is the result of long-term relationships based on personal as well as economically successful relations. Therefore a positive correlation has been identified between investments in relationship management and customer satisfaction: a continuously satisfied exchange process supports the rise of customer trust. The human element in service delivery plays an important role and refers to different attributes like moments of truth, empathy, responsiveness, reliability, etc. Customers' commitment also depends on the way in which these attributes, i.e. these affective and emotional components, are exercised by staff. Finally a high priority towards personal orientation produces a feeling of exclusiveness for the customer. An interesting finding is the emphasis of a confidant, person representing at the same time a friend and expert in one person. In context with the confidant, the respondents mentioned trust, sympathy, engagement, openness, honest, personal care, helpfulness and pleasantness. Such positive affective attitudes are significantly connected with the behavioural intentions of customers. The named attributes lead to less control and allow more free space for all participating parties in the customer relationships, as well as facilitating decision processes for the customers and employees of the retail bank (Raich

2007).

- Support Service - "Support service" primarily refers to retail banks' consulting activities. Because financial services are intangible, services and products must be transparent and understandable in their composition and handling. For this reason, the standardisation of products and services will contribute to a guarantee of an ongoing performance level, i.e. that the customers can expect a service level without undesired questioning by the service providers. Such kinds of organisational behaviour have a strong impact on the image and goodwill of the organisation, but also on the customers' evaluation of the service quality as well as on customer loyalty (Raich 2007). Not only a friendly interaction with customers improve the service empathy, but also the provision of information concerning finances (e.g. information about interest rates) has a positive impact on customer satisfaction. As a consequence of the findings, customer consultants have to act as competent managers of information and provide relevant data to customers. Finally, because of the basic values and objectives identified that are linked to retail banks' responsibilities, customer consultants have to encourage responsible behaviour in their customers (Raich 2007).

2.19.3.1 The Role of the "Trusted Advisor"

Combined with the continuing press coverage on customer service issues and bank charges, trust in the financial services sector has been continuously eroded. Rebuilding this trust is top of the agenda for many in the sector and online media could well be their rescue envoy. The role of "trusted adviser" has always been central to consumers' purchasing decisions in financial services but the evolution of this role has changed dramatically in recent years. Gone are the days when bank managers were respected pillars of the community who knew each customer by name and could recommend products to suit their personal needs. The independent financial advisors then stepped in to fulfil the trusted advisor role. However, cynicism quickly grew as people became aware that products recommended were often the ones bearing the greatest commission value. These changes fuelled a thirst for truly independent information and consumers are now taking matters into their own hands, with the help of the Internet. Consumers want to feel empowered enough to make decisions for themselves and the rise in comparison web site usage proves

that customers can make informed decisions without contacting the main industry suppliers. Many of these consumers also look for more in-depth and varied information before making the purchase decision (Gill 2007).

2.19.4 Dynamism in Customer Relationships – Actual Switching Behaviour

The traditional and most commonly accepted approach to studying service has been from the customer's point of view. The customer perspective was not an obvious starting point when scholars first defined service. Nowadays the processual and less detailed depiction of service seems to be more appealing to the marketing-research community (Roos et., al 2006).

Another reason why marketing scholars today try to find a new direction for service research is that the relationship perspective has dominated marketing research for years. Researchers have achieved excellent results and thereby added to our knowledge of service and its connection to other concepts.
Service research, in combination with the relationship view, requires more than mere insights into the statistical connection to loyalty. Knowledge is also needed about how and why customers evaluate service differently, with regard not only to different individuals at the same time, but also to individuals during different time periods

The dynamic perception and evaluation of products and service systems over time has been the focus of other research. The authors point out that customers' evaluate both products and services dynamically, meaning that there is an asymmetric crossover effect in terms of behavioural intentions toward the dealer and the manufacturer. While the dealer is the most important at the beginning of the relationship, the focus changes to the manufacturer later on. Customer focus changes over time in terms of the magnitude of the crossover effect on behavioural intentions (Roos et., al 2006).

2.20 Quality Advantages for the Customer and the Organisation

Brue and Howes (2006) refer to quality as being an ideal of extreme power. It attracts investors. There is something special about organisations that are among the best at what they do – and that quality pays off in many ways.
A company that reduces its cost of doing business, meets the expectations of its customers more effectively and efficiently, inspires its employees, fosters a culture of

dedication and pride, earns a reputation for quality will certainly enjoy advantages over its competitors.

2.21 Communication

Humans are social beings who communicate with one another on an ongoing basis. The same can be said of organisations. Within the organisation, activities in the value chain are performed or controlled by individuals. They have to communicate with each other in order to achieve their objectives and to co-ordinate work. Without effective internal communication, it would be impossible to execute activities of the value chain. The better the communication between the organisation and its stakeholders (both internal and external), the greater the potential of that organisation to achieve its objectives (Nieman & Bennett 2006).

Communication is the flow of information between individuals and groups in an attempt to:

- create understanding
- influence behaviour
- achieve certain objectives

It is a process with two phases, namely:

- A **transmission** phase, when the person who sends a message (the sender) to someone else (the receiver) formulates the message and sends it to the receiver through a certain medium (face-to-face, a phone call, a letter or an e-mail message). The receiver receives the message and interprets it.

- A **feedback** phase, when the receiver (who now becomes the sender) responds to the message by sending a new message to the initial sender (who now becomes the receiver)

 (Nieman & Bennett 2006).

2.21.1 Problems with Communication

When people do not communicate effectively, problems of misunderstanding and uncertainty arise. In some cases, the consequences of ineffective communication can

have serious implications for the business. In certain cases misunderstanding resulting from ineffective communication can result in a loss of business and ultimately revenue for the organisation.

2.21.2 External Communication

This type of communication takes place with stakeholders in the external business environment. The consumer as stakeholder is the lifeblood of any organisation. Consumers provide the income of organisations through the products and services that they buy. Because consumers are a part of society, public opinion and the corporate image of an organisation influence them. Deciding where to buy your groceries is no longer based on price alone. Consumers also evaluate the social standing and corporate image of organisations when they make their buying decisions. Another factor that consumers consider when they make their buying decisions is the service that they receive from an organisation. Customers are also increasingly interested in the position of the organisation with regard to social issues such as the environment, the exploitation of minorities or the vulnerable, harmful business practices and so forth (Nieman & Bennett 2006).

2.21.3 Communicating with stakeholders

Communicating effectively with internal and external stakeholders is vitally important for any organisation that is serious about achieving its objectives and pleasing its customers. Organisations must therefore ensure that they choose appropriate media to communicate messages to both internal and external stakeholders. Proactive measures should also be taken to overcome whatever barriers might impede successful communication with these stakeholders (Nieman & Bennett 2006).

2.22 Business Process Engineering and the Customer Impact

Business Process Reengineering (BPR) is the most recent in a long line of management innovations adopted by corporations across the whole spectrum of industry and commerce.

2.22.1 The Post-Industrial Age

At the organisational level, the turbulence and the rate of change and innovation experienced in the operating context of organisations are equally evident, and the competitive pressures that give rise to major organisational change are becoming worse (Van Tonder 2004).

For two hundred years people have founded and built companies around Adam Smith's brilliant discovery that industrial work should be broken down into its simplest and most basic tasks. In the post-industrial age we are now entering, corporations will be founded and built around the idea of reunifying those tasks into coherent business processes.

Business Process Re-engineering can be viewed as a compilation of a well-known set of techniques repackaged to respond to, and meet the anxieties and concerns of contemporary business and management. While agreeing that none of its components is completely new, we suggest that three key features differentiate it from other recipes for business transformation.

BPR requires revolutionary, innovative changes to business processes in an organisation in order to achieve major and dramatic improvements in the critical success factors (Murray and Lynn 1997).

- **From function to process:** The claim that BPR can or should produce radical or revolutionary, quantum-leap change that secures competitive advantage by reorienting businesses around key processed.
- **Entrepreneurialism:** The belief in the "free market" and "entrepreneurialism". This involves transforming organisations so that everyone is driven by a competitive desire to provide the "best" and most profitable customer service.
- **Information Technology:** An emphasis upon the use of ICT's *combined* with a veneer of HRM-type ideas about empowerment, team working etc. (Knights and Willmot 2000).

2.22.2 Process Architecture, Systems and Technology

Success in organisations in the 21ˢᵗ century is seen to be dependent on the synergy between their human resources, importance of customers and complete business processes. Industry experts point put the advantages that come with the ability to anticipate customer needs and quick response to opportunities when they occur thereby providing adaptable products and services and keeping loyal customers. These experts also highlight the critical role of Information Technology as the driving enabler of change. Out of this have come incredible new technologies such as workflow, groupware, data warehouses, and of course the Internet. New management concepts such as Business Process Re-engineering, Learning Organisations and Virtual Workers have taken hold especially at the development and implementation levels. As these disciplines have matured, the critical difference now rests more in deciding what are the right things to do? With limited financial and human resources, it is imperative that new strategic plans integrate and synchronise rather than deliver the traditional disconnected "Islands of Strategy" we have come to expect.

2.22.3 Process Technology

Process Technologies are the machines, equipment and devices which help the operation to transform materials and information and customers in order to add value and fulfil the operation's strategic objectives. Fax machines, coputers, mobile telephones, mechanical milking machines, robots, body scanners etc. are all exaples of process technology. By harnessing the power of information and communication technologies Business Process Re-engineering envisions a completely new approach to the organisation of work (Pycraft et., al 2000).

2.22.3.1 Six Sigma – A Customer-Based Approach to Improving Process

Six Sigma can be defined as the following:

- A level of quality – achieving a six-sigma (6σ) level of quality means only producing 3.4 defects per million opportunities i.e. working to near perfection
- A problem-solving methodology that can be applied to any process to eliminate the root causes of defects and associated costs
- It is a management philosophy – a customer-based approach that recognises

that defects decrease satisfaction and customer loyalty and increase costs (Brue and Howes 2006).

Brue and Howes (2006) emphasize that Six Sigma can be used for many types of business activities – production, assembly, transportation, retail, services, transactions, administration, and support.   They have found that the most important results of Six Sigma are in four areas:

<u>Financial Benefits:</u>
Benefits shown by some of the companies that have invested in implementing Six Sigma:

- General Electric added more than $2 billion to the bottom line in 1999 and $2.4 billion in 2000;
- Allied Signal (Honeywell), from 1992 -1996 reduced costs by $1.4 billion and reduced new product introduction time by 16%;
- DuPont started Six Sigma in 1998 and realised more than $1.6 billion in cost savings in four years – in addition to reducing environmental impact and/or increasing safety

(Brue and Howes 2006)

Benefits in the KwaZulu-Natal Province since the introduction of the Six Sigma methodology in 2005 to solve business problems have not only been financial but also built added competence to employees managing improvement projects. While these benefits are spread over a diverse range of customer fulfilment processes, the province has benefited in fulfilling certain promises to the customer.

2.22.4 Benefits for Customers
Customers are important to us. We would not exist without them therefore it is important to continually attract and retain customers.

Lean Six Sigma focuses on the expectations of our customers. By using Lean Six Sigma methods, the company can focus on the vital few factors in its processes that are allowing variations and defects that keep it from meeting the critical expectations

of your customers. Brue and Howes (2006) recommend that in this way a company can better align its business goals with the requirements and expectations of its customers.

Improvements in customer service levels are apparent by the reduction in delivery times and eliminating duplication of activities and variation in selected problem customer fulfilment processes.

Banks are taking a fresh look at their processes, which at many financial institutions still tend to be siloed and manual. The resulting ability to streamline and often automate key functions such as lending, payments and account opening has become a key factor in the race to win new business, improve productivity and gain a competitive edge (Feig 2007).

2.22.5 Benefits for Employees

When a company is committed to improving its processes, meeting customer expectations, and cutting costs, employees will naturally feel motivated to do better.

The typical cultural shifts that have occurred during changes taking place:

- Employees have a voice in the decision-making process that is heard at the leadership level
- Employees are actively involved in making changes
- Old organisational barriers are removed
- Employees' presentation skills are elevated
- Employees have higher access to data levels and information
- Employees are allowed to voice their opinions without fear of retribution
- Face-time from senior management to the rank and file is significantly increased
- Strategy goals are aligned with rank and file
- Black belts are empowered as opposed to micromanaged

Brue and Howes (2006) further iterate that Six Sigma:
- Inspires and empowers employees

- Promotes better morale and higher sense of self-esteem
- Instils a culture and an attitude
- Promotes professional development for employees
- Concentrates on systematic improvement of processes

The findings by Brue and Howes (2006) suggest that to make a process change occur – "time to make a change" is a factor of 10, on the average. In other words, if it takes five years to make a change within an organisation without Six Sigma, it will take six months if you do Six Sigma, resulting in an immediate increase in your cash flow.

2.23 Legislation

The following paragraphs will discuss the necessary legislation that governs the banks in South Africa. The current legislation is in place as preventative measures that ultimately protects the bank, the customer and the government. While seen as a necessary evil to customers and bank employees due to the time taken to complete the essential documents in order to be compliant, the impact of the legislation cannot be ignored. In an emerging market where global supply chains operate it is a requirement that funds flow within the parameters that apply to all citizens of the country. The legislation that currently governs the customer relationship is FICA (Financial Intelligence Centre Act), FAIS (Financial Advisory Intermediary Services Act), NCA (The National Credit Act) and Basel II. The discussion that follows details the relevance of the legislation for Standard Bank.

2.23.1 FICA – Financial Intelligence Centre Act

As part of the South African Government's fight against money laundering, The Financial Intelligence Centre Act, 2001 (FICA) was promulgated and came into full effect on 30 June 2003.

In broad terms, FICA provides for the establishment of an anti-moneylaundering regulatory body and introduces mechanisms aimed at preventing money laundering. This is effect enforces compliance by institutions that might otherwise be exploited for money laundering purposes.

As a financial institution as defined by FICA, Standard Bank will have to comply and adhere to certain stringent requirements, which include:

- Identifying all customers;
- Verifying all information gathered in the identification process above;
- Keeping records of all this information and documentation.

FICA requires Standard Bank to implement controls to existing clients of Standard Bank. However, FICA goes further in extending these controls to existing clients of Standard Bank.

- *New Customers*: The prospective customers will have to be identified, and the information provided will have to be verified before Standard Bank enters into a business relationship for the first time.
- *Existing Customers*: As the existing customer records at Standard bank do not fully comply with the requirements of FICA, the customer will be requested to provide the bank with identification details, which will be subject to verification.

In order to minimise inconvenience to customers, Standard Bank has decided to utilise the opportunity presented when existing customers:

- Apply for new products
- Renew existing facilities e.g. overdraft limits
- Whenever there's a change to a customer type or entity change e.g. changing from a Close Corporation to a Company.

The Financial Intelligence Centre Act, 2001, sets up a regulatory anti-money laundering regime, which is intended to break the cycle used by organised criminal groups to benefit from illegitimate profits. By doing this the Act aims to maintain the integrity of the financial system (*Standard Bank of S A Limited – Intranet Site).*

2.23.2 FAIS – Financial Advisory Intermediary Services Act

FAIS, the Financial Advisory and Intermediary Services Act, is legislation that impacts on the financial services industry and aims to regulate the giving of advise and rendering of intermediary clients, as well as certain other issues.

The Act impacts on most financial institutions, financial service providers and representatives such as advisors, legal consultants and para-planners and other staff. In a nutshell, FAIS ensures that Standard Bank protects the clients, by:

- Providing clients with trusted and appropriate advice
- Providing clients with quality solutions
- Acting with integrity, transparency and a culture of discipline

(*Standard Bank of S A Limited – Intranet Site*).

2.23.3 The National Credit Act

The National Credit Act came into effect on 1 June 2007. The Standard Bank as a registered credit provider, has implemented the necessary policies and procedures to meet the requirements of the NCA. The NCA replaces the Usury Act and the Credit Agreements Act.

The NCA affects all credit agreements entered into after 1 June 2007 and requires that credit providers perform a full credit assessment with the customer, this includes taking reasonable steps to ensure that:

- The customer understands the rights and obligations and the risks and costs;
- The customer is able to repay the loan

In order to ensure that the client is protected against overindebtedness, the bank, in addition to the normal assessment, will perform an assessment of repayment ability for each loan application. In order to ensure that the client understands his/her rights and obligations and the risks and cost with the credit agreement he/she will receive a comprehensive pre-agreement statement and that it clearly

identifies all the costs involved, the risks associated with the loan, and the client's obligations (*Standard Bank of S A Limited – Intranet Site).*

2.23.4 Basel II

The new Capital Accord, known as Basel II, is a radical reform of the previous accord and will apply to all major banks in the G10 countries as from 2005. Basel II will impact the banks on regulatory capital, credit and operational risk management, data requirements and investor perceptions. Changes to bank's capital requirements will imply that capital adequacy ratio will increase from 50% to 75% of total capital. Among others, these changes could have significant tax implications for banks. The need to allocate capital to safeguard financial institutions against unexpected losses arising from credit risk requires that they implement systems for quantifying their exposure to credit risk.

The advances implementation options of Basel II explicitly require financial institutions to assess the credit exposure for each customer and for each credit facility using the following measures:

- Probability of default (PD) – the probability that a specific customer will default within the next 12 months
- Loss given Default (LGD) – the percentage of each credit facility that will be lost if the customer defaults
- Exposure at Default (EAD) – the expected exposure for each credit facility in the event of a default (*Standard Bank of S A Limited – Intranet Site).*

2.24 Globalisation

Friedman (2006) refers to the globalised world in the 21st century where places like Bangalore, India's Silicon Valley boast companies such as IBM, Microsoft, 3M, Goldman Sachs, HP and Texas Instruments just to name a few.

He further lists the ten forces that have "flattened" the world:

1. 11/9/89 - when the New Age of Creativity dawned where we saw the fall of the Berlin Wall unleash forces that tipped the balance of power across the world toward those advocating democratic, consensual, free-

market-oriented governance and away from those advocating authoritarian rule with centrally planned economies.

2. 8/9/95 the New Age of Connectivity – when the Web Went Around and Netscape went public. The concept of a World Wide Web and the breakthrough of the Internet.

3. Work Flow Software – when the global supply chain made it possible to produce an all-American show by utilising efficiency of teams on 3 continents and recording over the Internet.

4. Uploading – communities of software programmers collaborate to design new software and then to upload it to the world therefore cutting out the middleman and most often for free.

5. Outsourcing Y2K – India has mined the brains of its people, educating a large slice of its elites in the sciences, engineering and medicine. Indian Institutes of Technology (IIT) churn out some of the most gifted engineering, computer science, and software talent on the globe. The combination of the PC, the Internet, and fibre-optic cable created the possibility of a whole new form of collaboration and horizontal value creation: outsourcing where any service centre, call centre, business support operation or knowledge work that could be digitised could be sourced globally to the cheapest, smartest, most efficient provider.

6. Off-shoring – *Running with Gazelles, Eating with Lions*. China joining the WTO gave a huge boost to another form of collaboration – off-shoring i.e. moving an entire factory operating in Canton, Ohio offshore to Canton China where it produces the same product in the same way, only with cheaper labour, lower taxes, subsidised energy and lower health costs.

7. Supply-Chaining - *Eating Sushi in Arkansas*. Wal-Mart supply chain ensures that once a product is sold of a shelf at one of its stores in

America, the barcoding link will signal to its supplier (possibly in China) that another of that product be made and shipped via the Wal-Mart supply chain. This is a single example of the workings of a global supply chain.

8. Insourcing

   A new form of collaboration and creating value horizontally, made possible by the "flat" world. UPS is an example of a company servicing a supply chain in any part of the world.

9. Informing – Google, Yahoo and MSN Web Search. Allowing access to all types of information across the world through search engines.

10. The Steroids – Making possible digital, Mobile, Personal and Virtual. Speed and wireless capability make it possible to get on-line from anywhere in the world.

(Friedman 2006)

Globalisation touches industries all over the world. As cost of production becomes critical in pricing of products, companies are looking for ways to improve value to the customer while simultaneously adding to the bottom-line. Standard Bank has embarked on a journey of optimisation of some of its delivery channels with a view to lowering cost while still meeting the needs of the customer. In not all instances have its customers perceived these initiatives to be in their best interests.

2.25   Conclusion

The focus of this chapter was to review literature that has relevance to the case study. The importance of intervening variables that influence customer perception of the service provided by the case study must be taken into account when deciding on a customer-focused strategy. The organisation, its strategy for success, its people and their competence, the environments that the organisation operates in, are all factors that will play a pivotal role in its existence. The next chapter will focus on the research methodology used in this case study.

CHAPTER THREE

Research Methodology

3.1 Introduction

A study in research is required to take on a methodical approach in order for the study to be successful. This chapter presents the research methodology of the entire study. A detailed account of the types of approach, the sampling method, how the sample was selected, how the research design was developed, and the method used to collect the data and finally how the data was analysed. In this study both qualitative and quantitative research methods were employed.

3.2 Nature of the Study

The research design is described as the framework or scheme, which provides for adequate and systematic investigation of a research problem. It is the overall plan, once decided, sets guidelines for conducting the research study. Due to the nature of this study, exploratory research was used, as this kind of research explores different views expressed by respondents and collates and clusters similar responses received. Quantitative research in the study used mathematical and statistical analysis and can reveal statistically significant differences between samples while qualitative research could be used to examine the understanding, performance contribution and level of competence of the sampled population. The extent to which a research question is broad or narrow depends on purpose, the resources available, the time available, and the interests of those involved."

3.2.1 Research instrument

The research instrument adopted for this study was the questionnaire. Questionnaires are generally used in business research and found to be the simplest and widely used technique for obtaining information from subjects identified for the study. The questionnaire is a self-reported instrument, which provides the researcher with personal information from the respondent. The guidelines and provided by the researcher in order to provide direction for the respondent.

3.2.2 Sources of Primary Data Collection

In this study questionnaires have been developed as an appropriate approach of collecting data to answer the research questions.

3.2.3 Advantages of a Questionnaire

A questionnaire is seen to have the following advantages:

- It is time effective;

- It is relatively economical;

- It is easily answerable and can be given to a large number of respondents;

- Respondents are allowed to think about answers before making their choice; and

- Confidentiality is assured, if needed, as all questionnaires can be made to assure anonymity.

3.2.4 Disadvantages of a Questionnaire

There are certain disadvantages regarding questionnaires that have been identified:

- In the absence of clear cut criteria, the validity of a questionnaire may be questioned;

- The willingness of the respondent to disclose personal information may significantly influence the validity of the instrument;

- Respondents may interpret questions differently;

- The problem may not interest the respondent who in turn may answer blindly; and

- Lengthy questionnaires may be very time consuming

Despite the negative connotations attached to the use of a questionnaire, it was chosen as the instrument of measure. The questionnaire is economical in terms of time and cost. It was also considered a source of information that will assist the bank in supporting its customer service strategy. The assurance was given to respondents in a covering letter that the questionnaires will be housed in a secure location in the University of KwaZulu-Natal for a stipulated period of time after the study is completed.

3.2.5 Criteria for Validity and Reliability

Since research is always dependent on measurement, it is essential that every measuring instrument should be valid and reliable. Validity refers to the extent to which an instrument measurement measures what it is intended to measure. If a research finding can be repeated, it is reliable. In other words, if you or anyone else were to repeat the research, you or they should be able to obtain the same results. Reliability refers to the repeatability of tests with equivalent items, or under different examination conditions, or under different conditions.

The researcher tried to ensure that the questionnaire that was used in this research was valid and met this criterion. Validity is the extent to which the research findings accurately represent what is really happening in the situation. For example, you may be interested in whether employees understand their company occupational pension scheme and therefore you ask them to calculate their pension entitlements. The question is, do their answers reflect their understanding of the scheme, or whether they have read the scheme, or how good they are at remembering the details of the scheme, or even their ability to make calculations?

Because a positive paradigm focuses on the precision of measurement and the ability to be able to repeat the experiment reliability, there is always a danger that the validity will be very low. In other words, the measure does not reflect the phenomena the researcher claims to be investigating (Hussey and Hussey 1997).

3.2.5 The Questionnaire

A questionnaire was compiled that covered relevant biographical data, work experience details and employee understanding of what they contributed and how their contribution influenced the success of the business unit.

The questionnaire was organized around the following questions:
- Biographical information concerning age, number of years in the profession, income per annum, employment category, and level of qualification. Respondents were also requested to complete their level of competence and the medium of contact with customers.

Respondents were requested to select the field/fields that was relevant at the time of completing the questionnaire

- A 5 point Likert scale that will indicate their level of skills, knowledge and competence in dealing with customers. The scale included dimensions of "Strongly Agree, Agree, Disagree, Strongly Disagree and Undecided".

3.2.5.1 Ethical Clearance

Ethical clearance was obtained from the Research Administration department at the University of Kwa-Zulu Natal. Permission to conduct the research on a sample from the Standard Bank's employees at and branches was obtained from its Provincial Director, Operations in KwaZulu-Natal. All subjects were advised in the cover page of the questionnaire as to the purpose of the study as well as the aims and objectives. Respondents were required to sign an informed letter of consent in order to take part in the study.

3.2.5.2 Selection of Subjects

In this study the target population consisted of permanent employees of Standard Bank, who worked in branches within the KwaZulu-Natal province. Due to the size of the target population, the study was confined to six branches in KwaZulu-Natal. The selection of subjects was made up of branch staff (frontline, support and management). In KwaZulu-Natal there is a total of 52 branches and a total of 1484 permanent employees. Of these, six branches were selected to participate in the survey. The total population of the six branches was selected, excluding the commercial account segment staff, to participate in the survey. The list of selected branches and number of respondents is tabled below.

TABLE 3.1 TARGET POPULATION OF STUDY

SELECTED BRANCH	TOTAL POPULATION	NO OF RESPONDENTS	% RESPONSE
Albert Street	17	15	88.23%
Durban North	25	21	84.00%
Florida Road	17	16	94.11%
Greyville	17	15	88.23%
Musgrave Road	20	17	85.00%
Overport City	19	18	94.73%
TOTAL	**115**	**102**	**88.69%**

A total of 115 employees are employed at the six branches that were selected to participate in this survey. Of the total of 115 employees targeted, there were 102 respondents. The table above shows that 88.69% of respondents completed and returned the survey.

3.2.5.3 Administering of the Questionnaire

The questionnaire was administered during the month of May 2008. Each questionnaire was accompanied by a covering letter, which provided details of the researcher and purpose of the study.

The following conditions were offered to all respondents:

1. Confidentiality was guaranteed
2. Results of the study would be made available to the respondents as well as recommendations in respect to understanding and meeting the needs of customers in the province
3. A reply-paid envelope was provided with each questionnaire sent in order to minimize the inconvenience to respondents as well as to ensure that their responses were returned as confidential.

The questionnaires were forwarded to the selected branches via the internal courier service for the branch manager's attention. The managers from each branch distributed these questionnaires to their teams advising them of the purpose and corresponding requirements. Each questionnaire contained a covering letter that

explained the reason for the research and how the results will contribute to the bank's service strategy going forward. Two-week allowance duration was made for respondents to complete and return the questionnaire. Returns were monitored and employees that had not responded after one week were contacted in order to remind them to complete and return the questionnaire. By the end of the second week, 102 completed questionnaires were returned.

3.2.6 Sources of Secondary Data Collection

3.2.6.1 Secondary Data

Secondary data was collected from the bank's records. The information was stored on the bank's central service support database and was accessed through the Service Support Unit of the bank.

3.2.6.1.1 Customer Survey Ratings from the Bank's Database

The customer service survey that is undertaken by the bank per province is called "CEBS", an acronym for Customer Evaluation of Branch Service. This survey was conducted every second month in previous years. It is now conducted on a monthly basis.

3.2.6.1.2 The Research Process

Markinor, the external research company procured by Standard Bank to conduct customer surveys, are provided with details of customers that have:

- transacted at the branch
- interacted with the Expert/Business Banking Suite
- interacted with Private Banking
- had accounts processed by the Integrated Processing Departments (Home Loan Operations, Vehicle and Asset Operations, Branch Fulfilment Centre) during the previous month.

The research company then contacts these customers and request feedback on a set of pre-determined questions, the responses of which, will determine the level of service as perceived by the customer. Customers are requested to rate the bank on a scale of

1 to 10 – 1 being the lowest (Poor Service) and 10 being the highest (Excellent Service) score on the service experience at any of these distribution channels.

3.2.6.1.3 The Research Areas

The experiences that the customers are requested to rate relates to the following:

- The Friendliness and helpfulness of staff;
- Efficient handling of transactions
- The Knowledge and competence of staff
- Effective dealing of problems
- Being treated with respect
- Understanding of financial needs
- Following up of their queries
- Having consultants available when they need assistance
- Guidance and information provided on products and services
- Treating the customer as if they know him
- Adopting and resolving issues raised by the customer

The final question is independent of all the other questions and related to the overall experience of the customer at the relevant representative point of service.

These scores are then carried into the branch or centre's scorecard as an indicator of service performance delivery by the respective distribution channel.

This secondary information has been secured from the banks records for the period 2004 to 2007.

3.2.6.2 AUTOMATED TELLER MACHINE PERFORMANCE

3.2.6.2.1 Automated Teller Machines Availability or "Uptime"

This internal data was made available to the researcher from the bank's ATM control centre. The information was retrieved through the management reporting system for the period January 2003 to December 2007.

This data will be presented in graphical form to display the monthly availability per year. This will present the information that will assist in answering of the research question related to the performance of the ATM network.

3.2.6.2.2 Automated Teller Machine Usage in KwaZulu-Natal

These records indicate the volume of transactions processed over the period 2004 – 2007. The trend over the period under review will be reflected in a graph in the next chapter. Transaction volumes are also an indication of over or underutilization of the ATM facility. When break-even point is passed on any of the machines, it is important to maintain service as customers expect the facility to be available for use.

3.2.6.3 Customer Account Base

The records of the account base month on month for the period January 2004 to December 2007 was secured from the management information system in the bank's Business Support Division in KwaZulu-Natal. This data was compiled to answer the research question on whether lower customer service ratings had negatively impacted on customer retention.

3.2.6.3.1 Accounts Opened Versus Accounts Closed Per Month

The bank's records also provide for volume of accounts opened per month and accounts closed per month. The scope of this research excludes the value of opened and closed accounts as investigation of value will require intensive research of all accounts in each segment in the bank's database in KwaZulu-Natal.

3.3 Organising Data

3.3.1 Primary Data

Once primary data was collected, the first task was to ensure that all data on the questionnaires were completed and returned by the subjects. The questionnaires were sorted so that the responses from the selected divisions of the bank were captured onto a spreadsheet for assessment through the use of SPSS software.

3.3.2 Secondary Data

Secondary data was sorted as follows:

- Customer Service Survey ratings were organized in the order of year in ascending order, month of year and the in order of province so that the KwaZulu-Natal province results could be separated.

- The Automated Teller Machine Uptime information was sorted into an excel spreadsheet in order of province, year and month.

- The Automated Teller Machine transaction volumes were sorted into year, province and month and captured on an excel spreadsheet.

- The volume of accounts opened and closed per month was retrieved from a source excel spreadsheet and filtered for the province, year and month.

- The total number of accounts open at the end of each month from 2005 were extracted from the provincial reports and totaled per segment and product type.

3.4 Conclusion

This chapter presented the research methodology of the entire study, the type of approach, the sampling method, how the sample was selected, how the research design was developed, the methods used to collect the data and finally how the data was analysed. The next chapter will introduce the case study, its strategy, current achievements and how it operates within KwaZulu-Natal.

CHAPTER FOUR

History and Current Development of the Case Study

4.1 Introduction

The previous chapter presented an overview of literature based on the key concepts of the study. This chapter introduces the Standard Bank of South Africa Limited, Personal and Business Bank in KwaZulu-Natal, which is the subject of this study.

The objective of the study is to list and discuss customer expectations, customer perception, customer-perceived value and employee competence. The study will also highlight the importance of the Standard Bank's Personal and Business Bank strategy and how its execution will assist in achieving the strategic service objectives set up to 2010.

4.2 BACKGROUND OF THE STANDARD BANK OF SOUTH AFRICA LIMITED

According to a media article entitled, "Standard Bank – 40 000 African People. 18 African countries. 1 leading emerging markets bank", the roots of the bank were first embedded in the African Continent 145 years ago. Having opened its doors for the first time in Port Elizabeth in 1863, its influence across the continent has spread steadily due the vision and commitment to growing business in Africa and understanding of the economic and social development needs of emerging markets. Standard Bank is the biggest bank on the continent with a market capitalisation of R135 billion. The bank is represented in 18 African countries and 20 countries outside Africa (The Independent on Saturday, 24 May 2008).

The Standard Bank of South Africa is a registered commercial bank that was founded in 1863 and opened its doors for business in Port Elizabeth. Since then its customer base has grown to make it a powerful player as one of the 4 major banks in the country, with it extending into Africa and other emerging countries such as China, Brazil, India and Argentina. The bank has focused to service it customers on two platforms, namely: The Personal and Business Bank and the Corporate Bank. The

focus of the study is the Personal and Business Bank in the area of customer service (Standard Bank Intranet Site).

4.3 THE THREAT OF A TAKE-OVER

4.3.1 The hostile bid by Nedbank Limited and the subsequent impact on service delivery

The shift towards customer centricity was determined by the need to define a single Standard Bank Brand that all customers can identify with. Following from the hostile bid by competitor Nedbank in 2000, customer service ratings at the bank reached an all-time high. The Chief Executive Officer drove a strong message among the entire team that Standard Bank will not bow to pressure (Standard Bank Service Support Department 2002).

4.3.2 Cost to Income Ratio

The Cost to Income Ratio of Standard Bank at the time was R0.74 cents to the rand, whereas Nedbank operated at R0.57 to the rand. Shareholders were willing to negotiate to increase value of their shares given the potential value that could be realised from a reduction in operating costs. Standard Bank of South Africa Limited, Chief Executive Officer at the time, Jacko Maree promised shareholders that the cost to income ratio will be reduced favourably over the next two years to R0.54 to the rand (Standard Bank Service Support Department 2002).

4.3.3 Shareholder Commitment

This was an earnest appeal to the board to vote against the takeover bid. Fortunately, for the stakeholders of the bank, the Competition Commission did not favour the bid in the light of reducing competition amongst major South African banks (Standard Bank Intranet Site).

4.4 THE COMPETITIVE LANDSCAPE IN SERVICE DELIVERY FOR STANDARD BANK

The period from 2004 to 2006 is marked by similar interventions in the big four banks to improve or sustain service levels. Figure 4.1. below shows that Standard Bank

service survey scores were gradually improving from 2004, however, during 2006 a marked decline in customer service scores is apparent. The competitors' scores are also seen to have reached a plateau and are levelling out towards a decline except for Nedbank, who at the end of 2006 have moved up significantly. While First National Bank and Standard Bank shared the first place, it is clear that differentiation in the market is somewhat blurred when it comes to the big four banks.

The Bank is currently facing competition from not only the major commercial banks i.e. Nedbank, First National and ABSA but also African Bank, Capitec and retailers that have extended their brand into providing financial services. The players in the market have increased and so has the need to be more competitive in a global landscape that sees the customer looking for value for money (Standard Bank Service Support Department May 2007).

FIGURE 4.1 CUSTOMER SATISFACTION, COMPETITIVE LANDSCAPE

Standard Bank   SERVICE: WHERE ARE WE TODAY?

Customer Satisfaction, competitive landscape
Overall service rating of banks currently used, Personal Markets (n = 3966)

FNB (n=1136)   Standard Bank (n=1420)
ABSA (n=1826)   Nedbank (n=564)

Standard Bank and FNB share 1st place, little differentiation in the market
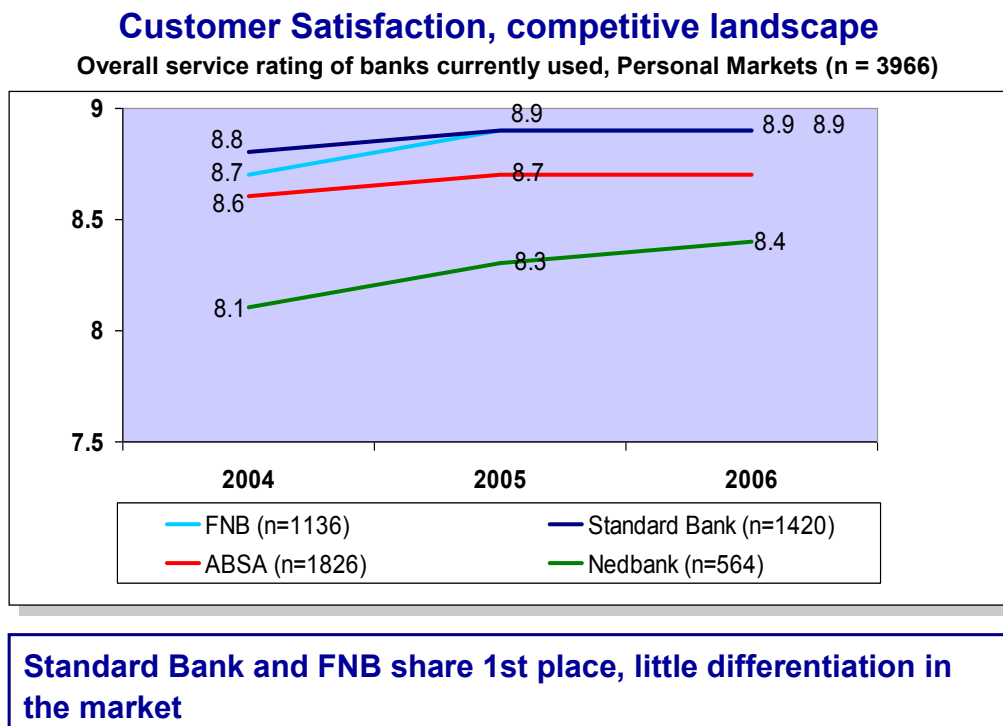
Source: Project Outlook

Source: *Standard Bank Service Support Department May 2007*

The above figure reflects the national customer survey ratings of the big four banks in South Africa for the period 2004 to April 2006. In comparison to the other banks, Standard Bank has declined overall in spite of being in first place through the same period. The KwaZulu-Natal province customer survey ratings will be discussed later in this chapter. The customer survey is currently the only objective measure that is conducted on behalf of the Standard Bank that tells the bank how it is performing on the service front. Given the size of the bank, a random sample of its customer population provides a dipstick measure on the quality of its products and services.

4.5 THE STANDARD BANK – PERSONAL AND BUSINESS BANK STRATEGY

4.5.1 An Overview of Strategy

In developing the purpose of the organisation, there is a need to stand back and consider why the organisation exists, who it is meant to serve and how its value added should be generated and distributed. It is important to take the process beyond the current horizons and explore future business opportunities and challenges. The purpose of the organisation and its vision for the future will set the boundaries and stretch the organisation as it develops its mission and objectives (Lynch 2000).

Whether private company or public body, all organisations need to develop their purpose and develop a common understanding of the main elements. Such a process takes time and is best described as a process of shaping the purpose of the organisation. There are five main areas to be considered:

- What is our area of activity – and what should it be?
- What kind of organisation do we wish to be?
- What is the relative importance of shareholders and stakeholders?
- Do we want to grow the organisation?
- What is our relationship with our immediate environment and with society in general

(Lynch 2000).

4.5.2 Vision and Values

The bank's vision and values provides a framework for the way in which it does business across African and international operations, and addresses challenges to balance commercial opportunity with social and environmental responsibility.

4.5.2.1 The Vision

The vision of the Standard Bank is encapsulated as follows:

"We will make a real difference to financial services in South Africa and other emerging markets;

We will ensure long-term sustainability by harmonising the needs of our customers, our people and our shareholders, and by being relevant to the societies in which we operate;

We will only succeed if we are able to retain, develop and deploy people with passion energy and skills".

While the vision gives its people the purpose and direction the organisation is taking, the values tell them how it will be done.

4.5.2.2 The values

- Serving our Customers;
- Delivering to our Shareholders;
- Growing our people;
- Being Proactive;
- Working in teams;
- Respecting each other;
- Guarding against arrogance; and
- Upholding the highest levels of integrity.

4.5.3 The Standard Bank Personal and Business Bank Strategy defined

The strategy comprises four pillars namely:

- Focus on the Customer;

- Optimise Human Capital;
- Optimise Cost; and
- Integrate the Bank.

The four pillars are present in the strategy in order to align activities on all fronts in order to achieve customer centricity.

Customers of organisations in the 21st century expect the organisation to meet changing demands, tastes and preferences. The products offered need to be designed in order to meet diverse needs, have more utility and priced accordingly. The awareness of customer rights makes it a challenge for organisations to constantly change in order to match customer demands. However, the number of players in the financial industry makes constant change the norm. The jockeying for marketing space and sales by the increased number of players makes the business environment more competitive, more often than not discounting the needs of the customer.

The "what" of the Standard Bank Personal and Business Bank strategy was clearly defined in early 2004. By August 2004 the "how to get there" was formulated and an operating model designed that will include all elements of the strategy to ensure competitive advantage. The 4 pillars of the Standard Bank Personal & Business Banking Strategy are detailed in the Figure below.

FIGURE 4.2 THE PERSONAL AND BUSINESS BANK STRATEGY
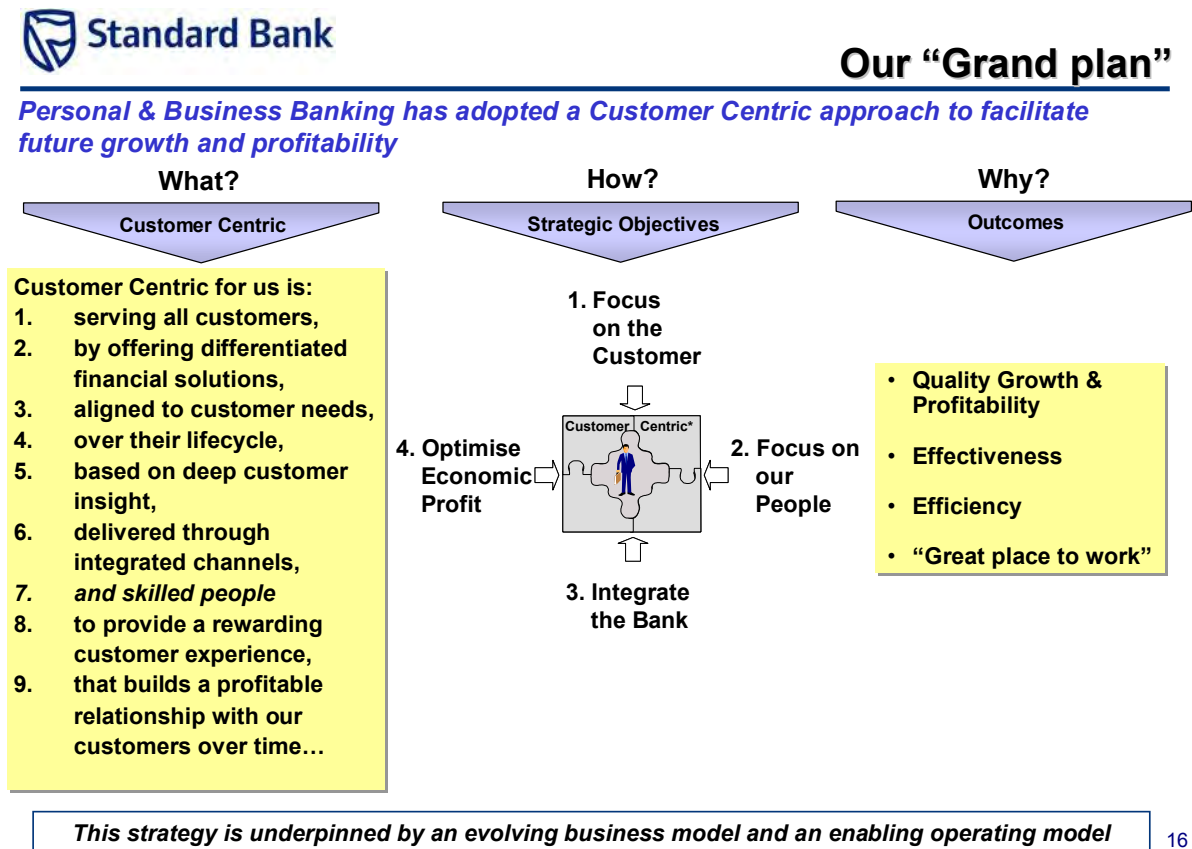
Source: *Standard Bank Business Operations Road show Presentation 2005*

The core theme of the Personal and Business Bank strategy is customer centricity, i.e. the activities of the bank must focus on adding value to the customer.

4.5.4 The Standard Bank Business and Operating Model

The Standard Bank Personal and Business Banking Business Model was formulated from the Personal and Business Banking Strategy discussed earlier in this chapter. For the bank to clearly define the journey to achieving the strategic objectives a business model must be underpinned by a relevant and effective operating model supported by its operating architecture.

4.5.4.1 Standard Bank Operating Model

The adoption of guiding principles was to ensure that the bank was steering itself in the direction of its vision.

To be successful and remain relevant, the Standard Bank adopted the following principles:

a) **Customer Focused Guiding Principles**

Provide a consistent customer experience;
Provide a comprehensive customer view;
Anticipate customers' needs and provide solutions;
Make banking easy.

b) **Enablement Focused Guiding Principles**

Simplify Business Processes;
Eliminate Overlaps;
Make good decisions and execute at speed; and
Enable and measure the right performance (Top to Bottom).

Aligning the behaviour of employees to deliver on all these counts is proving challenging as many of the bank's environments do not have systems in place to measure output. Often it is a manual process which lends itself to incorrect information that is used to measure departments or individuals.

FIGURE 4.3 THE STANDARD BANK BUSINESS AND OPERATING MODEL

Source: *Standard Bank Business Operations Road show Presentation2005*

The operating model in underpinned by the following:

1. Engaged People

2. Efficient and Effective Processes

3. Stable Systems Performance

4.6 COMPONENTS OF THE STANDARD BANK IN KWAZULU NATAL

This discussion is based on the composition of the Personal and Business Bank and its strategic partners that fulfil its operational needs in order to deliver on its customer value proposition.

4.6.1 COMPOSITION

The Standard Bank in KwaZulu-Natal is made up of the Corporate Bank and the Personal and Business Bank. The focus in this study is the Personal and Business Bank which is made up of the retail network of branches, mobile sales channels, service support, risk and operations management as well and the non-resident centres and exchange bureaus.

4.6.1.1 Customer Segments

Customers are segmented into markets according to value propositions dictated by each market. This ensures that relationship managers are allocated to portfolios of accounts within a specified category.

4.6.1.1.1 Private and Expert Banking Segments

The Private and Expert Banking Suites are separate platforms dedicated to serving the upper echelons of the personal and business customer category with value propositions dictated by net worth and annual turnover.

Private Banking customers are managed through relationship banking and their service experiences are handled by a dedicated team of customer care consultants. The Expert or Business Banking segment of customers received service from a team of relationship managers dedicated to specifically allocated portfolios.

4.6.1.1.2 Affinity and Convenience Segments

The Affinity and Convenience Banking customers are serviced through the branch distribution channel and their service experiences are through the branch employees that interact with them.

4.6.1.2 Distribution Channels

The Standard Bank in KwaZulu-Natal comprises branches, provincial head office departments, sales and operations processing environments. Branches form the distribution channel that provides a platform for customers to transact on their accounts. The sales platform at branches allows for the sale of new products,

expansion of existing business relationships and maintenance of accounts. Customers that choose to transact through the branch network use the physical infrastructure of the teller and enquiry counters. Technology has enabled that customers from all branches can transact at any chosen branch in the country with access to all their banking information.

4.6.1.2.1 Standard Bank Branches and Service Centres

The points of representation in KwaZulu-Natal and made up of branches and service centres. The bank has a total of 106 points of representation which comprises 52 branches and 54 service centres. Branches in KwaZulu-Natal province service a customer account base of approximately 1.6 million accounts.

The total number of staff in the KwaZulu-Natal branch network amounts to 1484 as at April 2008. Non permanent staff total 206 and these are sourced mainly from labour brokers such as Quest Personnel and Kelly. The Non-Permanent staff group is made up of temporary and casual employees. The challenges faced by managers and supervisors with the recruitment of non-permanent staff are the transfer of knowledge and skills in a relatively short space of time in order to increase competence.

Full time employees at branches are grouped into the following categories:

- Branch Manager – overall responsibility for the operation and success of the branch. This includes achievement of targets for product sales, service delivery and risk and compliance issues.
- Business Manager – responsible for the business account performance against targets set.
- Head Service Support is in charge of the operational functioning of the branch and supports the Branch Manager in the execution of his deliverables.
- Supervisors manage the performance of work teams and align their contribution to the higher goals of the branch and the province
- Clerical (Frontline & Back Office Support) are the individual employees that perform the functions in teams and are managed by supervisors. The employees, especially in the Frontline areas of the bank i.e. Tellers, Customer Service Officers and Customer Consultants are in constant interactions with

customers. Therefore, when service delivery at the branch is rated by customers through market research, these customers refer to their experiences at the branch which is through this frontline team of employees.

4.6.1.2.2 Mobile Channel

The mobile channel delivers on the customer value proposition of being available to sell and service products of Standard Bank through the medium of offering the customer the product or service at his preferred location. Mobile Managers and Consultants facilitate the sales and service at the customer's convenience. This channel produces value through the sale of the home loan and vehicle and asset finance products. The two products are core to the revenue generating business of the bank. Consultants are also available to sell transactional products e.g. cheque and savings accounts through this channel. The focus here is mostly on high value business or collaborative business that would yield future benefits.

4.6.1.2.3 The Automated Teller Machine Channel (ATM)

The self service channel that was installed in early 1981 was the Automated Teller Machine Network. This started out as a cost effective alternative to branches holding and dispensing cash for withdrawal by mostly personal customers as well as the convenience of 24 hour banking facilities for customers and an intervention to optimize on the number of over the counter transactions in the branches. The key issue was the cost to the bank of processing teller transactions – deposits and withdrawals by personal customers.

a) Service Quality of ATM's

The manufacturers had no built in quality checks or warranties as part of the sold product which meant that hardware and technical faults were addressed reactively. ATM's need quality notes which are supplied by the Reserve Bank at an additional cost. The branches previously had branch ATM custodians – who were responsible for controlling and servicing the branch as well as remote ATM's. The ATM Control Centre is based in Johannesburg and has direct link to the diagnostics of each ATM. Performance exceptions for each ATM site are signalled to the centre for escalation and action. This is one of the key controls for ATM uptime and availability.

b) Quality of Cash and Cash Requirements

Sorting for quality notes coming through our Cash Centres to replenish ATM's creates additional work that will require the time of treasury custodians to sort the cash. Cash in transit companies were used only to transport cash to the remote sites and auto bank custodians would meet them on site and replenish or service the machines. Due to the high risks involved and industrial relations implications, this function for remote ATM sites was removed from branch staff and handed over to Cash-in transit companies procured for this function. These are Fidelity Guards, SBV Services and Coin Security. Branch staff will be responsible for monitoring cash requirements for each site. Service level agreements inclusive of all deliverables (cash replenishment, response times) were agreed on and signed by the bank and the "cash-in-transit" company. The "cash-in-transit" company is responsible for the storing and transporting of cash for these remote sites and is accountable to the bank for cash servicing.

c) ATM's in the KwaZulu-Natal Province

The total no of ATM's in the province is 701 made up as follows:

665 machines are located at the bank's branches, ATM centres and filling stations. The bank has currently installed 36 retail machines which are the smaller in-store Auto cash ATM's and cash needs for these are serviced through ATM Solutions, an outsourced company that uses its own cash holding to service these machines. An example of this service is the Auto cash ATM installed in many Woolworths chain stores. The cash needs for these ATM's are serviced by the Durban Cash Centre. Maintenance issues are outsourced to a vendor through the bank's procurement channel. Many of the remote ATM's need to be monitored by local branch management teams due to the distances that needs to be travelled.

d) Volumes processed at Automated Teller Machines in KwaZulu-Natal

Breakeven point of conventional ATMS is 4500 transactions per ATM month. The desired performance of any conventional ATM is above 8000 transactions per month. Where an ATM is processing in excess of 18 000 transactions per month, it is indicative of a need for an additional ATM in the vicinity. Increased usage means that the need for increased maintenance will arise.

The total volume of transactions processed at Automated Teller Machines throughout the KwaZulu-Natal Province per year is indicated in Figures below.

FIGURE 4.4 AUTOMATED TELLER TRANSACTION VOLUMES FROM JANUARY 2006 TO APRIL 2008
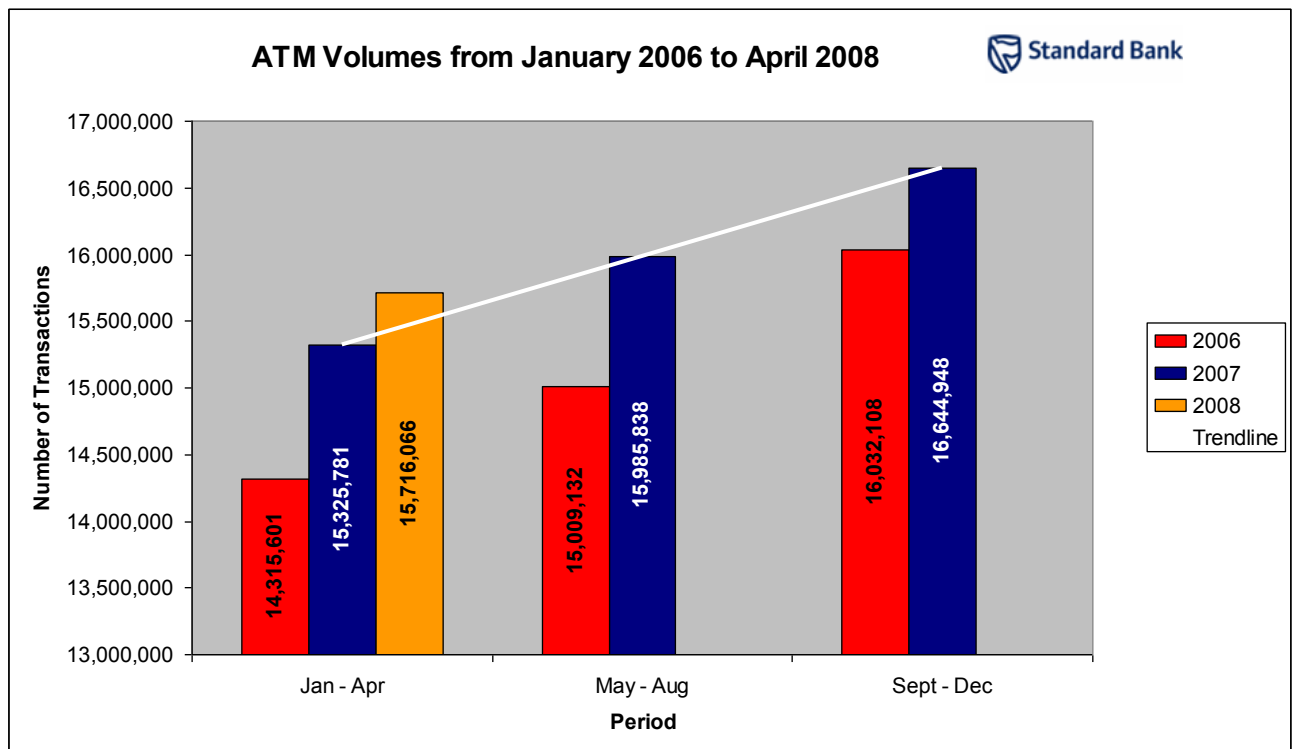
Source: *Standard Bank ATM Operations KwaZulu-Natal April 2008*

The volumes processed per month for the year 2006 indicates that there has been a gradual increase from 3.5 million to above a 4.5 million number of transactions in the latter half of the year. It is clear from Figure 4.4 that ATM volumes have not decreased. This is in line with the volumes of the previous year.

In 2008, it is evident that the volumes peaked in March 2008 due to the number of visitors to the province and the public holidays in that month.

e) Automated Teller Machine Performance

The standard availability "uptime" as it is known in bank terminology for ATMs in urban areas is 98% - this means that the machine has to be available 98% out of 100% for customers to transact. The regional ATMs are required to have an availability of 95%. Where the % availability declines is often due to the distances that would need to be travelled to service the ATMs with cash. Available data from the Central ATM database shows that the ATM availability for KwaZulu-Natal was always above 96% for the period 2003 – 2007.

FIGURE 4.5 PERCENTAGE ATM AVAILABILITY PER MONTH IN KWAZULU-NATAL FROM 2004-2007
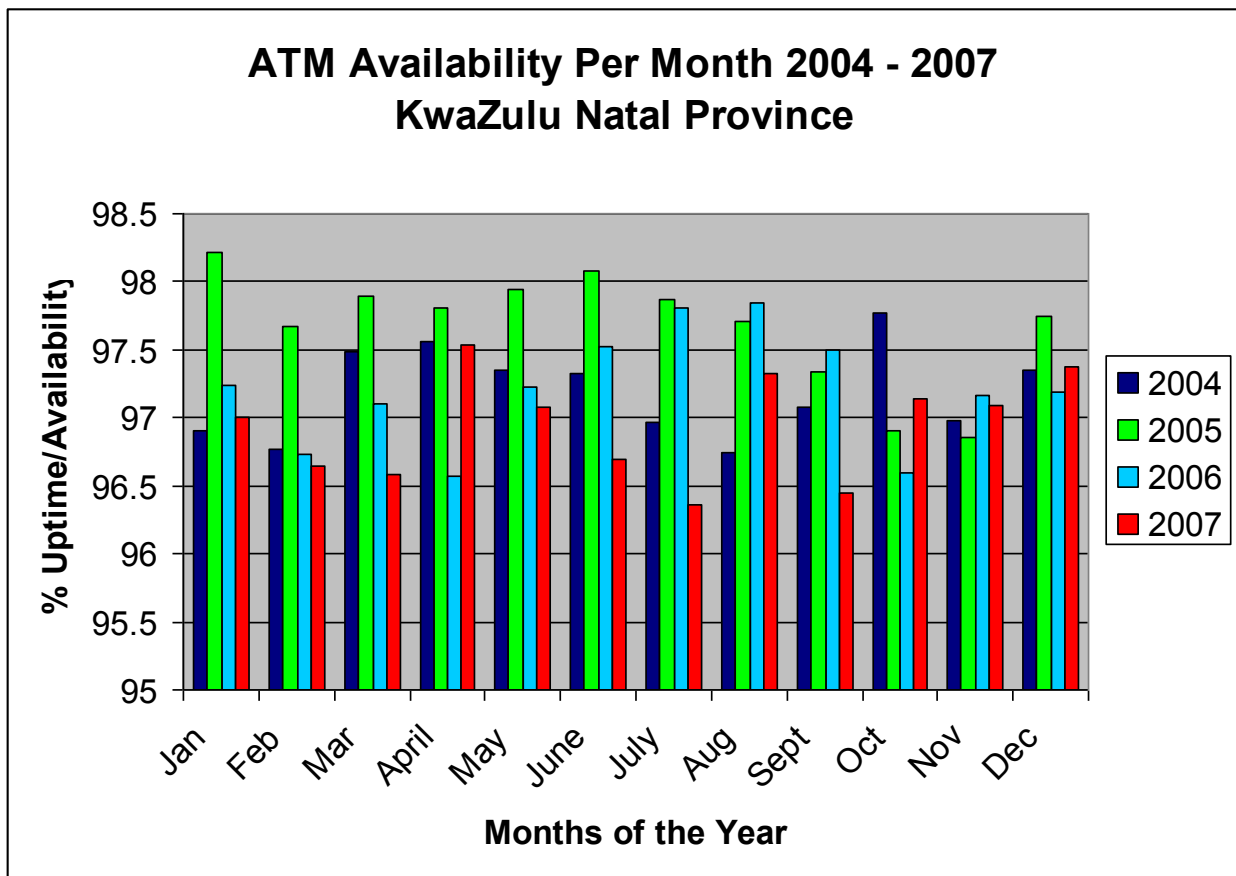
Source: *Standard Bank ATM Operations KwaZulu-Natal Province April 2008*

Figure 4.5 highlights the performance of the ATM's in KwaZulu-Natal during the period 2004 to 2007. 2005 is clearly seen as the year when the ATM availability was

at its highest. In 2006 and 2007 the levels are showing a marked decline. 2007 performance is a cause for concern as it is the lowest ever of the four years under review. Although the levels have remained above 96% throughout the four years, the bank seems to accepted or tolerated have lowered performance standards of ATM availability.

FIGURE 4.6 ATM AVAILABILITY TREND FROM 2004 TO 2007
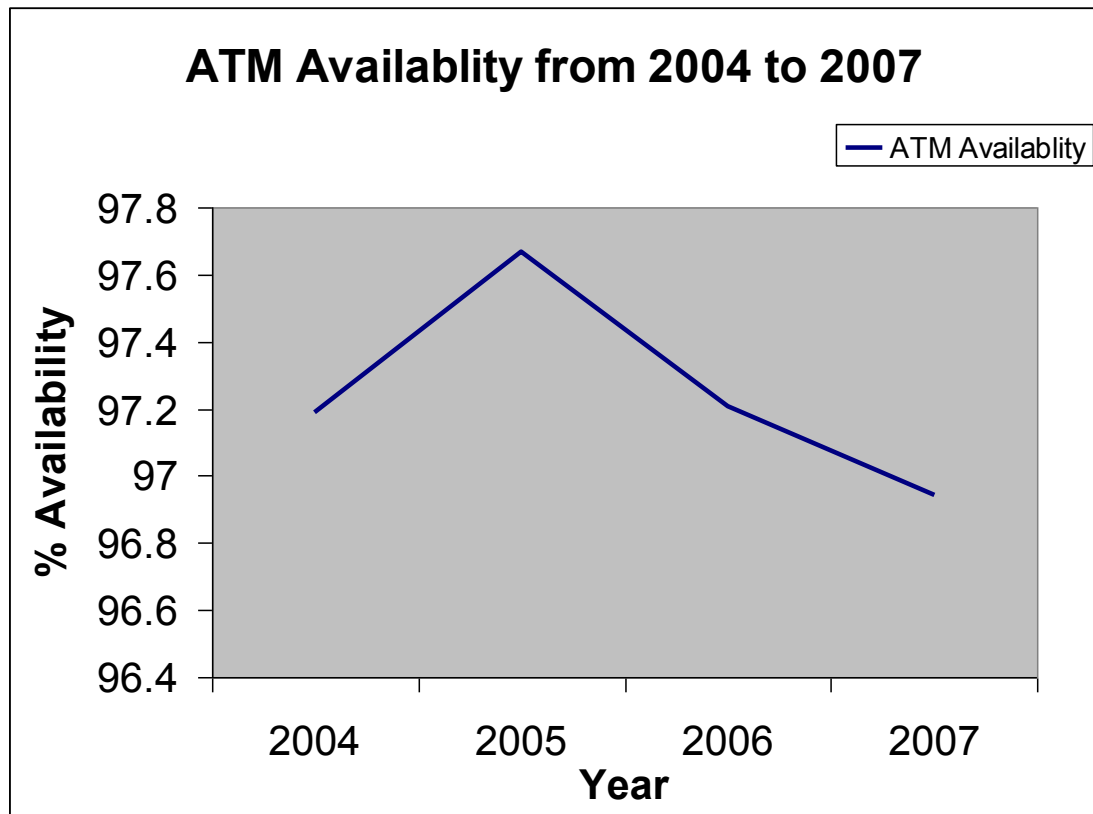
Source: *Standard Bank ATM Operations KwaZulu-Natal Province April 2008*

The trend highlighted in the Figure 4.6 shows that ATM availability continues to decline from 2005 onwards. The case study should take note of the trend and investigate factors that contribute to variation in customer experiences at ATM's.

4.7 Strategic Business Partners of the Personal and Business Bank – Business Operations KwaZulu-Natal

The Standard Bank Personal and Business Banking promises to customers are fulfilled by the business operations departments of:

- Branch Operations
- Branch Fulfilment Centre
- Cash Service Operations
- Home Loan Operations
- Vehicle and Asset Finance Operations

As a fulfilment partner to the Personal and Business Bank, these entities fulfil functions driven by negotiated service level agreements. The fulfilment of the branch and suite customers' needs are concluded in the Operations Processing environment situated in the city centre. The close location allows for quick and rapid flow of work from the branch network and the Private and Expert Banking Suites.

These fulfilment entities' primary functions are detailed per entity in the paragraphs that follow.

4.7.1 Branch Fulfilment Centre
The Branch Fulfilment Centre fulfils all the branch personal and business transactional account applications channelled through the branch network. This further creates customer experiences for branch customers who have no face-to face contact with the Branch Fulfilment Centre departments. The most likely contact is through the telephone or electronic messaging where the departments advises the customer of the status of his application or further information or documentation required.

4.7.2 Branch Operations
The branch operations team supports the retail distribution channel of the branch network in delivering service to customers. Areas of productivity, premises, technology, risk and security fall into the area of responsibility. Branches use this channel to facilitate the optimum functioning of delivery to their customers. The department also sources ideal premises for points of representation, installation of

new ATM's and is overall responsible for ensuring that the branch distribution channel's needs are met.

4.7.3 Cash Services Operations

The Cash Services department is responsible for meeting the cash holdings as required by branches and facilitates the collection of large deposits from corporate and commercial customers through secure channels in the Cash Centre.

The centre is responsible for the cash replenishment of ATM's in the CBD and urban areas. This is one critical component is ensuring ATM uptime and availability which is also focused on in this study. The regional or remote ATM's are replenished by Fidelity Guards, a guarding company with which the bank has contracted the secure moving of cash for use in ATM's. One of the primary control functions is managing the cost of cash held within the environment.

4.7.4 Home Loans Operations

This operations environment services home loan and building loan applications channelled from branches, mobile consultants and mortgage originators. When A customer wishes to purchase a home using the bank's home loan facility; the application is channelled from the branch consultant to the Home Loan Operations Division. The delivery of the home loan account involves the application moving through various departments before final approval is granted. This involves legislative compliance through FICA, The National Credit Act and the awareness of Basel 11. Delays in any of the steps in the process through any of the Home Loan Operations Departments could result in a customer complaint and loss of the potential account. Customers are advised of the expected turnaround time and procedures that will be followed in the course of their application. It is this experience that determines how the customer responds to the questions that are put to him/her by the market research company when he is/she one of the sample of customers that are selected to be surveyed.

4.7. 5 Vehicle and Asset Finance Operations

The Vehicle and Asset Finance department supports the branch and mobile channels in fulfilling the sale of a vehicle or asset that falls within the parameters of financing.

Financing of capital assets requires legislative compliance with FICA and the National Credit Act. Due to the number of players in the market, the department's speed of response to finance requests is seen to be critical. Promises to customers need to be followed up to ensure that we do not lose the business. As a core product of the bank, finance granted must be able to yield positive margins. Many lost deals are as a result of competitive interest rates and quicker decision-making of competitors.

4.8 Customer Service Survey

4.8.1 Market Research Instrument

Mariner, the external research company procured by Standard Bank to conduct customer surveys, is provided with details of customers that have:

- transacted at the branch
- interacted with the Expert/Business Banking Suite
- interacted with Private Banking
- used the services of the Integrated Processing Departments (Home Loan Operations, Vehicle and Asset Operations, Branch Fulfilment Centre) in the previous month.

The research company then contacts these customers and requests feedback on a set of pre-determined questions, the responses of which, will determine the level of service as perceived by the customer. Customers are requested to rate the bank on a scale of 1 to 10 – 1 being the lowest (Poor Service) and 10 being the highest (Excellent Service) score on the service experience at any of these distribution channels.

The experiences that the customers are requested to rate relates to the following:

- The Friendliness and helpfulness of staff;
- Efficient handling of transactions
- The Knowledge and competence of staff
- Effective dealing of problems
- Being treated with respect

- Understanding of financial needs

- Following up of their queries

- Having consultants available when they need assistance

- Guidance and information provided on products and services

- Treating the customer as if they know him

- Adopting and resolving issues raised by the customer

The final question is independent of all the other questions and related to the overall experience of the customer at the relevant representative point of service.

4.8.2 Weighting of Customer Service Survey on Scorecard

These scores are then carried into the branch or centre's scorecard as an indicator of service performance delivery by the respective distribution channel. In recent years the scorecard weighting for branches was set at 43% out of a total of 100%.

Currently this weighting has been reduced to approximately 35% due to the need to balance actual customer experiences with customer perception of service and allocate weighting according to the delivery of all aspects of performance desired by the bank.

4.8.3 Analysis of Results and Action

Branches and Operations departments analyse their individual results for areas of success, identify areas of improvement, plans for action and implement improvement initiatives to improve service. Where customers indicate that they would like to be called by the Branch or Department Manager to resolves issues, contact details are provided on the feedback to the business unit.

4.9 Customer Complaints

The bank has a dedicated centre to handle customer complaints. The Customer Complaints Manager in KwaZulu-Natal receives all complaints that escalate in excess of 60 hours. Branch Management is given 48 hours to acknowledge and resolve the customer complaint. The complaint is also logged on a database and tracked by the Complaints Manager to ensure that the responsible Manager at the branch keeps his promise to resolve and close the complaint.

Escalation of unresolved complaints is through the Customer Relations Centre in Johannesburg to the Chief Executive of the bank. Ownership of these escalated complaints rests with the office of the Chief Executive. The customer is promised a turnaround time to the resolution of his complaint, taking into account the nature and complexity of the complaint. Once resolved or where the customer is advised that the bank has done everything in its power to satisfy the customer but circumstances make satisfactory resolution unable, the complaint is closed and outcome documented.

The monthly market research conducted by Markinor comprises customers that have used the bank indicate that many customers are still not satisfied with the way their queries, problems and complaints are handled.

4.10 People Management

The Standard Bank has adopted people management practices that allow for interactive and participative performance discussions. From recruitment and selection, the individual is inducted into the bank's culture. While this is slow in the beginning, the employee tends to enjoy the new responsibilities and the learning that comes with this new role.

The Balanced Scorecard is the measure of performance against target of the business unit which will always be aligned to the provincial and national scorecard.

Induction into the bank allows for understanding the role and position within the bank. Communication of the key purpose and accountabilities of the job are completed upon the individual first reporting for duty. Performance measures are implemented so that the individual is fully aware of the deliverables of the role that he/she is required to adopt. Individual performance is against key result areas that are weighted scores per category.

Supervisors and managers are measured on the upkeep of performance files that has predefined criteria that determine progress of individual employees. Monthly performance discussions are one of the "not negotiables" of performance management and must be documented and signed by both supervisor/manager and the employee.

Results of the business unit's performance are communicated to the employees on a monthly basis and scorecards are derived from these results.

Talent Maps for individual employees are determined by the criteria for placing employees in specific quadrants based on knowledge, skills, ability and performance results. These talent indicators are one of the tools used for mobility, promotion and career development of individual employees.

Personal Development Plans are updated every quarter to ensure that any developmental needs identified in performance discussions are addressed.

4.11 Employer of Choice

In recent years, Deloitte & Touche conducted surveys to find which employer was seen by employees to be the best in the country. PPC – a cement producing company was selected in 2003. The Human Resources Director of PPC at the time, Rod Byrne was approached during that year by the Standard Bank to turn the bank around to be in the Top Ten Companies in the following year. However, it was not to be as Standard Bank only reached 36th place in the survey. A year later, in spite of renewed focus on people development and improvement of communication channels, the bank dropped to 85th place in the survey.

The concern of top leadership was that the bank could not move up in the survey when the basic needs of employees were not being met. Part of redesigning the culture was to encourage people engagement through discussion forums, leadership in touch sessions, video conferencing and informal get-togethers and strategic provincial "road shows" proved to be a great success. A performance culture emerged where employees knew what was expected, understood the channels of communication that was available and then started driving results towards business objectives.

4.12 Reward and Recognition

Standard Bank has employed various incentive schemes to motivate and recognise employees. Many of the previous schemes have rewarded behaviour and achievements but drawn criticism from employees due to the subjective nature of

awarding such behaviour and achievements. The change from multiple recognition programmes has taken place in April 2007 with a single recognition scheme for all distribution channels with a rigour placed around qualifying criteria. While there has been much transparent communication around the initiative, the absence of scientific performance measurement lends itself to an element of subjectivity.

An example of this is where individual business units rate/reward their employees on performance scores derived from manual tracking systems. The danger of subjectivity lies in the application of criteria by supervisors who have had no formal training or experience in the implementation and application measurement of performance measures.

Performance reviews are done twice a year in June and December, the outcome of which determines the ranking of the individual employee against his/her peers and place in the work team. The ranking determines the percentage increase/or not that will be allocated depending on his/her ranked performance standing within the department.

Incentive schemes are in place to reward individuals who consistently display behaviours that are aligned to at least one of the bank's eight values. It is based on a point system depending on the actual behaviour and the outcome of such desired behaviour. Consistency in the awarding of points is maintained through the appointment of committees that award the points based on predetermined criteria.

Intangible recognition is given in terms of service awards, hours off from work and other means such as gift vouchers, free movie tickets and dinner vouchers.

4.13 Business Process Improvement at Standard Bank in KwaZulu-Natal
The Standard Bank has, starting in 2005 embarked on a journey of process improvement using Six Sigma methodology. The knowledge and skills around Six Sigma and the tools that enable improvement is delivered in the Business Operations

area of the bank. Business Operations is the strategic operations fulfilment partner of the Personal & Business Banking area in the Standard Bank.

4.13.1 Lean Six Sigma

Procuring the services of one of the few vendors delivering Six Sigma learning during 2004, Standard Bank was the first commercial bank to adopt the "Lean Six Sigma" approach where the focus was on reducing variation in processes and eliminating defects or waste in the process. The employment of problem solving methodology in addressing customer needs meant that we had to change the way we think about banking and relate to activities in a process as in a production or manufacturing environment. The focus is on lean improvement initiatives, improving turnaround times for the customer, reducing variation in its processes and eliminating waste and duplication in processes. The challenge with sustaining improved processes lies in outdated accounting processes, divergent information systems and existing barriers with rules and procedures.

4.13.2 Training – Knowledge and Skills Transfer

Transfer of skills relating to Six Sigma methodology to an employee population with little or no knowledge or experience of process architecture, statistics and metrics continues to slow down the progress of improvement projects.

Given that the bank employs approximately 30 000 employees in South Africa alone, the training and application of Six Sigma methodology is an enormous challenge. The target for 2007/ 2008 is to complete training and certify managers and supervisors in the operational and processing departments to entrench an improvement culture where the fulfilment of customer requests resides.

Awareness of the prevailing improvement culture through the organisation is facilitated by certified Green Belts in every line function. The focus has shifted from pure efficiency of delivery to customer to a lean engineered outcome for the organisation and the customer.

Staff that has been certified in the "Yellow Belt" Six Sigma programme has had to undergo intense training and assessment and finally deliver a project with benefits.

This culture, once embedded, provides a platform for making employees more competitive in the job market as well as increase their confidence and ability.

4.14 Communication

4.14.1 Medium of Communication

Communication between the customer interface platforms and the operations fulfilment environment is through the telephone, electronic messaging, facsimile messaging and video conferencing medium. Communication in Standard Bank KwaZulu-Natal branches, Head Office and Operations environments use the following medium of communication:

- face-to-face
- telephone/facsimile
- e-mail
- letters
- internal memorandums
- meetings or forums

4.14.2 Adoption of Technology

Achieving economies of scale has resulted in the bank adopting technology and self directed channels to provide basic customer information. An example here is the provision of account information and ability to transact via the Internet (statements, account balances, funds transfers etc.

Technology has enabled us to move from letter writing to increased use of the e-mail facility. Customers who prefer this form of communication are satisfied with the speed with which an e-mail response gets to them rather than a letter that gets to them via the Post Office.

4.14.3 Customer Communication – Request for information

Telephonic customer queries are centralised in a Provincial Customer Care environment within the Operations Processing Centre. A contact centre type operation which was installed in 2004 delivers solutions to customer queries, handling of customer complaints, account service related issues and general banking

information. As part of the operations optimisation plan, the incoming calls to all KwaZulu-Natal branches were centralised in the contact centre. Employees in the contact centre have to be competent on all products and services offered by the bank in order to fulfil customer queries and provide information.

4.14.4 Ineffective Communication

An example of this is Standard Bank is advertising of new products and services in the media. What is also of great importance here is communication to our customers. Given the size of the organisation, it is impossible for the message to reach every single customer in the bank as many do not have access to the various media channels. When the Standard Bank in KwaZulu-Natal centralised branch switchboards into a Provincial Call Centre, the communication function was co-ordinated through the Provincial Service Unit and the branch network. The majority of customers that use electronic banking facilities and communicate through the telephone and the Internet seldom visited the branch hence had no prior knowledge of the centralisation of this function. Complaints and customer dissatisfaction with the way the bank had communicated the change was evident in the customer responses in the monthly service survey for the province.

To date, the customers' comment that they would like to speak to someone at their own branch and not a stranger at the call centre is evident in the monthly survey feedback.

4.15 Conclusion

This chapter took us through the context of the Standard Bank in KwaZulu-Natal, its business and operating environments. The Standard Bank's strategic plan is to carry the bank into 2010, however, the bank is also prepared to change its operating model in line with changing customer preferences while taking into account the economic, social, political and legal environment that it operates in. In KwaZulu-Natal the bank is highly visible in the relationships with business, black economic empowerment and the community. The challenges are similar for the large four banks with reducing revenue margins in the wake of high inflation and higher interest rates. The next chapter focuses on the analysis of the data obtained from the research and the conclusions drawn from the analysis.

CHAPTER FIVE

Analysis of Data

5.1 Introduction

Standard Bank has survived a hostile take-over bid from Nedbank, improved its cost-to-income ratio, hailed as Africa's leading emerging markets bank and has been the recipient of numerous accolades in recent years. In a constantly changing political, social, legal, economic and technological environment, the bank continues to be profitable and delivering to the shareholders. In a business environment where restructuring and optimization is a norm, the bank has undergone many transformations to align itself to the environment in which it operates (Standard Bank Service Support Department May 2007).

The bank has centralized many customer-facing functions with the result that customers now have to speak to agents at a centralized call centre in order to solve their queries and complaints. Centres of excellence have been established in execution of the cost strategy in order to benefit from economies of scale and streamlined processes. This has also seen customer requests for overdraft facilities at branches channeled into a centralised Retail Credit Centre where credit specialists make credit decisions in respect of affordability and desirability of the loan.

In spite of the many initiatives to migrate customers to more efficient channels, research has not proven that the declining customer survey ratings are directly linked to the changes that have taken place in the bank in the past 4 years.

Chapter Three introduced the research methodology for the study. This chapter analyses the findings in order to answer the research questions in the case study.

5.2 Objective of the Research

The primary objective of the research is to identify those factors that contribute to the negative impact on customer perception. In order to achieve this, an in-depth understanding of the two core delivery channels i.e. the ATM and the Branch Network was needed. The performance of these channels was explored in detail in the study.

The objective of this chapter is to present, analyse and then evaluate whether the research questions defined in the case study have been answered.

5.2.1 Research Questions to be Answered

a) Is there a relationship between the response times of the ATM network and lower customer ratings?

b) Is there a negative impact on customer retention due to lower service ratings?

c) Is there a relationship between lower customer ratings and the current knowledge and competence level of bank staff?

5.3 INTERPRETATIVE FRAMEWORK FOR REPORTING RESULTS

The findings of the research are analysed in the discussion that follow each research question.

5.3.1 RESEARCH QUESTION 1

Is there a relationship between the response times of the ATM network and lower customer ratings?

5.3.1.1 Customer Evaluation of Branch Service (CEBS) ratings

The KwaZulu-Natal province's CEBS ratings were retrieved from the bank's service support database for each month in the years 2004 to 2007. The trend is depicted in Figure 5.1 below. The customer ratings are clearly seen to be declining year on year.

5.3.1.2 ATM Performance
5.3.1.2.1 ATM Availability

The collection of relevant secondary data revolved around the availability of the ATM facilities in the province. Management information reports produced daily highlights

the ATM availability throughout the day. The target of 98% availability for the urban areas does not present a challenge as the focus is on regular interval ATM servicing daily. The target of 95% availability for regional areas is lower than for the city areas given the geographical spread of automated teller machines in the province. The trend in Figure 5.1 below indicates that through the period under review the percentage availability was always above 96%. Given the current data which includes the entire province's ATM availability, we are unable to conclude which of the urban or regional areas contributed to lower ATM availability. This is considered within target.

FIGURE 5.1 CEBS SCORES VS ATM AVAILABILITY FOR THE PERIOD 2004 TO 2007
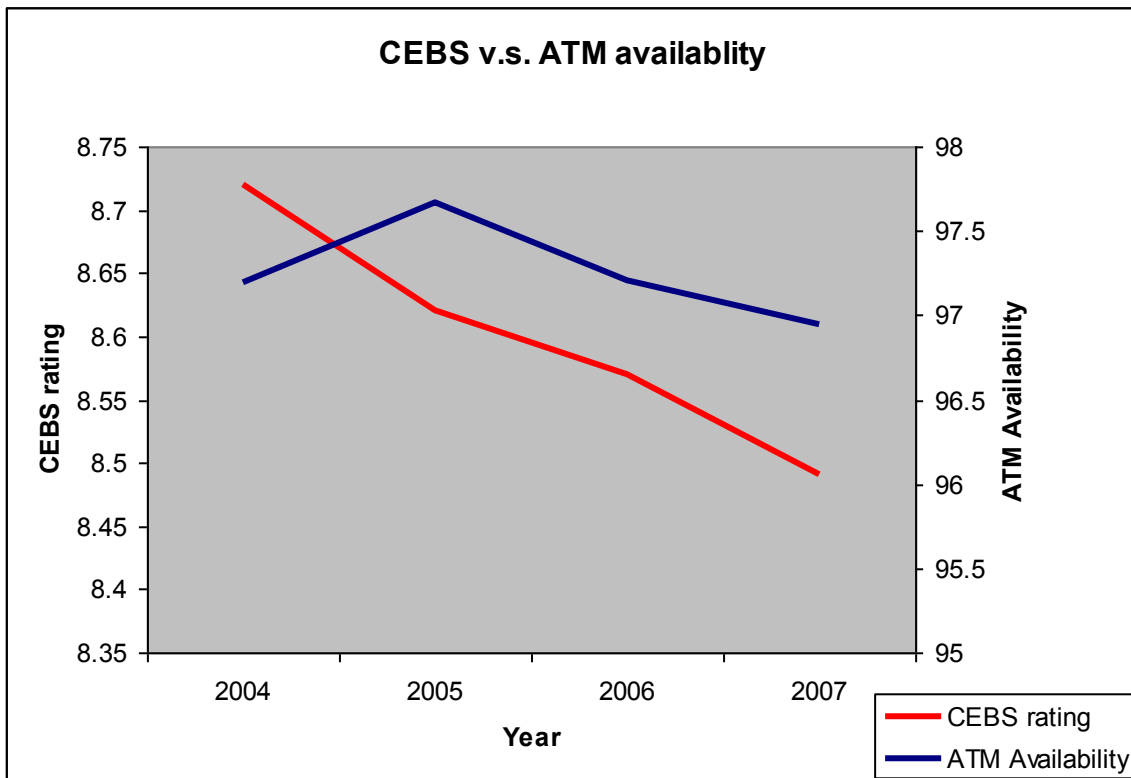
Sources: *Standard Bank Service Support Department February 2008*

Standard Bank ATM Operations KwaZulu-Natal April 2008

Figure 5.1 above shows a comparison between the CEBS (Customer Evaluation of Branch Service) scores and the ATM availability over the period 2004 to 2007. The trend lines indicate that there is a weak positive correlation between the ATM availability and the lower customer service survey ratings. At no point does the ATM

availability drop below 96%, however the CEBS scores continue a downward spiral nevertheless. From high CEBS score of 8.72 in 2004 against a target of 8.50 the province closed at a CEBS score of 8.49 in December 2007. The ATM availability in 2004 was 97.19% and ended December 2007 at 96.94%. The high point was in 2005 when availability of 97.67% was recorded. Although the availability has always been above 96%, since 2005 the scores seem to be on the decline. The figure clearly depicts the declining trend line. It is evident that the target of 98% availability should be maintained or continuously improved for customers to have a consistent experience at ATM's.

5.3.1.2.2 Automated Teller Machine Transaction Usage

The migration of customers to electronic channels continues to grow in the city and urban areas with renewed focus in the regional and remote rural areas where the bank is represented. A comparison of total transactions processed through the ATM's per month for the period January 2006 to April 2008 is drawn in the graph below. It is clear from Figure 5.2 that for each period the transaction volumes have increased compared to the same period in the previous year.

FIGURE 5.2   ATM VOLUMES FOR PERIOD 2006 TO DATE
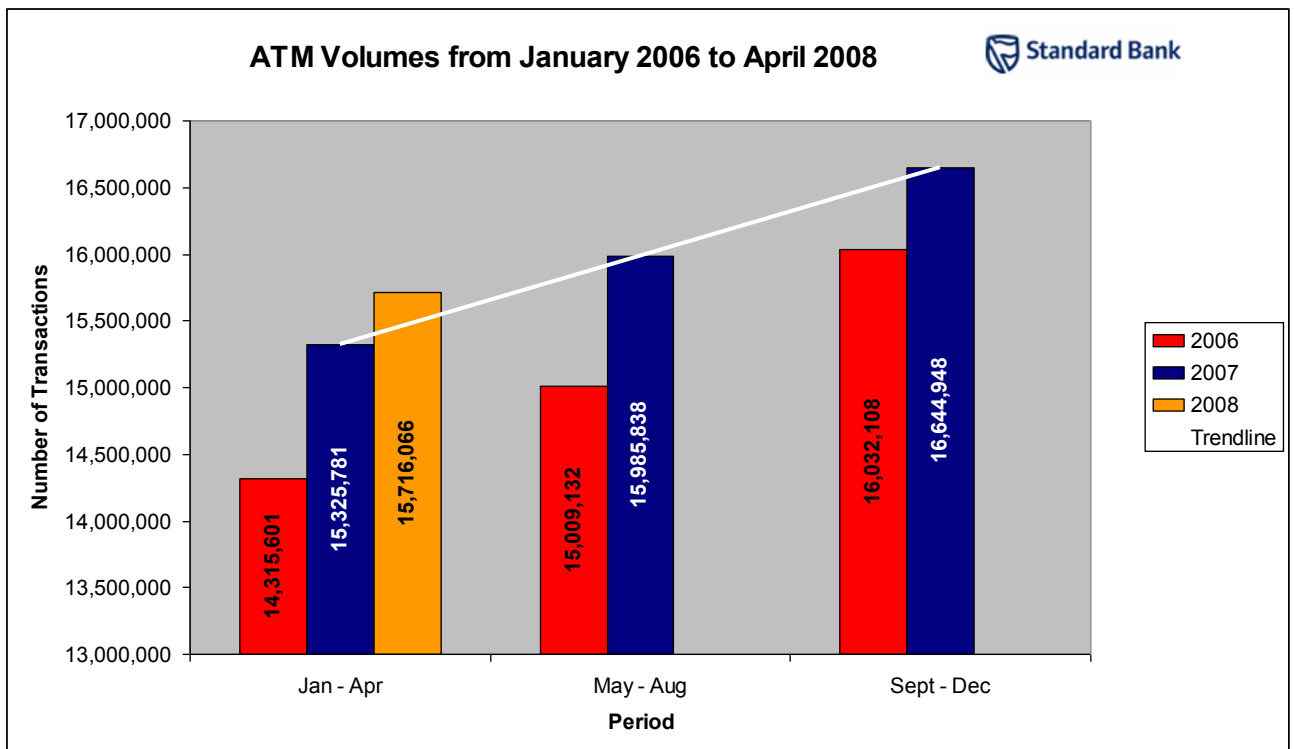
Source: *Standard Bank ATM Operations KwaZulu-Natal April 2008*

It is clearly evident from Figure 5.2 that usage has increased. We have no available data to confirm whether the ATM's would have needed additional maintenance or whether service breakdowns occurred during high volume transactions.

5.3.1.2.3 Customer Complaints

The complaints from customers would be downtime where the machines would have needed servicing as a result of high usage. Frequent hardware maintenance would be needed in high volume areas such as shopping malls, in the CBD where daily volumes would be above break-even points.

5.3.1.2.4 Break-even Point of ATM's

Breakeven point of conventional ATMS is 4500 transactions per month. The desired performance of any conventional ATM is above 8000 transactions per month. Where an ATM is processing in excess of 18 000 transactions per month, it is indicative of a need for an additional ATM in the vicinity. Increased usage means that the need for increased maintenance will arise.

5.3.1.2.5 Customer Perception of ATM's

The image, location and maintenance of ATM's are an important factor that impacts on the perception of the customer. The following are examples of image and location could be perceived by the customer:

- Dirty ATM facility and untidy surrounding
- ATM located in a high risk or unsecured area
- ATM located in an area known to be continuously vandalized
- ATM always runs out of cash or paper
- Physical parts of ATM broken or missing e.g. number keys
- Lighting poor or malfunctioning at ATM
- No protection against the weather when transacting

While this list is not exhaustive, the influences of these factors on customer perception cannot be ignored as the aggressive migration to electronic channels continues.

5.3.2 RESEARCH QUESTION 2

Is there a negative impact on customer retention due to lower service ratings?
The ratio of accounts opened to closed accounts for the period 2005 to 2007 clearly indicates that the bank is opening more accounts per month than it is closing.

5.3.2.1 Value of Accounts
Home loan and vehicle and asset finance accounts are considered the first two core products and are the highest revenue generators for the bank. Potential or actual loss of this business sees significant erosion of revenue. It must be noted that an established current or cheque account is considered the third highest revenue generator in the bank's books. A current or cheque account, once closed, sees reinstatement of value as requiring the bank to open 35 new accounts in order to make up the revenue that is seen as a lost revenue opportunity. The scope of this research does not include home loan and vehicle and asset finance accounts. Within the scope of research is the transactional accounts opened and conducted at branches of the Standard Bank in KwaZulu-Natal. The scope of this research does not include value of accounts but rather the volumes in relation to number of accounts in the bank's books.

**FIGURE 5.3   KWAZULU-NATAL PROVINCE: CLOSED ACCOUNTS
VERSUS NEW ACCOUNTS AND ACCOUNT BASE FROM 2005 TO 2007**
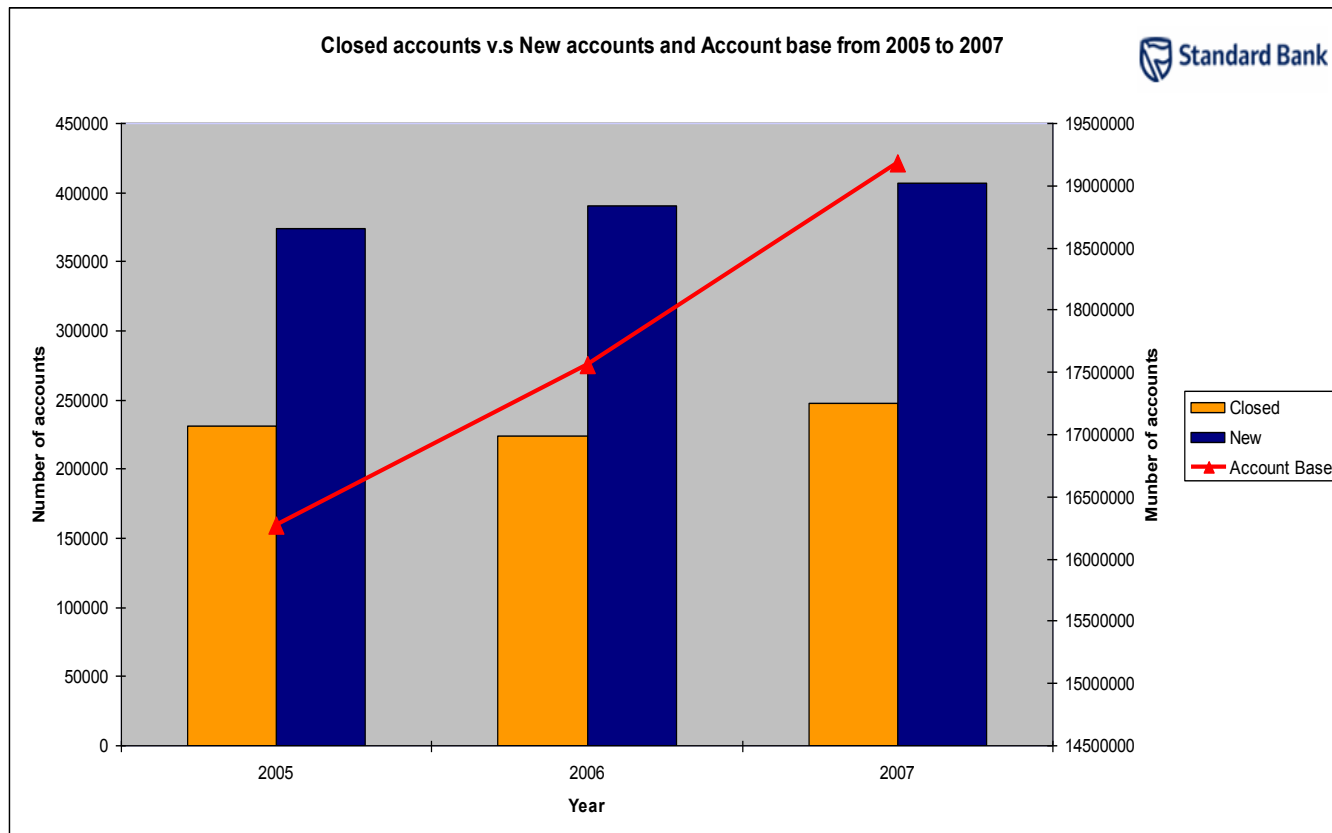
Source: *Standard Bank Business Support Department KwaZulu-Natal February 2008*

Figure 5.3 clearly indicates a strong upward trend from 2005 where the account base grew by 7.88% in 2006 and by 9.25% in 2007. The scope of this research is limited to the number of accounts in the bank's books in the province and not the value in respect of book balances.

5.3.3 RESEARCH QUESTION 3

Is there a relationship between lower customer ratings and the current knowledge and competence level of bank staff?

5.3.3.1 Biographical Data

Respondents were requested to complete the first questionnaire relating to biographical information. The analysis of biographical data is as follows:

5.3.3.1.1 Gender

TABLE 5.1 Mann-Whitney t Test - Gender

Group Statistics

	Gender	N	Mean	Std. Deviation
Training/Knowledge/ Competence	Male	22	1.63	.424
	Female	80	1.65	.523
Customer Services	Male	22	1.49	.526
	Female	80	1.31	.411

The Mann-Whitney test used to compare the dimensions between male and female respondents was found to be statistically insignificant. This indicates that the scores for male and female are not statistically different from each other. It is interesting to note that gender is not a significant factor in creating customer value in the case study

5.3.3.1.2 Marital Status

TABLE 5.2 Mann-Whitney t Test – Marital Status

Group Statistics

	Marital Status	N	Mean	Std. Deviation
Training/Knowledge/ Competence	Married	58	1.63	.524
	Unmarried	44	1.67	.476
Customer Services	Married	58	1.28	.402
	Unmarried	44	1.44	.481

The Mann-Whitney test used to compare Training/Knowledge/Competence between married and unmarried respondents was found to be statistically insignificant. This indicates that the scores for unmarried and married are not statistically different from

each other. Marital status is not a significant factor in creating customer value in the case study.

5.3.3.1.3 Age

TABLE 5.3 Kruskal-Wallis Anova Test - Age

Descriptives

		N	Mean	Std. Deviation
Training/Knowledge/ Competence	< 21	9	1.67	.387
	22 - 32	28	1.89	.497
	33 - 43	24	1.61	.492
	44 - 54	37	1.47	.497
	> 54	4	1.75	.300
	Total	102	1.65	.502
Customer Services	< 21	9	1.56	.564
	22 - 32	28	1.54	.498
	33 - 43	24	1.23	.393
	44 - 54	37	1.18	.276
	> 54	4	1.75	.500
	Total	102	1.35	.442

The Kruskal-Wallis Anova test used to compare Training/Knowledge/Competence between age groups was found to be statistically insignificant. Therefore age is not a significant factor in creating customer value.

5.3.3.1.4 Income

TABLE 5.4 Kruskal-Wallis Anova Test – Income

Descriptives

		N	Mean	Std. Deviation
Training/Knowledge/ Competence	< R60000	8	1.83	.528
	R60001 - R70000	12	1.63	.389
	R70001 - R80000	13	1.72	.586
	R80001 - R90000	7	1.66	.562
	R90001 - R100000	21	1.76	.615
	> R100000	41	1.53	.419
	Total	102	1.65	.502
Customer Services	< R60000	8	1.75	.723
	R60001 - R70000	12	1.48	.471
	R70001 - R80000	13	1.29	.388
	R80001 - R90000	7	1.26	.360
	R90001 - R100000	21	1.38	.433
	> R100000	41	1.24	.362
	Total	102	1.35	.442

The Kruskal-Wallis Anova test used to compare Training/Knowledge/Competence between age groups was found to be statistically insignificant. Income group is not seen as a significant factor in creating and delivering customer value. This is an interesting finding as it is often perceived that higher paid workers will provide a better service than workers paid lower and that belong to the lower echelons of the organisational hierarchy.

5.3.3.1.5 Category of Staff

TABLE 5.5 Kruskal-Wallis Anova Test – Category

Descriptives

		N	Mean	Std. Deviation
Training/Knowledge/ Competence	Manager	18	1.52	.412
	Team Leader or Supervisory	23	1.71	.549
	Clerical (Frontline staff)	52	1.59	.504
	Back Office (Support Staff)	9	2.02	.380
	Total	102	1.65	.502
Customer Services	Manager	18	1.22	.349
	Team Leader or Supervisory	23	1.34	.406
	Clerical (Frontline staff)	52	1.33	.423
	Back Office (Support Staff)	9	1.71	.657
	Total	102	1.35	.442

The Kruskal-Wallis Anova test used to compare Training/Knowledge/Competence between categories of staff was found to be statistically insignificant. The table of means show that scores are lowest for Manager, then Clerical – these groups tend to strongly agree more. The scores for Back office are highest. The attitude towards Customer services is not significantly different.

5.3.3.1.6 Length of Service

TABLE 5.6 Kruskal-Wallis Anova Test – Length of Service

Descriptives

		N	Mean	Std. Deviation
Training/Knowledge/ Competence	Less than one year	4	1.70	.383
	1-2 years	12	1.77	.503
	2-3 Years	15	1.84	.503
	6-10 Years	12	1.82	.556
	More than 10 years	59	1.53	.481
	Total	102	1.65	.502
Customer Services	Less than one year	4	1.75	.681
	1-2 years	12	1.55	.527
	2-3 Years	15	1.48	.477
	6-10 Years	12	1.38	.486
	More than 10 years	59	1.24	.357
	Total	102	1.35	.442

The Kruskal-Wallis Anova test used to compare Training/Knowledge/Competence between lengths of service is found to be statistically insignificant. Respondents with more than ten years service have the lowest score.

The attitude towards Customer Services is found to be statistically significant. The respondents with less than one year have the highest score while those with more than 10 years service, having he lowest score. This can be interpreted as – respondents with more experience having a better attitude towards customer services than the newer respondents.

5.3.3.2 Questionnaire Part 2

5.3.3.2.1 Training/Knowledge/Competence

TABLE 5.7 Training/Knowledge/Competence

	Strongly Agree		Agree		Disagree		Strongly Disagree		Undecided	
	Count	%	Count	%	Count	%	Count	%	Count	%
I have received formal training to do my current job	40	39.2%	47	46.1%	11	10.8%	3	2.9%	1	1.0%
I am able to use the skills and knowledge received during training in my current job	47	46.1%	46	45.1%	6	5.9%	1	1.0%	2	2.0%
I receive feedback on how I am doing in my job	44	43.1%	53	52.0%	5	4.9%	0	.0%	0	.0%
I am confident that I can handle my job without any assistance	56	54.9%	40	39.2%	5	4.9%	0	.0%	1	1.0%
I am able to handle all customer requests (internal or external) with ease	49	48.0%	46	45.1%	6	5.9%	1	1.0%	0	.0%

The table above reflects the number (Count) and percentage of respondents who selected Strongly Agree, Agree, etc. Most of the respondents selected either Strongly Agree or Agree to the items relating to Training/Knowledge/Competence.

The lowest total score on any item for Strongly Agree and Agree is 85.3% and the highest total score for any item for the same categories is 95.1%. The table confirms that all the scores are within this range. From a training perspective, the case study is commended on staff development. This also augurs well for customer satisfaction

because the literature alerts us that a trained workforce is integral to customer satisfaction. The significance of this statistic for the research question and this study is very important. It is interesting to note that the high levels of training, knowledge and competence does not translate to an equal high level of customer value.

Ability to use knowledge and skills on the job is remarkable and will add value to the case study. It is however, evident that customers do not experience the benefits and the return on investment is not clearly visible to customers.

Regular performance feedback augurs well for the bank especially in changing times where roles and responsibilities are continuously evolving and employees have to adapt or face consequences of poor performance. This gives employees the opportunity to ask questions and clarify their individual performance objectives and should ultimately earn rewards for desired performance. How much of this translates into actual value for the customer is not known. The declining service levels are an indicator that feedback on performance does not create or add customer value.

High confidence levels may not necessarily convert customer interactions into productive outcomes. What the customer sees as value may be different to the employees understanding of creating customer value.

It is clear that employees see their ability in handling customer requests as superior or advanced. It is interesting to note that in spite of high levels of confidence, customers continue to experience delays and frustrations.

FIGURE 5.4 TRAINING, KNOWLEDGE AND COMPETENCE
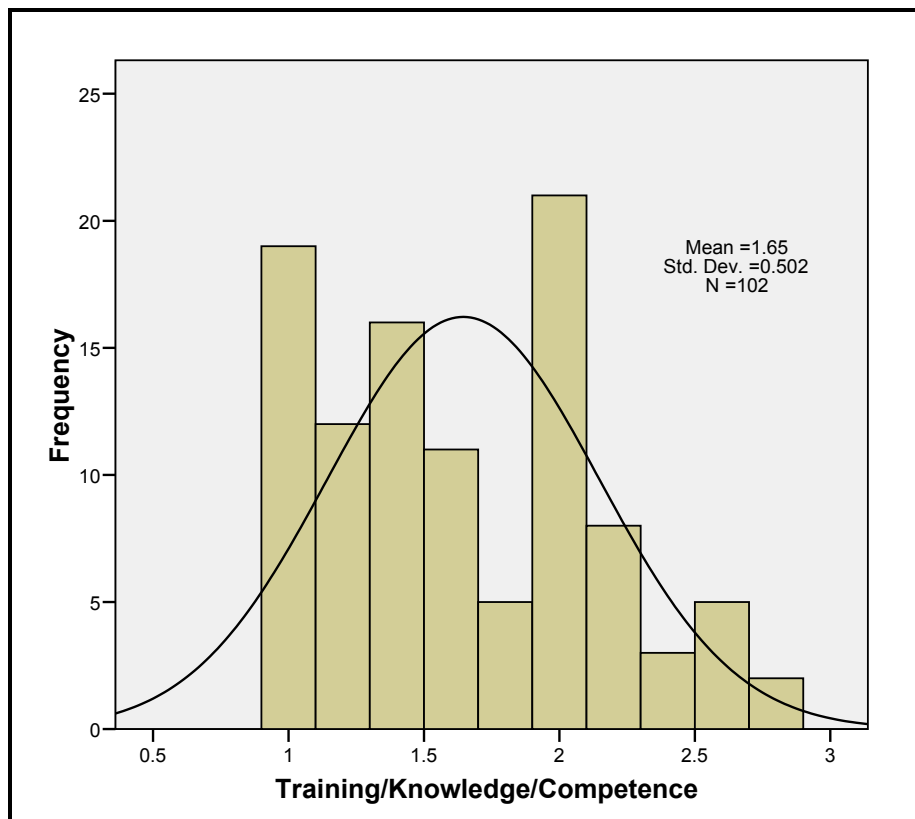
The responses for each of the items relating to Training/Knowledge/Competence were averaged to create an overall score for the dimension of Training, Knowledge and Competence. The data in the table below shows that the average scores for Training, Knowledge and Competence ranged between 1 (strongly agree) and 3 (neutral). The overall average is 1.65 indicating that respondents generally agreed to the items. Their attitude towards Training, Knowledge and Competence can be interpreted as positive.

The standard deviation indicates that there is only a small deviation of respondents' scores from the mean.
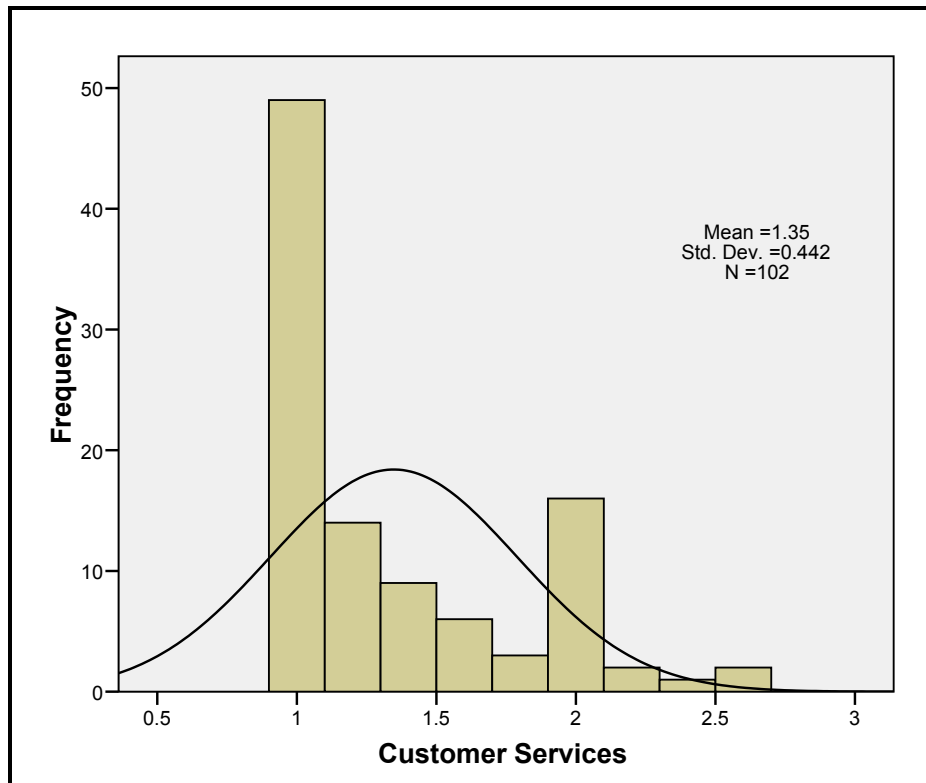
5.3.3.2.2 Customer Service

TABLE 5.8 CUSTOMER SERVICES

	Strongly Agree		Agree		Disagree		Strongly Disagree		Undecided	
	Count	%	Count	%	Count	%	Count	%	Count	%
I know how customers are requested to rate our service in the bank	62	60.8%	35	34.3%	4	3.9%	0	.0%	1	1.0%
I am aware of and understand my role in ensuring good customer service	74	72.5%	28	27.5%	0	.0%	0	.0%	0	.0%
I understand the consequences of customers' poor service ratings on my department and the bank	70	68.6%	32	31.4%	0	.0%	0	.0%	0	.0%
I am continuously learning and improving so that I can provide better service to our customers	78	76.5%	23	22.5%	1	1.0%	0	.0%	0	.0%
I am confident in handling customer complaints	61	59.8%	39	38.2%	1	1.0%	0	.0%	1	1.0%

Table 5.8 above reflects the number (Count) and percentage of respondents who selected strongly agree, agree, etc. Most of the respondents selected either strongly agree or agree to the items relating to Customer services. In the category of strongly agree and agree the lowest item scored was 95% and the highest scored item was 100%. This is a good indicator of how employees see their understanding of their role in providing customer service, handling of customer complaints, how they are measured, and how they can improve service to customers. While this understanding should translate in near-perfect customer experiences, there is no guarantee that this understanding will create customer value.

FIGURE 5.5 CUSTOMER SERVICES

The responses for each of the items relating to Customer Services were averaged to create an overall score for the dimension of Customer Services. The data in the table below shows that the average scores for Training/Knowledge/Competence ranged between 1 (strongly agree) and 3 (neutral). The overall average is 1.35 indicating that respondents generally agreed to the items. Their attitude towards Customer Services can be interpreted as positive. The standard deviation indicates that there is only a small deviation of respondents' scores from the mean.

5.3.3.2.3 Correlations

The purpose of correlations is to determine whether the two dimensions are linearly related and how well they can be predicted from each other. The results below indicate that there is a significant relationship at the 95% level ($p<0.05$). The strength of the relationship between Training and Customer Services is moderate at 0.544. This indicates that Customer Services can not be predicted by Training, Knowledge and Competence alone – there are other external factors that influence Customer

Services. Similarly, Training, Knowledge and Competence can not be predicted by Customer Services alone.

TABLE 5.9 CORRELATIONS

Correlations

		Training/ Knowledge/ Competence	Customer Services
Training/Knowledge/ Competence	Pearson Correlation		
	P		
	N		
Customer Services	Pearson Correlation	.544**	
	P	.000	
	N	102	

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

5.4 Conclusion

Good service as perceived by customers is not dependent on trained and knowledgeable staff alone. There are many intervening variables that determine what customers think of the bank's service. This could be related to other experiences with the bank, experiences in the retail environment, attitude of bank employees, credit decisions and many other factors that may influence how a customer rates his/her service experience with the bank. Customers are looking for products and services that meet their financial and social needs. As long as organisations understand and meet customer needs, customers will view the organisation favourably. There is also a need for organisations to appreciate the impact of changes in the environment that contribute to customers' changing needs and preferences.

This chapter presented the data that emerged from the empirical study. The next chapter will focus on recommendations for the case study and will provide a conclusion to this study.

CHAPTER SIX

Recommendations and Conclusions

6.1 Introduction

The study was set out to explore and understand declining customer service levels at the Standard Bank in the KwaZulu-Natal Province. Further, the study was focused on investigating whether the performance of the bank's 2 channels, the Automated Teller Network and Branch Distribution channel had contributed to the lower customer service ratings. There was also a need to establish whether the knowledge and competence level of the bank's employees further influenced customer perception. As a result, the conclusion of the study would determine whether customer retention was negatively affected due to lower customer service ratings.

This chapter will provide recommendations based on the findings highlighted in the previous chapter and will conclude the study.

6.2 Recommendations

This research has provided an understanding that customer perception is an indicator of how business is performing. For organisations to remain successful, they need to harness the power that comes from a competent workforce and channel this into delivering the goals and targets thereby meeting the organisation's long-term objectives.

6.3 Taking the Personal and Business Banking Operating Model to the Next Level

In order to translate the Personal and Business Banking strategy into an operating model that adopts customer centricity as the core theme means the bank must strive to achieve the benchmarks listed below by the year 2010. The Standard Bank brand is a stable and trusted brand that has been in existence for over 100 years. The strength of the brand alone is not enough. There must be renewed focus on the following deliverables.

6.3.1 Best Customer Services in the Industry

The bank aims to deliver the most competitive, if not the best customer experience in the industry. This means that differentiation in the market must be seen as Standard Bank delivering the most superior service to customers. This, in turn, to be competitive, must be priced correctly. For customers to experience consistently excellent service, the bank must have the proper infrastructure, technology platforms and competent and motivated employees. Distribution channels such as the branch network and Automated Teller Channels must perform at the level that is considered acceptable to customers. Once achieved, this will drive the brand and customers eventually will drive the brand i.e. encouraging other customers to bank with the Standard Bank.

6.3.2 Apply Lean Manufacturing Principles

Standard Bank has embarked on the improvement journey and lean manufacturing has been endorsed by senior executives of the company as the new way things will be done. Improvement of functions and processes need to be facilitated through the process owners also known as departmental managers or business unit heads. The transfer of lean manufacturing skills is entrenched and in order for the bank to realise the financial or capacity creation line management must take ownership of functional processes. Efficiency metrics need to be managed with a view to stretching performance targets in line with known achievements. Instances of duplication of effort and unnecessary inspections that create wasted cost and hold no value for customers must be eliminated in a controlled manner.

6.3.3 Lowest Cost Producer in the Industry

Focus on bottom line profits often exclude the cost of activities that are combined to deliver a product or service to the customer. Understanding process costs, delay costs and time wasted is critical in delivering customer value at the lowest possible cost. Often many historical activities that have no current relevance continue to be performed that increase unit cost of a product or service. Understanding the external supply chain and cost will address any unnecessary use of vendors where the function can be completed within the organisation. It is critical that from the top to the bottom layers in the organisation the understanding of costs takes place to the extent that the

most junior employee knows what are costs that are necessary and those that can be avoided. All activities should revolve around "Is the customer willing to pay for the product or service?"

Tapping into production lines that will yield economies of scale will drive down costs and increase employee competence as knowledge and skills across product lines will become necessary. Process times across products will gradually become generic and ultimately will need generic skills. Recruitment and selection of generically skilled people will provide for lower labour costs overall.

6.3.4 Continuous Improvement in Excellence

Across all products, the quest should be for "zero tolerance' of defects. Where the channels are responsible, these defects need to be communicated and controlled for future in order to avoid rework and additional cost. The cost to the customer must also be taken into account. Delay time could lose the bank the business and in the case of high value customers could lose other business and potential future business. Lean Six Sigma drives a sigma level of 6 i.e. 3.4 defects per million opportunities. This is as close to perfection as an organisation can possibly get. The business of eliminating defects in operations departments is ongoing. Control needs to be exercised so that repeat defects with the same product or the same salesperson does not re-occur.

6.3.5 Ability to Execute with Speed

Executing with speed means that employees must have the knowledge, skills and ability with the correct infrastructure and technology. It is important to note that customers expect an immediate response from the bank. The myriad of systems that are currently operating on different platforms makes this impossible. The introduction of the SAP operating system and its merge with existing information platforms will go a long way in improving response to customers.

Reducing time to process customer requests requires access to different information platforms across products. If the bank is preaching a "single view" of the customer, it is imperative that customer and related product data be accessed anywhere the customer chooses to transact.

Making decisions regarding customer requests is one of the areas that need attention. In an environment where legislation governs the banking relationship, it becomes difficult for decision-makers to provide quick answers or solutions without weighing up the possible risks. It is therefore important to know customers and have records that will provide the necessary background that will enable quick decision-making.

6.3.6 With Engaged People Intentionally Doing Things Better for the Customer

Do employees know, understand and support achievement of the organisation's objectives? Having engaged people means that they will conduct themselves in business and treat it as they would their own. Expecting employees to participate and add value means that there has to be a climate of openness and trust. Leaders must create an environment that will grow and develop people, provide opportunities to multi-skill, mentor and coach for improved performance. For employees to feel valued, they would need to be respected for what they bring to the organisation. Their talents and ambitions must be acknowledged and performance managed accordingly.

Individual employees must be able to understand and appreciate their contribution to the performance of the department or business unit and relate to the performance of the organisation as a whole. This in turn means that they need to be kept informed and when changes come about, exposed to change management interventions in order to add value. Career aspirations need to be acknowledged and handle realistically. Above all, there must be a credible performance framework that employees see and understand.

6.3.7 Understand that the Value Chain Starts and Ends with People

The old adage in organisations is "people are the organisation's greatest asset". It is important to translate this asset into value through the use of programmes such as induction, reward and recognition and other means of appreciating employees. Once employees see how they fit into the big picture and how what they do produces value for someone else in the organisation, they are already inducted in the ways of the organisation.

6.4 Leadership

In simple terms LEADERSHIP is an individual's ability to influence and direct human systems towards optimal performance. While top leadership is committed to achieving the long term goals set for the organization, it is imperative that lower-level leaders embrace the leadership philosophy in order to remain relevant. Leaders go to great lengths to understand their people. Managing people who understand what is expected of them will automatically engage them in the business. Leaders need to live the values of the organization so that they become role models for their teams.

Embracing change will inspire the team to adapt and move on. Customers will feel the positive effect of a cohesive and committed team. Leaders who handle conflict constructively will be respected by their followers. While delivering on goals and targets, good leaders must keep in mind the need for rules and procedures. Adherence to legislation especially in the bank in recent years is not negotiable. Leaders need to keep themselves updated on any developments in the global and local environment in which they operate. Performance that is managed constructively i.e. the leader knows and understands the metrics and measures relevant to his/her department, with support of the team will inspire teams to greater performance as long as other needs are met.

6.5 Maximising Value Across Functional Silos

Performance and profitability are currently measured as business unit level. Breaking down of silos means that performance and profitability should be measured across customer, product and process. This will drive value for the organisation across all units. Understandably, there will need to be service level agreements negotiated across product, distribution and operations.

6.6 Banking Made Easy for Customers

The future should be about products and processes simplified and standardised so that customer requests are easy to execute. Inherited process architecture needs to give way to new architecture that will standardise customer requests and experiences.
It will augur well for the bank if the customer's "mental financial system" is understood and it can offer simple financial solutions that span seamlessly across how a customer borrows, manages, stores and protects his/her financial resources.

Eventually progress should be made for customers to be able to process their sales and service requests as "One and done" i.e. at the time of request.

6.7 Expansion and Competition

Named as the leading bank in Africa, and the largest African Banking Group by assets, market capitalisation and earnings, the Standard Bank has earned itself a reputation as a global player operating in 18 countries in Africa and 20 other countries internationally (The Independent on Saturday, 24 May 2008).

The bank needs to concentrate on acquisition of quality business in emerging markets and focus on banking the unbanked population and capturing the youth market using affordable products and services as an attraction.

As more players enter the market, the bank, through driving its established brand, should survive other players' aggressive acquisition tactics.

6.8 Risk Management

In a high-risk environment where the bank is custodian of customers' funds, it must take cognisance of all rules and procedures relating to the funds. The bank's credibility will be at stake in the absence of controls. Reputational risk to the bank costs more than the levy of a fine. Where legislation (FICA, FAIS, NCA and Basel II) prevents the bank from completing customer requests, it is important to educate customers upfront so that the expectation of correct procedures to be undertaken is managed.

6.6 The Prosperity Partnership

The plans have been set, the goals defined and the structure is in place. All that remains is for the people in the organisation to recognise and embrace what the key elements are that will drive success for both the organisation and the individual. A mutually beneficial partnership that will yield improved results.

6.7 Conclusion

Organisations in South Africa have gone through many changes in the previous decade. Those organisations that continue to change in line with demands from the political, economical, legal, social and technological environments within which they

operate continue to survive and maximise profit. On the other hand, many organisations that have not moved with the changes deemed necessary for them to remain relevant, have ceased to exist.

The study explored declining customer service levels within the case study, Standard Bank with the key focus on investigating whether the performance of the bank's two channels, the ATM network and the branch distribution channel has contributed to the lower customer service ratings. The study concluded that customer retention has not been negatively affected due to lower customer service ratings i.e. customers' apparent dissatisfaction with the Standard Bank has not made them close their accounts. The data from the study also concluded that trained, knowledgeable and competent staff do not necessarily provide good customer service. The concept customer service is complex as the study shows that there are other external factors that influence customer perceptions of service quality. What the study has proven is that the performance of the ATM channel declined over the period 2004-2007 and could have contributed to the lower customer service ratings.

While the financial services industry is experiencing its own downturn, never have the components of the operating model and the core themes been more relevant. In light of increased interest rates, high inflation, reduced revenue margins and the real threat of increase in bad debt or debt default, the bank needs to be prudent in getting its return on investment. Adoption of the recommendations listed above will hold the bank in good stead until 2010.

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APPENDIX 1

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS

Dear Respondent,

MBA Research Project
Researcher: Devanamah Munien (0313083719/0313083535)
Supervisor: Dr Abdul Kader (Office Telephone number)

I, Devanamah Munien, am a MBA student, at the Graduate School of Business, of the University of Kwazulu Natal. You are invited to participate in a research project entitled "Understanding Declining service levels at a major commercial bank". The aim of this study is to:
Compile current customer survey data in order to:

Analyse and evaluate the performance of the Standard Bank's ATM and Branch Network channels in meeting customer needs;

Measure to what extent lower customer service ratings negatively impact on customer retention;

Determine if lack of knowledge & skills of bank staff contribute to lower customer service ratings.

Through your participation I hope to understand declining customer service ratings at Standard Bank in KwaZulu Natal. The results of the survey are intended to contribute to the bank's customer service strategic plans for the province.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 20 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's   signature_____
Date_____

CONSENT

I _____ the undersigned have read and understand the above information. I hereby consent to participate in the study outlined in this document. I understand that participation is voluntary and that I may withdraw at any stage of the process.

Participant's signature_____

Date_____

Questionnaire Part 1

QUESTIONNAIRE

Section 1:Background Information
INSTRUCTIONS:

Please select one of the following as applies to you by placing a check mark in the appropriate

1. Your age - group is:

< 21	
22 - 32	
33 - 43	
44 - 54	
> 54	

2. Are you?

Male	
Female	

3. Your marital status

Married	
Single	
Divorced	
Widow	
Other (Specify)	

4. Your gross personal income (per annum)

< R60000	
R60001 - R70000	
R70001 - R80000	
R80001 - R90000	
R90001 - R100000	
> R100000	

4. Level of Education

Grade 1-8	
Grade 9-12	
Certificate	

Degree/Diploma

5. Please indicate your main organisational function

Accountancy

Administration

Finance

Human
Resources

Marketing

Operations

Production

Customer
Services

Other (Please specify)

6. Category of staff

Manager

Team Leader/Supervisory

Clerical (Frontline staff)

Back Office (Support Staff)

7. Length of Service

Less than one
year

1-2 years

2-3 Years

6-10 Years

More than 10 years

8. Experience

One Department

1-2 Departments

3-4 Departments

More than 4 departments

9. Customer Contact

By Telephone

Face to Face

By E-Mail

No Customer Contact

10. Training

On the job

Formal Training

In-house Training

No training received

Questionnaire Part 2

<u>INSTRUCTIONS:</u>

Please rate how strongly you agree or disagree with each of the following statements by placing a check mark in the appropriate box.

<u>Training/Knowledge/Competence</u>

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
1. I have received formal training to do my current job					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
2. I am able to use the skills and knowledge received during training in my current job					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
3. I receive feedback on how I am doing in my job					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
4. I am confident that I can handle my job without any assistance					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
5. I am able to handle all customer requests (internal or external) with ease					

<u>Customer Service</u>

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
1. I know how customers are requested to rate our service in the bank					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
2. I am aware of and understand my role in ensuring good customer service					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
3. I understand the consequences of customers' poor service ratings on my department and the bank					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
4. I am continuously learning and improving so that I can provide better service to our customers					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Undecided
5. I am confident in handling customer complaints					

End of the Questionnaire
Thank you for taking the time to complete the questionnaire.

APPENDIX 3

CONSENT FOR CASE STUDY

Standard Bank

Provincial Operations

University of KwaZulu-Natal
Westville:
Graduate School of Business

Provincial Office
KwaZulu-Natal

Standard Bank Centre 1 Kingsmead Way Kingsmead Durban, 4001	P O Box 2511 Durban, 4000 Tel: +27 031 374-1103 Fax: +27 031 374-2015	

Date	Direct telephone number	In reply please quote our reference	Your reference
7 March 2008	(031) 374-2039		

To whom it may concern

Re: **MBA – Thesis : Devi Munien**
     Topic: Understanding Declining Customer Service Ratings at a Major
     Commercial Bank in KZN

This letter serves to confirm that Devi Munien is authorised to continue with the above survey amongst a random sample of Branch and Operations Fulfilment staff of the Standard Bank in KwaZulu-Natal.

Earl Vogès
Director: Operations KZN
Retail Banking

APPENDIX 4

UNIVERSITY OF KWAZULU-NATAL

RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL : ximbap@ukzn.ac.za

10 APRIL 2008

MRS. D MUNIEN (201512212)
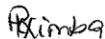GRADUATE SCHOOL OF BUSINESS

Dear Mrs. Munien

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0085/08M

I wish to confirm that ethical clearance has been approved for the following project:

"Understanding declining customer service ratings at a major South African Commercial Bank"

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

Yours faithfully

....
MS. PHUMELELE XIMBA

cc. Supervisor (Dr. A Kader)
cc. Christel Haddon

Founding Campuses:　　▄▄ Edgewood　　▄▄ Howard College　　▄▄ Medical School　　▄▄ Pietermaritzburg　　▄▄ Westville