

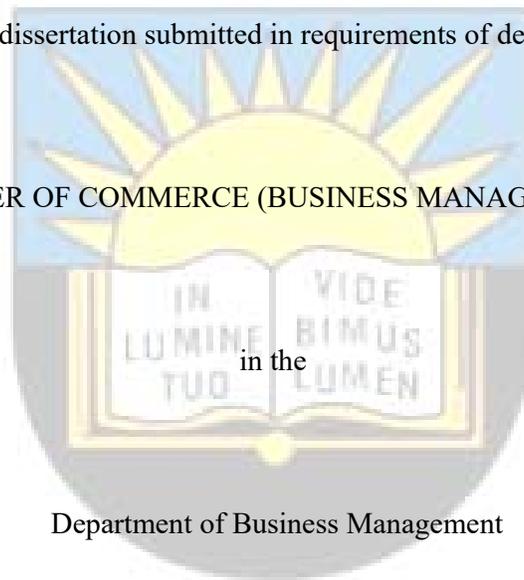
THE INFLUENCE OF PHYSICAL SERVICE RECOVERY AND ONLINE SERVICE
RECOVERY ON TRUST AND RELATIONSHIP RETENTION

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A dissertation submitted in requirements of degree

MASTER OF COMMERCE (BUSINESS MANAGEMENT)



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ABSTRACT

Service mishaps remain a profound topic in business due to their inevitability and detrimental impacts they bring about. As a result of this incessant detrimental effect, service recovery has been initiated into business exchanges to curb such. Moreover, service recovery programmes have been embarked on both in the offline and online delivery systems to retain this diverse need market consisting of the technological averse and experts in trading. This study therefore has to pinpoint the difficulties experienced in offline and online service recovery procedures and demarcate which of the two is the preferred channel. Service failures cut across all sectors and industries, and banking has not been spared in turn. Clients tend to choose a service recovery method based on various factors such as the panel of occurrence, technological skills and awareness, personal behaviours and available options provided by the service provider.

Clients tend to choose a service recovery method based on various factors such as the panel of occurrence, technological skills and awareness, personal behaviours and available options provided by the service provider (Buttle, (2009); Clark & Melancon, (2013). The panel of occurrence depicts the method of service delivery that resulted in failed services, thus, an online service delivery is likely to attract an online resolution. Customers who transact online are highly likely to choose the same recovery method due to the associated innate benefits. Technological skills and awareness deal with the client's articulateness in navigating the business' website in effort to resolve the encountered problem. Personal behaviours explain that introvert clients would prefer to interact with the system and assistants online to resolve the issue while extroverts will choose the offline methods so as to experience facial interactions. Organisations sometimes detect the panel of solution based on the severity of the problem. Thus, for example, serious problems to be handled using physical means.

Assessments of the degree of impact on retaining relations and gaining trust that presently employed recovery strategies pose were unearthed in this study. For physical service recovery, contact, empathy and politeness were assessed on the significance they have in recouping failed services. Responsiveness and the state of the bank's websites will also depict the degree to which failed clients can be restored in online service delivery. Physical service recovery received greater apprehension by clients during a service error with empathy and politeness emerging as the most customer required successful strategy to enhance relations and trust thereafter. Despite its less preference, online service recovery strategies such as responsiveness and website interface resulted in significant correlations affirming their importance during

service delivery and recovery. The measurement model fit quite well with sound goodness of fit indices results as per the comparison with the recommended thresholds. Moreover, the Structural Equation Model fit well with data collected.



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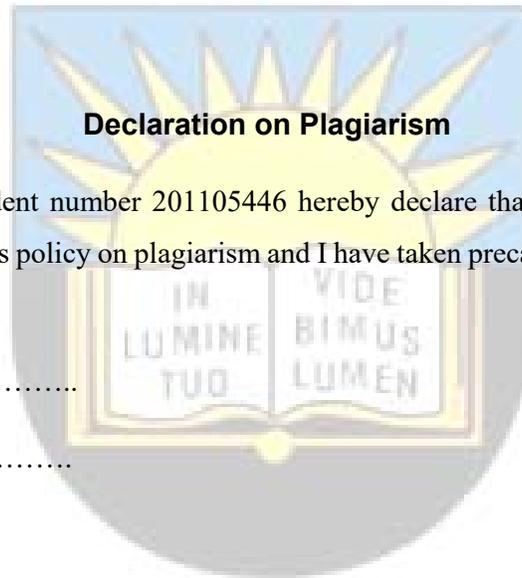
DECLARATIONS

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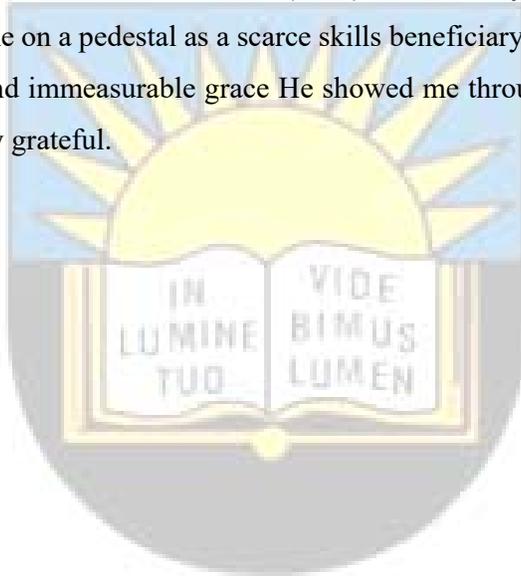
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DEDICATION

I dedicate this work to my family and my future children. If it wasn't for your support and love, I wouldn't have managed to achieve this. As for my children, I believe the God of grace will swiftly carry you beyond this. I have set the foundation and I believe this is just a benchmark for you as I see you soaring higher and flourishing in favour and grace.



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CHAPTER 1

INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION AND BACKGROUND

With the upsurge in Internet usage globally, consumers have become empowered and their demands for customised products and services have widened due to increased online trading activities (Al-Hawari, 2014). Consumer dominance over businesses has been further enhanced by the saturation of markets with various substitute products and services from multiple providers (Gerpott, Rams & Schindler, 2001). The formation of virtual businesses has become common with others retaining both the online presence and physical business activities as a competitive strategy to remain operational (Barrera, Garcia, & Moreno, 2014). Competitive intensity further reinforces the idea of operating in both physical and online communities for viability, profitability and relevance reasons.

The global presence of businesses along with online trading has raised questions regarding the quality of service delivery. Service quality has been a long standing goal for many; this is evidenced by the literature on the topic (Al-Hawari, 2014; Barrera *et al.*, 2014; Cetinsoz, 2013). Changes brought about by e-commerce have now led to the emergence of electronic service quality which is termed e-service quality (Cetinsoz, 2013). E-service quality is the resultant effect of consumers interacting with businesses through their websites and social media platforms (Al-Hawari, 2014). The technological adoption of service delivery, however, has failed to evade service failures, which are permeative in traditional service channels (Cetinsoz, 2013).

Numerous methods have been implemented to meet the ever-changing needs of consumers such as Automated Teller Machines, telephone banking, mobile banking and online banking which non-exempted South Africa (PWC, 2014). Credit facilities, personal financial management and insurance policies are some of the other facilities offered by banks in the twenty-first century. The efficiency of these services have been criticised as most are observed to be susceptible to failure during interaction or use with consumers. Thus, the quality offered thereof has been questioned.

Service failure is a crucial element in business operations due to its powerful nature of driving away customers if poorly managed (Cong & Fu, 2008). Service recovery therefore comes into play as a method of dealing with unexpected business errors. Thus, as critical moments of truth deflect to the negative, service providers are faced with challenges of handling the issues in a manner that achieves their business goals, missions and visions (Chueh, Wang & Liao, 2014). The main objective of efforts to rectify problems encountered during service delivery is to retain and attract as many customers as possible, forge relationships, and build trust between parties (Neale & Murphy, 2007). Moreover, the benefits of having satisfied customers is their typical engagement in positive word of mouth contributions, thus effortlessly grow the brand and image of the business (Komunda & Osarenkhoe, 2012).

Quality services offered and sophisticated problem solving techniques ardently enhance relations between parties which are the consumer and the service provider (Komunda & Osarenkhoe, 2012). Due to the proliferation of virtual businesses, some consumers who have adopted such tend to respond differently to various service failures based on their adoption skills and the depth of the problem encountered (Cetinsoz, 2013). Therefore, the fewer online navigating skills possessors have, the greater the chances to fall back to the traditional method of visiting physical business branches while others happen to manage the problems online (Barrera et al., 2014). The benefits and drawbacks of the influences of both service recovery methods will be addressed and their impacts on trust and relationship retention. Essential steps are adhered to by service providers when clients encounter problems during the service delivery process to build trust and relationships (Kau & Loh, 2006).

Adhering to the switch of powers between businesses and consumers and the significance of user trust in business operations, successful implementation of service recovery efforts aid the retention of customers and gaining trust. Due to its nature, service delivery has received great attention in research due to the inevitability of service failures during service delivery processes which cut across different industries such as airline, retailing, tourism and banking to mention a few (Chou, 2015; Cetinsoz, 2013; Kandulapati & Bellamkonda, 2014; Al-Hawari, 2014). Service recovery can therefore be accomplished in two dimensions: either the physical or the online method. Moreover, the choice further relies on the severity of the problem encountered (Neale & Murphy, 2007). Thus, the more severe the problem encountered online, the higher the likelihood of physical resolution. A problem encountered online, however, may be resolved with physical methods but the opposite is false for a problem encountered within the bank.

The role of trust in the online trading environment is an inevitable context due to the replacement of facial interactions by machines which erased the significance of verbal communication (Kau & Loh, 2006). Trust is a key concept in customer relations management (Al-Hawari, 2014; Barrera et al., 2014; Munoz-Leiva, Luque-Martinez, & Sanchez-Fernandez, 2010). Trust and relationship retention have been noted to be affected by service failures and recovery strategies with much focus being on the strategies employed for their establishment (Kau & Loh, 2006). Offline factors critical for the growth of trust and relations in a service recovery situation are affinity and compensation, Tan *et al.*, (2011); communication, empathy and politeness, Neale and Murphy (2007), apology, admitting failure, explanation, pure-hearted treatment and promise (Cong & Fu, 2008). Derived from the stated factors, contact and empathy and politeness were used to address service recovery in this study due to the ability of summarising all these factors.

Online service recovery has been widely studied using factors such as response sensitivity, affinity, apology according to Tan, Benbasat, & Cenfetelli, (2011), timeliness and flexibility as per Neale and Murphy (2007) and website design quality (Barrera *et al.*, 2014). These factors enabled the development of responsiveness and website interface factors to undertake service recovery in the South African major four banks. The banking sector is affected by the concept of trust due to the increase in fraudulent activities and cybercrimes (Liebana-Cabanillas, Nogueras, Herrera, & Guillen, 2013). Banking umbrellas the investments and financial position of individuals and organisations hence trust and confidentiality between the parties is important (Liebana-Cabanillas, et al, 2013).

1.2 THE RESEARCH PROBLEM AND OBJECTIVES

Taking cognisance of the discussed literature which grounded the theory available around the study area, a discussion of the problem statement follows with an in-depth problem analysis.

1.2.1 The Problem Statement

Service failures are inevitable during service delivery and the close attention paid to address such is a prerequisite of business survival in a dynamic world with highly informative participants (Cetinsoz, 2013). Effective tackling of such is expected to yield various benefits for the business with trust and relationship building emerging as the most critical (Buttle, 2009). Service delivery has been observantly upgraded from mere face-to-face exchanges to vast distributions occurring across the globe via Internet acceptance in commerce. However, e-service delivery transitions could deal with most service failures experienced in the

traditional service delivery, such as delays and long queues to a greater extent shown in the works of Lewis and Spyropoulos (2001) despite resultant technologically directed faults (Clark & Melancon, 2013). Moreover, these novel problems emanate as system overloads and the absence of various options aiding online transactions on corporate websites threatened the received technological breakthrough (Barrera, et al, 2014).

Service failures and recovery strategies in the banking industry have been shown by Lewis and Spyropoulos, (2001) which focused on the physical service recovery in the Greek banking industry. Extensive work has been done in South Africa with regard to service recovery in various industries such as retailing and airlines (Mostert & De Meyer, 2010; Petzer & Steyn, 2006 and Mostert, De Meyer and van Rensburg (2009). However, none addressed the South African banking industry despite vast coverage on trust and relationship retention. Therefore, this left a gap to conduct further research on relationship retention and trust in online and offline service recovery strategies in the banking industry. Successful resolution of the encountered service delivery drawbacks is assumed to enhance trust and relationship retentions between the parties. Moreover, service recovery has been significant internationally in the consumer markets leading to the growth of studies directed towards it from various researchers such as (Qin *et al.*, 2012; Grewal *et al.*, 2008; Neale & Murphy, 2007; Cong & Fu, 2008; Barrera *et al*, 2014).

With reference to the South African banking industry, heavy investments into information technology to facilitate online service delivery have occurred (PWC, 2014). Along with these technological investments and increased competition, banks have realised the necessity of focusing on building customer relationships, making better use of social media, and continually seeking innovative ways to contribute positively to the customer's experience. Managing communication in the digital era is key due to the perceived benefits (Kirakosyan & Danaiaata, 2014). Communication management is critical due to the existence of low switching barriers among the bigger banks in South Africa with the similarity in service provision and efficiency.

The South African banking industry has remarkably expanded its periphery of operation with the prior excluded groups being served largely by incumbent banks (PWC, 2014). Competition has been noticed in all markets from the poor segments to the elite markets. The big four banks still hold a strong foothold in this industry despite the activities exerted by Capitec bank in the low income market (Masocha, 2009). Subsequent to the explanation of the root of the problem, primary and secondary objectives follow thereafter.

1.2.2 Primary Objectives

The primary objective of this study was to contrast physical versus online service recovery and the resultant impact on the constructs of relationship retention and trust.

1.2.3 Secondary Objectives

- Ascertain the impacts of contact, empathy and politeness in physical service recovery to retain relationships with clients.
- Ascertain the impacts of contact, empathy and politeness in physical service recovery to gain trust between service providers and clients.
- Ascertain the impacts of responsiveness and website interface in online service recovery to retain relationships with clients.
- Ascertain the impacts of responsiveness and website interface in online service recovery to gain consumer trust online.

1.2.4 Hypotheses

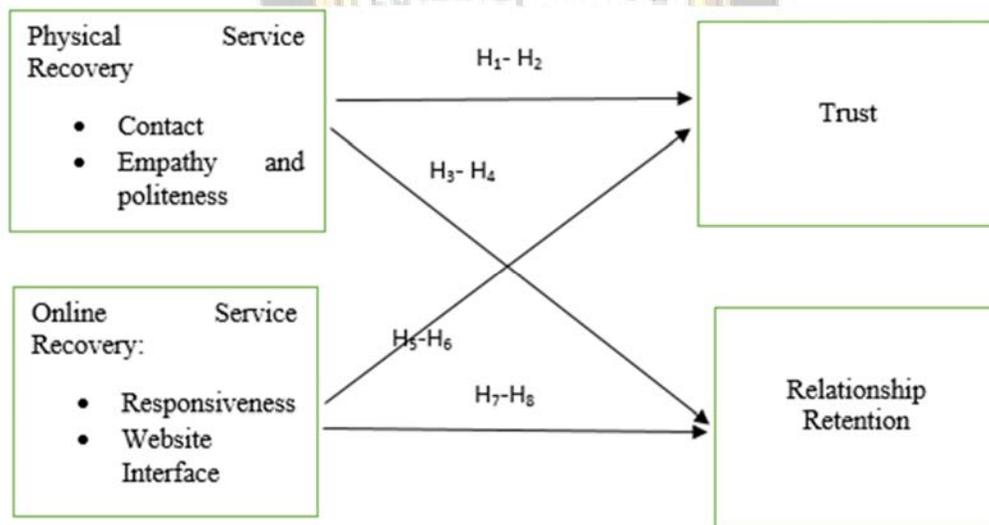


Figure 1: Study constructs

The hypotheses for this study are as follows:

H₀₁: Contact does not positively influence trust.

H₁: Contact positively influences trust.

H₀₂: Empathy and politeness do not have a positive influence on trust.

H₂: Empathy and politeness have a positive influence on trust.

H₀₃: Contact does not have a positive influence on relationship retention.

H₃: Contact has a positive influence on relationship retention.

H₀₄: Empathy and politeness do not have a positive influence on relationship retention.

H₄: Empathy and politeness have a positive influence on relationship retention.

H₀₅: Responsiveness does not have a positive influence on trust.

H₅: Responsiveness has a positive influence on trust.

H₀₆: Website interface does not have a positive influence on trust.

H₆: Website interface has a positive influence on trust.

H₀₇: Responsiveness does not have a positive influence on relationship retention.

H₇: Responsiveness has a positive influence on relationship retention.

H₀₈: Website interface does not have a positive influence on relationship retention.

H₈: Website interface has a positive influence on relationship retention.

Bearing in mind the hypotheses formulated in this section, the significance of the study clarifies the reasons for undertaking the study.

1.3 SIGNIFICANCE OF THE STUDY

Building trust and enhancing relationships are part of the 2030 South African national development plan components (National Development Plan, 2013). Thus, this study evaluated the significance of quality service recovery methods on trust and relationships which are part of the national objectives for all businesses. The national strategy of changing to a complete digital world will need some reinforcements from practical research done on various businesses of whether it will be achievable or not (National Development Plan, 2013). Moreover, this study will serve as a basis of analysis to determine whether consumers will still require physical businesses or if their technological adoption and usage would have erased the need for such.

Banks have been notably expended into online banking channels while retaining and improving physical channels which results in high capital output on the part of the four largest banks: FNB, Nedbank, ABSA and Standard Bank. Service failures experienced and the executed recovery strategies will be compared between the offline and online channels. Furthermore, such a comparison between the offline and online banking service recovery methods will assess the country's ability to achieve the totally virtual presence goal for businesses. Thus, such an investigation of the strengths each method poses on trust and relationship retention will provide an insight into whether the country might still require physical banking facilities in the projected future (Chong, *et al*, 2010).

Despite the aggregated benefit of the study results to the national contribution, banks will channel efforts into the usage of the stronger method while developing the alternative. This will result in costs and time savings. Service failures appearing to be the norm can be addressed with more focus to avoid further relationship damage and gain trust with customers (Liebana-Cabanillas, *et al*, 2013). Website interface evaluation will also enable banks to identify consumers' preferences, thus aiding in relationship retention, gain of trust and achievement of objectives such as profit maximisation.

In summary, the intensity of economic conditions such as exchange rates and incomes and global slowdown in economic activities has not significantly affected the revenue streams and growth of the incumbents although it has slowed down. Standard Bank, FNB, Nedbank and ABSA have managed to strive despite the other external environmental impacts exerted upon them. Banking is crucial for numerous operations in the economy and remains a priority sector especially with the use of established brand names that shield them from sprouting financial services unknown to the market. The four major banks have managed to recover failed services fairly and expand trust degrees and relationship retention with clients. Service recovery can also be aided by social media usage which is key to building strong and trusted relationships if well-articulated.

1.4 BRIEF REVIEW OF EMPIRICAL STUDIES

Extensive content has been brought forward concerning the banking industry, such as the services provided, Internet adoption, service failures experienced, and various service recovery strategies used. Lewis and Spyropoulos (2001) analysed service failures and recovery strategies in retail banking from the customers' perspective. Most of the identified failures are still prevailing despite efforts to curb them. A study done in Spain claims that despite Internet

adoption in banking, fraudulent activities further gained momentum and raised trust issues between banks and clients (Liebana-Cabanillas et al., 2013).

Retaining relationships with clients was found to increase future revenues, profit and market share due to the power to reduce the propensity to switch (Yanamandram & White, 2010). The study explained customer behaviour using the justice theory. Kirakosyan and Danaiata (2014) state that effective communication management is key to the maintenance of perpetual relationships with clients, hence continuous innovations on avoiding communication impediments is critical. Relationship retention has been a key business concept due to the extensive work done on it as the business-customer power changed Gerpott et al., 2001; Chou, 2015; Chueh et al., 2014; Gustafsson, et al, 2006; Kirakosyan & Danaiata, 2014; Mostert, et al, 2009; Mostert & De Meyer, 2010.

Service recovery is designed to be handled with speed and caution, while compensation and apology have been identified as some of the drivers (Chou, 2015). The technological component of service delivery has led to complexities and failures due to reduced contact between the parties (Gustafsson, 2009). Watson (2012) states that despite successful service recovery implementations, relationships become shaky and the concept of trust creeps in. Online service recovery has been done using e-Service quality dimensions to assess websites (Tan et al., 2011). Most of the work done has failed to contrast physical and online service recovery and none of this concept has been done in South Africa. This study will therefore close this gap.

1.5 DELIMITATIONS OF THE STUDY

The study was delimited to major South African banks only – Standard Bank, Nedbank, FNB and ABSA. The study excluded other significantly growing banks such as Capitec, Bidvest and African Bank. Furthermore, the assessment of consumer behaviour studies was limited to the constructs of the model. Service recovery was assumed to be done online and offline, therefore other methods such as telephone and SMS banking were excluded as per the objectives of the study.

1.6 ETHICAL CONSIDERATIONS

Ethical considerations such as the protection of participants, avoidance of harm and deception while respecting privacy were followed (Wiid & Diggines, 2013). Individuals were not forced into participation and all the information was acquired with their consent. No harm to any

extent was permissible and any content likely to harm the participants was removed with potential harm notifications passed before the data collection. An ethical clearance certification number (VIL101SDUB01) was obtained from the University of Fort Hare in this regard.

1.7 THE OUTLINE OF THE STUDY

The thesis consists of six chapters: introduction, theoretical evaluation, evaluation of literature, description of the research methodology, data analysis and presentation, and finally the presentation of findings, drawing of conclusions and recommending possible future research. Justice theories, service failure and recovery were discussed under chapter two and three respectively. Attention was given to the prevailing service failures and the strategies used to evade them both online and offline for the four major banks in South Africa which are FNB, ABSA, Nedbank and Standard Bank.

The methodology followed to conduct this study was provided in Chapter 4. The research design, data collection methods and analysis were addressed. Data presentation and analysis, the goals of Chapter 5 as well as interpretations of the obtained results were exhibited as per the plan. Obtained results were compared with those from previous findings presented by other authors. The final chapter will provide the conclusions of the results based on the analysis of the data. The achievement of objectives and the limitations of the study were indicated and the recommendations thereof presented.

1.8 SUMMARY AND CONCLUSIONS

Service recovery remains profound for continuous business processes due to the susceptibility to failures during delivery. The South African government has set goals for the year 2030 to shift to a complete digital world. This step however brings about several problems related to technological usage and dependence, thus, this study focuses on the current position of service recovery in the banking industry. Moreover, this study will serve as a basis of analysis to determine whether consumers will still require physical businesses or if their technological adoption and usage would have erased the need for such.

Banks have been notably expended into online banking channels while retaining and improving physical channels which results in high capital output on the part of the four largest banks: FNB, Nedbank, ABSA and Standard Bank. Service failures experienced and the executed recovery strategies will be compared between the offline and online channels. Furthermore, such an investigation in the offline and online banking service recovery methods will assess

the country's ability to achieve the totally virtual presence goal for businesses. Eight hypotheses were formulated to respond to the identified problem. Chapter 2 discusses the identified theories that anchor the notions developed for this study. Four theories of justice, which are Mill, Rawls, Nozick and Greenberg, are presented extensively.



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CHAPTER 2

THE JUSTICE THEORIES

2.1 INTRODUCTION

Chapter 1, a foundation of the study, has been presented denoting the problem statement identified, supporting evidence of the occurrence of the problem under the background section. Furthermore, the research aims and objectives were drawn out and presented together with the expected outcomes (hypotheses). Beyond that, reasons for undertaking the study were indicated portraying the significance of this undertaking due to its alignment to the national development plans. Moreover, short discussions on literature overview (theoretical and empirical) and the research methodology were provided. Bearing this in mind, delimitations of the study were discussed together with ethical considerations required to accomplish the set objectives.

Chapter 2 is built upon the snapshot discussions presented under Chapter 1 with much finer detail. The theoretical perspective of the constructed model for the study will form the basis of this chapter, thus discussions will be centred on the theories that affirm the existence of the conceived notions. The justice theories were identified to build a stronger argument for social ties, trust and social behaviour amongst a set of subjects. Four of these are Mill's theory, Rawls's theory, Nozick's libertarian theory and Greenberg's theory – formed a stronger basis for consumer understanding. Service recovery has been widely studied and receives apprehension from various authors who have used similar theories in addressing it. For the purposes of this study, Greenberg's justice theory was applied to extensively explore factors affecting just behaviour in business models. Furthermore, this theory was used to achieve the offline and online disparity in banking set ups.

Empirical and theoretical evidence indicate that the justice theories are most applicable in social relationships due to their ability to explain reasons for behaviour. These further determine outcomes in business relations as per the conceptions of Mill, Rawls, Nozick and Greenberg. Moreover, they are most applicable in service recovery situations that address customer reactions to dissatisfaction (Mansori, Tyng, & Ismail, 2014; Kau & Loh, 2006; Santos & Von der Heyde Fernandes, 2008).

2.2 THE JUSTICE THEORIES

The four identified justice theories (Mill, Rawls, Nozick and Greenberg) hold greater significance to the philosophical development of the justice system both in society and business transactions as shown in the sections that follow.

2.2.1 Mill's Theory of Justice

Utilitarian based justice developed by John Mill in 1861 affirms that social welfare supersedes the individual subject with strong focus on the entire community of the subjects (Schejter & Tirosh, 2015). Therefore, preferences are avoided and each subject should be equal to the rest in the community. Riches are discouraged for the greater good of the community, thus redistribution of wealth results in a societal environment composed of the poor and the rich in pursuit for equality. A free market economy is encouraged to a lesser extent so that all subjects become productive to evade severe imbalances (Winkler, 2012). Therefore, morality is the root of this work, with justice being a subset. It is remarkably observed that injustice is often aligned to immorality considerations, although in some cases these conflict.

Mill's theory has received profound apprehension by policy makers to derive accurate principles that favour the majority not a specific class (Schejter & Tirosh, 2015). Moreover, the notions put forward concerning the dominance of pleasure seekers group holds true for the current consumer groups. Businesses put forth effort to reduce possible service breakdowns that likely inflict discomfort to consumers at all costs (Al-Hawari, 2014). Incidences where such evasions were fruitless are accompanied by empathy, a factor further indicated in the works of Mill (Buttle, 2009). The importance of morality overriding rights is observed in current trading environments with businesses adhering to culture and social values when developing their portfolios.

2.2.2 Rawls's Theory of Justice

Rawls's theory of justice was identified as one of the theories that seek to evade fairness imbalance between parties in a business transaction. His beliefs on the drawing up of ideal principles that anchor society support the work done by Mill where subjects should be equal. Contrary to the works of Mill, liberty is desired and encouraged (Rawls, 1971).

John Rawls founded his justice theory presuming that justice and truth are inevitable components of society with greater argument that justice means fairness (Julian & Christi, 2014). Moreover, he believed that social subjects engage in transactions after a discussion on

what is expected from each and the amount of benefit they will derive from this undertaking; thus the cost benefit principle (Chou, 2015). The inputs and outputs of engaging in these transactions fail to override cultural values, hence culture is observed to play a significant role in this social exchange (Kau & Loh, 2006). Justice as fairness also pivots on the idea that no subject should receive greater priority than others or be at an advantageous position based on whatever reason. Therefore, existence of such unequal positions refutes the notion of justice being a fairness concept. This notion further puts forward that what is considered right should be pursued even when not considered to be the best stance.

Bearing in mind each independent subject's desire to protect their own interests, any kind of unfairness experienced is either accompanied by withdrawal, complaints or in most cases demands to recoup the fairness breached (Kim et al., 2009). Scanty evidence exists that has applied the Rawls theory of justice and the few available criticise the foundations of the theory as being shaky and inadequate for application. Despite the indication of the distributive part of justice in his theory, it falls short of answering service recovery related questions. Nozick hence built his libertarian theory based on the works of Mill and Rawls.

2.2.3 Nozick's Theory of Justice

Bearing in mind Mill and Rawls's propositions in the previous sections, it is of cognisance to identify other conflicting ideologies so as to produce a much sounder decision. Nozick proposed the laissez-faire kind of approach to explain compositions of just societies in 1974 (Nozick, 1973). His beliefs being rooted on the need for freedom for all violate Mill and Rawls's ideas, although they agree to a certain lesser extent on a few items (Nozick, 1973). Therefore, attention should be given on the rights one has, and the further wealth acquisition is considered just as long as no rights have been violated in the process of wealth accumulation.

Mack (2015) states that Nozick's views are centred on sound business practices, thus ethically relevant procedures, and strive to be socially responsible organisations so as to meet the needs of others in the process. When businesses seek to maximise relevance, service recovery processes are inevitable due to the susceptibility of services to fail during delivery, thus further considering and meeting others' needs. Despite the free market economy in his beliefs, morality will evade the possible consequences of this system such as the depletion and unfair share of resources. However, critical weaknesses were identified in this market system approach leading to the development of Greenberg's justice theory in 1987 to further enhance the soundness of business practices.

2.2.4 Greenberg's Theory of Justice

Numerous social theories have been developed to explain behaviour related questions among subjects in a communal set up. These theories assist in consumer understanding of the predictions and causes of behaviour. Justice theory was construed from the social exchange theory and equity theory which provide a compatible foundation for its derivation in 1987 by Greenberg.

2.2.4.1 Greenberg's propositions

Justice theory is believed to be one of the important techniques of addressing customer dissatisfaction through service recovery (Rawls, 1999). The service providers who experience service failures mostly endeavour to address customer complaints and issues through the service recovery justice. This approach can be distinguished into three categories: distributive justice, procedural justice and interactional justice. Although the three recovery justice techniques differ when it comes to implication, the approaches are associated and applied together to effect the sense of fairness to the aggrieved clients (Ramadan, 2012).

2.2.4.1.1 Distributive justice

Distributive justice is described as the designed structures that govern the distribution of wealth in a society as per the John Rawls approach (Rawls, 1971). These structures therefore serve as guidelines such as in business conditions explaining the emanation of desired favourable practices. Under service failure and recovery situations, distributive justice impacts on the moral conduct of businesses where a misalignment to the prescribed compels the organisations to reimburse clients (Chueh et al., 2014). The major focus of distributive justice is the service recovery aftermath where a desired physical outcome is awarded a customer during recoupment to restore and enhance customer experience and satisfaction (Gustafsson, 2009). Thus, there is need to strike a balance with the economic loss of clients with the value of the product or service received as per the derivations of this notion from the equity theory.

The primary concern narrowly focuses on the service providers' actions to soothe dissatisfied clients while ensuring that proper handling of the complaint is done to restrain potential switching behaviours (Kau and Loh, 2006). Distributive justice mostly considers the remedy given to clients, such as compensation for the failed service which should always be greater than the cost of the loss incurred. Other distributive justice measures implemented include reimbursements such as being apologetic and refunding the full service failure. According to Kaya (2015), distributive justice is mostly applied in scenarios where inputs and outputs can

be easily quantified. The fairness of the service recovery process should determine the customer's overall experience and satisfaction.

2.2.4.1.2 Procedural justice

Procedural justice relates to the procedures, practices and standards applied to recover a service incident to reach a reasonable and fair recovery process according to the perceptions of clients (Julian & Christi, 2014). Moreover, the criteria of the applicable policies should include speed, thus incorporate the stipulated responsiveness of the service provider when faced with a situation. Therefore, the mannerism of the stipulated guidelines and techniques applied by the management in conflict resolution between the parties falls under this principle of justice (Kau & Loh, 2006). Five factors of procedural justice – convenience, scheduling, adaptability and the regulation of decision-making – were part of the cornerstones of this principle. Further, the approaches implied should be dependable, unprejudiced, and considerate of the interests of all parties involved while avoid being centred on ethical upholding principles (Kau & Loh, 2006). Procedural justice has been earmarked as an imperative approach of service recovery and a means of addressing unsatisfied clients in a fair manner, thus supported by the equity theory.

The equity theory

Developed by Adams in 1963, this theory seeks to establish proportionally quantifiable gains for each cost associated with behaviours executed (Hofmans, 2012). Furthermore, Lyons and Scott (2012) state that individuals contrast their perceptions of inputs versus outputs with significant members of the society who have an influence on their behaviour. Therefore, if the ratio of the value of their perceived inputs fails to tally with the output, dissatisfaction creeps in. Organisations are then required to develop procedures that equally suit all interested parties.

Equity definition is prescribed as similar across individuals and they all perceive and measure it the same way (Hofmans, 2012). Individuals are observed to suffer from distress when negative equity prevails, thus as a solution to the distress, they quit the causes of dissatisfaction. For example, individuals may be distressed by their jobs, consumption of a particular product, or the use of a certain service provider (Huang, 2011). Therefore, social fairness is levelled as they adopt to what their significant others are using or discontinue the consumption of the dissatisfaction causing product or service.

Positive inequity also exists when an individual perceives himself or herself to be more rewarded than significant others and the direction of distress changes (Hofmans, 2012). Factors

such as trust and relationship retention may be enhanced in such cases as perceived value for inputs-outputs balance increases. Therefore, this compels organisations to strive for a positive equity state with clients, thus providing better quality and recouping failed services better than competitors (Komunda & Osarenkhoe, 2012). However, the extra benefit compared to others earned does not result in a significant change in performance (Hofmans, 2012).

Social media innovation has broadened the span of significant others resulting in the pressurised system where organisations are required to be more aware of the processes they implement when delivering products and services and also when recouping the failed services (Clark & Melancon, 2013). This is necessary since consumers compare themselves with significant others consuming similar goods and services from different organisations which may likely inflict switching behaviours (Chou, 2015).

2.4.1.1.3 Interactional justice

Interactional justice is an interpersonal approach of conflict resolution that occurs between frontline staff and the affected clients (Kaya, 2015). Fairness is pursued during the two-way communication method that includes accepting the mistake, explaining the reasons and possible solutions on the part of the service provider. Being polite and courteous is inevitable and works out as a priority skill of dealing with dissatisfied clients throwing emotional tantrums (Al-Jader & Sentosa, 2015). Moreover, an acceptance of the mistake and being empathetic works as a psychological weapon of calming down the clients while assuring them that a fair service error correction will be implemented.

Failure to respect clients will induce an emotional sense of injustice which might promote the spread of negative word of mouth (Baeka & Jung, 2015). The implication of this approach is that fairness is accomplished through a two-way communication method. Moreover, throughout the endorsement of the prescribed techniques, interactional justice is effective when the customer partakes in recouping the service incident to enhance experience management (Chang & Chang, 2011). Customer involvement is described as the interactive experience and a sense of justice that they derive when seeking compensation for service failure.

Interactional justice is predominantly concerned with the clients' insights and their interactions in tackling the issues of the service failure. According to Kaya (2015), different aspects influence the insights of the interactional justice; these include relational compassion, treating clients in a proper and deserving manner, and outlining the reasons for service mishaps together with the strategies of implanting service recovery. Kau and Loh (2006) also noted the five

fundamentals of interactional justice which included clarification, trustworthiness, respect, determination and responsiveness. In a service recovery situation, interactional justice further refers to the manner in which the recovery process is operationalised and recovery outcomes presented. This distinction is important as people might view the procedure and outcome to be fair and yet feel being unfairly treated as a result of interactional factors. The social exchange theory explains this interaction in detail below.

The social exchange theory

Societies exist based on a fine line of values, beliefs and cultures that form them. In the 1950s, a social exchange theory (SET) was established to structure the nature of this kind of existence. The foundations of the SET describe social life as a reciprocal relationship amongst individuals who expect to contribute something to gain a desired expected outcome (Cropanzano & Mitchell, 2005). As a means to acquire a sense of belonging and acceptance, individuals tend to adhere to prevalent social norms. Adherence to these norms is assumed to result in personal satisfaction, build trust feelings through interaction with others, and reduce societal misfit chances (Clark & Melancon, 2013). Thus, a reciprocal exchange is believed to exist according to this theory that the cost of abiding to these norms and values will yield to a social fitness benefit.

However, despite the core roots of the SET, the mutual benefit derived from this usage of norms and values seems rationally immeasurably and difficult to quantify. Moreover, the difficulty in its applicability has further weakened the SET. Despite the stated facts, trust related studies have been the focus of the usage of this theory due to its nature in explaining consumer dependence on others' opinions in decision-making for social acceptance (Baeka & Jung, 2015; Beneke et al, 2011; Chang & Chang, 2011; Kesharwani & Bisht, 2012). Thus, the priority is to explain attitudes towards social affiliations and not properly measure the depths of relationships.

Trust is further reinforced when a positive act towards one results in another of the same manner. In service recovery situations, trust is enhanced when clarity and openness are exercised throughout the process. SET has an impact across organisations cutting through the internal and external aspects. Internally, management teams repel their employees when a lack of commitment in relationships is the norm and inherently clients suffer from the effects (Baeka & Jung, 2015). Externally, individuals respond positively to an organisation that deals with all stakeholders in socially and ethically relevant standards, thus leading to higher satisfaction.

The issue of trust built upon social mechanisms leads to the development of the justice theory (Cropanzano & Mitchell, 2005).

2.2.5 The Application of the Justice Theory

The justice theory can be applied in general business terms as it is an organisational directed notion, across disciplines and in service recovery situations in banking.

2.2.5.1 General application of the justice theory

Greenberg's justice theory has been developed as organisational justice, with much of its work directed to how organisational staff should present themselves in the workplace to improve efficiency and productivity. It is believed that if employees receive recognition from their superiors, the amount and quality of their productivity significantly changes (Baeka & Jung, 2015). The opposite is true when they are ignored. Hence, taking care of employees will enhance the type of service they deliver and the enactment of errors encountered during the service delivery process. Thus, the benefits of service recovery are enjoyed such as the ability to uncover new consumer traits, preferences and tastes during the interactions to recover failed services.

2.2.5.2 Application of the justice theory across disciplines

Greenberg's theory of justice has been used in various disciplines to address service problems such as in management, economics, education, philosophy, and information systems technology. Due to its adaptability to different disciplines, much work has been done that incorporates the theory when measuring service quality. Works that have cited this theory Abdullahah *et al.* (2014); Chou (2015); Gerpott *et al.* (2001); Baeka and Jung (2015), and Barrera *et al.* (2014), to mention a few.

2.2.5.3 Application of the justice theory in consumer studies

According to Chueh *et al.* (2014), justice theory is grounded on the belief that in order to address service failures, clients should be fairly treated and their concerns should be taken into consideration whenever carrying out service recovery. The concept asserts that the clients' long-term association with the organisation relies on the impression of being fairly treated. Wiid and Diggins (2013) state that in order for the clients to feel fairly treated, they should partake in the service recovery process; this implies that their views and suggestions should be considered by the organisation. Furthermore, organisations should be customer oriented in their approach of service recovery to restore consumer expectations effectively.

Bearing in mind the significance of the justice theories in pursuing fairness amongst subjects in non-business and business relationships, consumer rights were drawn up to ensure such prevails (Government Gazette, 2009). Due to the rise in stiff competitive markets, businesses have resorted to unscrupulous activities that ensure high profit maximisation despite various consumer exploitations linked to such. Governments as stakeholders in the external environment have intervened on behalf of consumers through devising legal monitors that reduce chances of exploitation such as the Consumer Protection Act number 68 of 2008 and Consumer Complaints South Africa (Government Gazette, 2009). These give consumers the right to refuse marketing campaigns at any stage whenever they threaten to infringe their privacy. Therefore, fair business practices were drawn up which focused on empowering consumers with freedom to choose their desired suppliers and products. These products can be exchanged or refunded if misrepresentations occurred (Viljoen & Marx, 2013). Dishonesty bans on businesses have enhanced trust issues between the parties with maximum disclosure of necessary information being a priority for effective two-way communication both on the initial delivery or recoupment process (Greenwood & Dwyer, 2015).

This right to reimbursement, which is a distributive justice factor, has compelled businesses to be responsible parties in the contract of exchange, reducing their dominance and control over consumers. Need for quality and defect free goods means that businesses have to give warranties so as to increase consumer liberty and retain clients (Greenwood & Dwyer, 2015). However, due to the inevitability of service failure during delivery, granting of warranties and refunds serves as a competitive arm (Government Gazette, 2009). Such a stride arises as an empathetic move to initiating service recovery instead of losing consumers who would have discontinued interaction with underperforming companies. Adhering to consumer rights is key to businesses as they improve their conduct, address failed services, and retain clients for longer, which is likely to lead to growth in relations and trust (Viljoen & Marx, 2013). Therefore, undertaking this study is necessary as it is compatible with consumer rights as business existence and survival pivots on creating lasting, truthful ties with these empowered groups.

Justice theory further determines clients' repurchase intentions, for example, those satisfied with the process are likely to repeat patronage (Gerpott *et al.*, 2001). As stated, the severity of the problem likely influences the solution channel, hence more physical address of issues may depict high severity. Therefore, the business will require improving their online delivery to allow for quicker online solutions. Justice theory components determine the strategies to be

incorporated for customer experience management (CEM) and customer relationship management (CRM) identified during cohesion with clients (Wiid & Diggines, 2013; Buttle, 2009).

Successful service recovery efforts have been proven to be the major facilitators of strong customer experience and relationship management. These two concepts notably determine the customer life in the business, strength and growth of ties while also reinforcing trust between the parties (Wiid & Diggines, 2013). Bearing in mind the merits of service recovery, such as positive WOM and eWOM, increased patronage, less likelihood of switching and increased customer retention, loyalty and adoption of new product lines, it is also essential for the overall organisational performance and recognition.

2.2.5.4 Application of the justice theory in this study

The figure below explains the application of the justice theories in this study, thus, their relationship to service failures and how they mediate this problem thereof to impact positively on relationship retention and trust. The three study constructs which are responsiveness and website interface for the online component of service recovery and contact and empathy and politeness for the physical component are intertwined to justice theories as shown. Therefore, the use of these constructs determines the quality of service recovery and the level of relationship retention and trust thereof.



Figure 3.1: The application of the justice theory in the study

Service failure recoupment using the justice approach has been addressed by numerous researchers such as Kau & Loh, (2006); Neale & Murphy, (2007); Cong & Fu, (2008); Grewal *et al*, (2008); Tan *et al*, (2011); Qin *et al*, (2011) and Barrera *et al*, (2014) to mention a few as an effective way of reinforcing relationships and trust with clients. Procedural justice as aforementioned to deal with the organisations' policies in service recovery also may lead to dissatisfaction if poorly implemented. Organisations may articulate excellent policies to deal with service failures which may fail due to the pressure exerted by the other two elements of the justice theory. For instance, a good policy might yield negative results due to the type of compensation awarded or the way in which clients were treated during interaction.

Numerous studies have adopted the justice theory in service recovery situations such as (Al-Jader & Sentosa, 2015; Awa, *et al*, 2013; Chang & Chang, 2011; Chou, 2015; Chueh, *et al*, 2014; Cong & Fu, 2008; Kandulapati & Bellamkonda, 2014). The theory has various benefits leading to its dominance in scholarly articles. Customer satisfaction can be assessed during the recovery process based on the notion that correct recovery application yields to higher satisfied clients than those who never experienced a service failure (Grewal *et al*, 2008). Moreover, the quality of services offered by the organisation may be benchmarked based on the number of times that services fail (Lee, Cha, & Cho 2012). Thus, the more failures, the higher the likelihood of poor quality of services being offered. Furthermore, with this theory, service delivery processes can be upgraded based on the procedural element implemented during recovery if it produced better results.

2.3 JUSTICE THEORIES AND THE STUDY CONSTRUCTS

The justice theories and their relationship with study constructs are discussed in the following sections.

2.3.1 Contact and the Justice Theories

Contact describes the physical communication means between service providers and clients before, during and after a service delivery or recovery process. Competence and skills possessed by the business staff determine the failure or success of the desired process in offline methods. Success or failure of offline transactions is significantly influenced by the type and ways of contact abridged between the parties, hence employee empowerment is essential (Sangeetha & Mahalingam, 2011). Gap analysis knits well together the significance of contact and justice theories in achieving consumer satisfaction. As a critical moment of truth, consumer

perceptions of the service provider and products are explored at this stage while a narrow focus on justice is displayed by consumers (Wiid & Diggins, 2013).

Greenberg's notions on justice significantly impact the contact construct due to the interactions developed with the parties. Furthermore, under distributive justice, despite the offer of reimbursements to the prejudiced clients, it is assumed that contact is crucial in determining the power of switching behaviours executed after recovery (Buttle, 2009). A good recovery strategy such as reimbursements may repel clients in the future if they perceive some improper handling as per the ideologies of gap analysis. The equity theory which pillars the development of justice also stipulates the need to strike a balance with the consumer to avoid dissatisfaction, meaning that on recovery steps execution, customer perceptions may be required to be exposed for effective address (Cropanzano & Mitchell, 2005).

Procedural justice envisioned on the implemented policies also dependently maximise contact when implemented since the nature of responsiveness is facilitated by the service provider's personnel. Interactional justice is entirely contact defined and focuses on the established communicate between the parties to address an error. Contact has been upgraded to digital means through the incessant redefinition of business methods due to the World Wide Web saturation in the marketplace (Clark & Melancon, 2013). This has complicated the originality of contact with much evolution eliminating facial interactions. However, contact will always be of significance in establishing trust and relationship retention with consumers to evade propensity to switch.

2.3.2 Empathy and Politeness and the Justice Theories

Empathy has portrayed considerable impact on service quality resulting in the success or failure of a service delivery. Thus, a service may be delivered correctly and timeously and lead to dissatisfaction if the providers lack the empathetic communication throughout the process (Al-Hawari, 2014). A utilitarian model developed displayed the significance of credibility narrowing into ensuring that there is informed communication to enhance trust between the parties. Justice theory has been noted to impact on consumer emotions during service failure and recovery arising as a moderating alternative of such. Modelling consumer emotions after a service failure is of essence to reduce dissonance, and politeness and empathy play a major role in establishing that (Baeka & Jung, 2015). Negative pre-recovery emotions require much focus from the service provider to avoid losing the customer and also paving way for positive post-recovery ones. Interactional justice is the concrete support of empathy and politeness,

indicating their significance in service quality determination both on initial delivery and recovery through knowledge sharing abilities (Huang, Hung, Fu, Hsu, & Chiu, 2015). A positive perception of justice arises when the provider communicates effectively, timeously and truly in a polite, empathetic manner.

2.3.3 Responsiveness and the Justice Theories

Sustainable competitive advantage has arisen as the major stride for emancipating business growth in a vigorously competitive market with differentiation emerging as critical thereof. Responsiveness in retail banking studies has been noted to be one of the significant attributes of service quality determinant factors (Lewis & Spyropoulos, 2001). Such actions have resulted in high alert business transactions where service providers need to respond timeously to customer orders and service errors. Increased customer knowledge and awareness has exerted pressure on businesses to improve response rate whenever an error has been experienced and reported (Chong, *et al*, 2010). Technology together with the Web power has played a major role in driving the possibilities of businesses' prompt response, leading to a much more satisfied customer base. Furthermore, the use of technology for environmental scanning has further cemented the shorter lifespans of problem resolutions. In the banking context, online transacting adoption has spiraled the curbing of time constraints in business with multiple social media pages created to promote timeliness in communication (Duffy, Miller & Bexley, 2006). Company websites have also played a pivotal platform that facilitated this need for change while retaining a larger consumer base with a much more satisfied component.

The justice theories remain intertwined with responsiveness as a service quality factor for both the delivery and recovery process. Distributive justice relating to being apologetic and reimbursements of clients cements the need for such incorporation during timely delivery and recoupment platforms. Procedural justice, which explains the policies and guidelines of recoupment, has apprehended the need for speed when dealing with failed services while ensuring that such policies are in line with best practices (Gustaffsson, *et al*, 2006). Interactional justice is the backbone of responsiveness in service recovery due to the need for fast and reliable dissemination of information which is clear and accurate. Clients should be contacted timeously during the whole service recovery process as effective communication not only satisfies the customer on this second attempt but further reduces chances of switching (Al-Hawari, 2014).

2.3.4 Website Interface and the Justice Theories

Website interface is a digital phase brought forward through intense dependence on the Internet in commerce as company websites have been created to communicate with customers and social pages created to quickly reach the audience. Such an extended platform for business did not evolve without weaknesses as errors are continuously encountered (Chang & Chang, 2011). Therefore, problems brought about by website creation have resulted in the emphasis on website design to enable easy navigations in pursuit to minimise errors. Website interface agrees with justice theories foundations as systems have been put in place to communicate with clients during delivery and recovery periods. These designed websites have a polite and empathetic way of asking the customer what they intend to do on the site while providing valid links to help and redirecting them to safer web pages (Buttle, 2009). Minimal research has been conducted on this despite business developers' effort to ensure that navigational panes on their sites enhance satisfaction to reduce customer loss.

2.4 SUMMARY AND CONCLUSION

In conclusion, the four theories of justice discussed have an impact on social systems with strong evidence depicting their relevance up to date. Consumer rights have been drawn from these theoretical foundations with fairness as a priority in business relationships. Consumers have been observed to require equitable repatriation both tangibly and intangibly after a failed service to remain within the enterprise. The justice theory affirms that through the distributive and procedural factors, customer satisfactions, loyalty, CEM and CRM have received better address with the use of the justice theory in service recovery. The justice theory further stands out as one of the most significant theories in addressing service recovery related issues. The importance of social factors demonstrated by the dominance of social media in business redirects business goal settings in order to keep clients satisfied.

Service recovery is crucial for retaining clients and building trusts adhering to the benefits associated with dealing with loyal clients. Chapter 3 describes service failure and recovery in detail which are this study's major areas of focus. Failed services result from a poor quality delivery procedure, hence service quality was presented prior to failure and recovery. Furthermore, consumers desire high quality products and services for their purchases. Several types of service recovery measures exist such as the internal, external, physical and online. These four together result in expanded relationships and trust with business partners. Online service recovery notes that strategising without social media inclusion has become redundant.

Consumers detect the type and life of a marketing strategy that works for them and when the trends change, managers have to do likewise. This is presented in the following chapter.



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CHAPTER 3

SERVICE FAILURE AND RECOVERY

3.1 INTRODUCTION

Chapter two discussed the theoretical frameworks underlying this study. Four main social theories were identified that support notions pertinent to service recovery methods. Justice theory was extensively discussed from its foundations, theories that resulted to its development, and its uses in the service recovery processes. Distributive, procedural and interactional justices are the main components of Greenberg's theory that purport the service recovery process between businesses and consumers. Beyond the significance of the justice theory, technological saturation deemed some of its components redundant. Competing theories were also highlighted such as Mill, Nozick and Rawls's theories of justice.

Chapter three focuses on the service failure and recovery methods in detail, setting off with the need for quality, importance of quality service delivery procedures, and the resultant drawbacks associated with sub-standard methods that result in service failure. Building on the failed services notion, recovery is essential and comes about in four techniques: internal, external, physical and online. Bearing in mind the aforementioned, there are some resultant merits associated with high quality satisfying service recovery undertakings such as stronger and longer relationships based on trust. All these conceptions are addressed in this chapter in line with the South African banking industry with specificity on the four banks which are Standard, FNB, ABSA and Nedbank.

3.2 SERVICE QUALITY

Service quality is defined as the organisation's ability to meet customer expectations before, during and after a transaction (Cetinsoz, 2013). It entails going an extra mile as an organisation in meeting the expectations of the clients to ensure the reach of desired satisfaction. Service quality was further identified as a key fundamental factor that ensures the successful implementation of online trading in numerous virtual organisations due to the absence of facial interaction (Pertet & Narasimhan, 2005). Without narrowing to the online presence of the need for quality services, it has always been of essence even with the physical service delivery methods. Service quality efforts are vital for business operations to continue with the current clients and new clients unaffected by negative word of mouth stemming from a service failure. Therefore, the quality of service delivery efforts solely determines the curbing of negative word

of mouth (wom) and electronic word of mouth (ewom) while facilitating the spread of positive wom and ewom (Kim, Kim & Kim , 2009).

Service quality is believed to be one of the influential aspects that ascertain the performance of online services offered by the organisation. The quality aspect of the service has a great influence on the organisation's purchase trends in that high service quality is bound to increase customer satisfaction, hence more clients could be gained by the organisation through good word of mouth from existing clients (Komunda & Osarenkhoe, 2012)..

Customer satisfaction arises when a consumer derives maximum benefit from consumption of a good or service beyond his/her preconceived expectation (Beneke *et al.*, 2011). This approach can be fully explained using various theories such as the disconfirmation paradigm. The disconfirmation theory states that consumers have a preconceived expectation of the performance of a product or service which is compared to the actual performance during the moments of truth (Parumasur & Roberts-Lombard, 2012). The discrepancy between these two notions of service quality raises the probability of reduced patronage by consumers. If the preconceived idea of service quality is overridden by the actual performance, consumers reach a point of satisfaction with the service provider resulting in continued visits, which lead to strong relationships between the parties.

Customer satisfaction can either be cumulative, cognitive or sentimental depending on consumer perceptions (Al-Jader & Sentosa, 2015). Cumulative customer satisfaction describes the overall feeling that consumers have towards a particular business beyond the experience gained from a single transaction. For example, an FNB client might have a positive feeling towards the services provided by the bank despite their use of either the physical or online service recovery. The cognitive component describes the rationalisation of the transaction performed compared with the customer's expectations. Thus, the thought processes and perceptions that a consumer develops towards the product or service. The sentimental or the affective component focuses on the feelings that a customer has towards a business and its products or services. The positive feeling held encourages repeat patronage leading to growth of relationships, while the negative feeling developed leads to customer loss (Gustaffsson *et al.*, 2006). However, the use of advanced technologies in banking can promote growth in relationships for clients who derive satisfaction from technological usage. Clients who refute technological advances due to the complexities attached to it may be dissatisfied, cut ties with the business and eventually exit. Current consumer satisfaction projects their future behaviour

which culminates into strong ties and cooperation through the improvement on sub-standard activities.

3.2.1 E-Service Quality

The increase in e-commerce has brought many changes in the manner in which organisations trade with consumers or with other businesses. This widespread use of Internet trading has highlighted the importance of e-service quality in many organisations engaged in online trading. Hossain and Hossain (2011) define online service quality as the distinctiveness and attributions of online services that are offered by a company on its virtual set-up. Service quality could be also defined as the scope to which a virtual trading store or website enables users to carry out their operations proficiently and successfully (Cetinsoz, 2013).

According to Santos (2003), e-service quality encompasses the clients' assessment on the performance of the service on the website (Beneke *et al*, 2011). When examining service quality, there are differences when it comes to online and offline services (Cetinsoz, 2015). This implies that businesses that do online trading should modify offline services to suit online procurement. The quality of service depends on the morale, motivation, mood, training and attitude of those providing the service.

Cetinsoz, (2013) describes the importance of e-service quality based on the fact that e-service quality is one of the vital factors which contribute to customer loyalty and the growth of the market share of many businesses. This implies that e-service quality is imperative in establishing long-term associations with clients in the e-commerce sector. Moreover, online service quality required responsiveness, compensation and contact for its significance (Cetinsoz, 2013)

3.2.2 Service Quality and the Consumer Purchasing Decision Model

Service quality is an intrinsic factor for achieving maximum customer value and depends on consumer perceptions and expectancy. Consumers assess the quality of services provided by organisations throughout the five stages of purchasing decision-making. These stages include problem recognition, search for information, evaluation of alternatives, buying and post-buying behaviour.

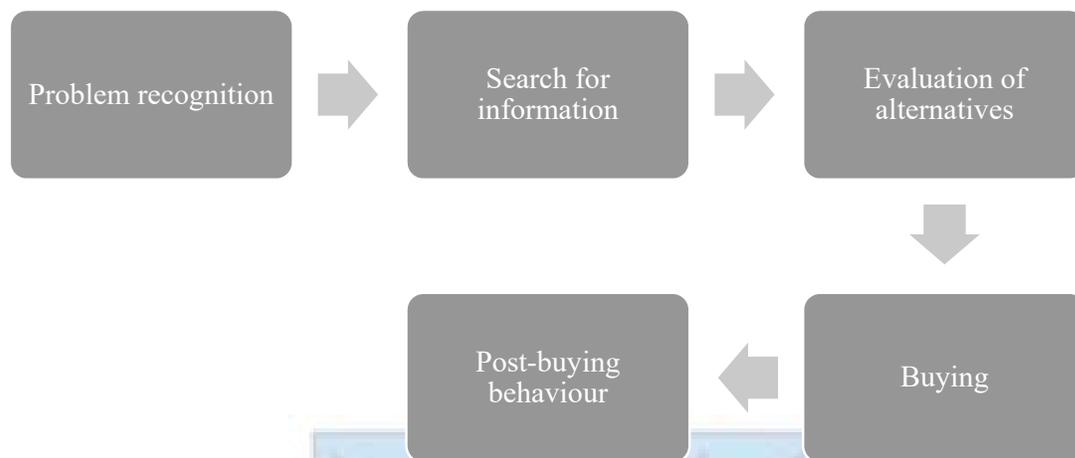


Figure 3.2: Consumer purchasing decision model (Parumasur & Roberts Lombard, 2012)

Problem recognition is a process that occurs after a lower level of such has been satisfied, leading to the desire for satisfaction of a higher order. Once a need has been identified, consumers begin to search for information that will satisfy the arisen need. Banks, for instance, need to market their products and services with strict emphasis on quality to meet the second stage of the purchasing decision-making process which is the information search stage. Consumers search for information about an organisation's services from various sources such as the Internet, other consumers, and even the information provided on business catalogues, brochures and fliers. This acquired information is compared with other competitive offerings from other organisations realising the third stage which is the evaluation of alternatives (Parumasur & Roberts-Lombard, 2012).

Quality determinants such as responsiveness, ease of use and accessibility are some of the cues used to select the organisation to transact with (Li & Fang, 2015). This leads to the fourth stage of decision-making which is the buying or purchasing stage. The consumer decides the entity that can provide the best quality of goods and services based on the information gathered. When service delivery has occurred, consumers then compare their experience with the service provider and the expectations they had derived from the promotional information. If a quality discrepancy exists, consumers are forced to either adjust their expectations for psychological satisfaction reasons, or to migrate to another service provider (Masocha, 2009). Repatronage is highly likely when the perceived value and the actual moment of truth are at equilibrium. Cetinsoz (2013) identified various service quality determinants used by consumers when

assessing service delivery, for example the reliability, responsiveness and accessibility of the service provider which result in service failure if not fully executed.

3.3 SERVICE FAILURE

Service failure is the absence of the satisfaction of the consumer's desired need after establishing contact with a certain service provider either offline or online to receive the prescribed services (Huang *et al.*, 2015). Offline service failure occurs during a service delivery process that is characterised by Internet exclusion, thus could be a face-to-face delivery method. Online service failure lies within the periphery of Internet usage where organisational websites are technologically incapable to perform the actions they were designed for (Tan *et al.*, 2011). As indicated on the significance of the web and IT systems in the modern day banking industry, service failures could not be evaded completely from affecting business operations.

Service failures vary in origin and impact on the delivery process and can also be termed system failure (Tan *et al.*, 2011). System failure therefore is the inability of a service provider's system to deliver the services required either offline or online to clients. System failure is also defined as the provision of inadequate content and navigational difficulties on an e-commerce website due to the presence of an unfriendly online trading environment which leads to dissatisfaction (Chang & Chang, 2011). This then affects the transactions being undertaken since they might not be completed timeously or at all. Online system failures can be summed up as informational or functional in nature depending on their origins. Informational failure is directed to the unavailability of necessary information on an organisation's website for the completion of the service exchange. On the other hand, functional failure lies on the unavailability of key functions either being absent or down that necessitate the achievement of the required objective such as payment options (Tan *et al.*, 2011).

Online failures are classified into four categories: technologically based, poor design, process, and customer-driven failures (Mansori *et al.*, 2014). Additionally, there are four categories of system failure: hardware failure, software failure, operator error, and environmental and security violations (Pertet & Narasimham, 2005). However, all these condense into the informational and functional failures as the dominant during online service delivery (Tan *et al.*, 2011).

Service failure is the delivery of a substandard service by a service provider attributed to some factors such as technological complexities, communication and inefficiency at a level below

the customers' expectation (Barrera *et al.*, 2014; Komunda & Osarenkhoe, 2012; Mostert *et al.*, 2009). Continuous visits by customers and the preference to use a certain service provider to meet their needs significantly relies on the degree of service failures, regularity of service failures, and the kinds of service recovery provided (Watson, 2012). Therefore, a company faced with continuous service disruption likely bears the risk of loss of consumer trust and sour relationships with customers (Kau & Loh, 2006). Watson (2012) claims that consumers tolerate a service failure when there are established relationships with service providers and when such occurrences are rare. Companies have been observed to encourage complaints to address failed services as a way of retaining customers (Gustafsson, 2009). Moreover, Gustafsson (2009) states that consumer behaviour studies reveal that most consumers who experience failed services do not complain due to the emotional strain attached to the action.

3.3.1 The South African Banking Industry

Banking sector environments have been characterized by oligopolistic competition where a few dominant players are the main rivals like the major four in the South African environment. FNB, Nedbank, Standard bank and ABSA have been the main rivals within this industry with a few entrants making a footing in the isolated low income market. High and middle income segments have been the target of the incumbent banks leaving a room for potential entrants in the low income market. Capitec, Ubank, Bidvest, Postbank and African bank strategically positioned themselves in the low income niche with little competitive pressure exerted from the big four (Mackenzie & van Rensburg, 2013)

3.3.1.1 Physical and online service failure in banking

Financial institutions experience service failure in either of their physical or online service delivery methods. Physical service failure usually emanates from customer-employee interaction in the bank during the service delivery process, such as long and unorganised queues, printing of incorrect statements, and employees' ignorance in assisting customers (Lewis & Spyropoulos, 2001). On the other hand, online service failure tends to be more technologically focused arising as system failure. System failure can be either informational or functional based (Tan *et al.*, 2011). Informational failure emanates from customers' poor navigations in a website to complete their transactions online, while functional failure results from the absence of various key options in a website to aid consumer objectives (Tan *et al.*, 2011).

Mansori *et al* (2014) state that service failures may result from various reasons which could be attributed to either the employees or system malfunctions. Service failures pose a threat to clients due to the economic and emotional costs integral to their dominance such as time, effort and energy to demand restoration. Service recovery has been studied broadly, depicted in the previous content, and none of these studies have compared online and offline service recovery in the South African banking system.

3.4 SERVICE RECOVERY

Chang and Chang, (2011) describe service recovery as a critical moment of truth whereby the organisation's ability to keep its promise is openly assessed by the responsible parties and others interested, such as the online community through social media sites. Social media allows a pool of unaffected parties to pass a judgement critically on the service error under discussion (Dalziel , 2015). Therefore, the availability of the online community panel enables firms to create a wider base of relationships if it manages to address the encountered failure with extreme caution. Service providers remain with the bigger question of how they could efficiently recover failed services without losing more clients. The depth of the literature is shown further by the influence of social media sites on banking communication (Lee *et al*, 2012). An understanding of which one works best is further necessary so that there comes a mixed component of the physical and digital worlds in service recovery, or an implementation of either of the two depending on the results.

Transacting online has gained momentum in the 21st century and keeps on increasing significantly with more awareness on the merits derived from the creation of the digital world. The Internet era has stiffened competition amongst companies and customer retention remains the key survival strategy to outcompete others and remain in a going concern principle (PWC, 2015). Customer retention has increased businesses' costs associated with keeping these existing ones. Various tools are being effected by organisations and methods introduced that encourage the customer to remain in business contact with the organisation. Some of these methods include complaints handling facilities for products and services offered both offline and online (Abdullaha *et al*, 2014)

Clients who have experienced a successful service recovery process are attested to be more satisfied and loyal to the organisation than those who have never experienced service disruptions (Al-Jader & Sentosa, 2015). Customer satisfaction plays a mediating role between relationship retention and service recovery as per the results of the study done by Chueh *et al*

(2014) in the catering industry. These results affirm the relationship that these three concepts possess and the need to pay close attention on measures of keeping existing clients during strategy formulation (Chueh *et al.*, 2014; Mostert *et al.*, 2009).

3.4.1 Service recovery in banking

Service recovery is the actions undertaken by companies to restore failed service delivery (Chueh *et al.*, 2014). Consumers sometimes experience quality discrepancies in interactions with their banks. This could be a wrong statement printout, long queues or malfunctioning ATMs (Lewis & Spyropoulos, 2001). In trying to address these, service providers tend to use empathy, politeness and contact to attend to the prejudiced clients under the physical service recovery method (Lewis & Spyropoulos, 2001). Some service recovery strategies are adapted to resolve the problem such as exceptional handling of dissatisfied customers, giving clarity, reimbursement and apologising (Watson, 2012; Lewis, 2001).

Owing to the evidence of the higher cost associated with attracting new customers, courtesy should be a priority when handling customers after a service failure (Chueh *et al.*, 2014). Lewis and Spyropoulos, (2001) state that service recovery efforts should be error free so as to restore customers to their original expectations. Responsiveness, compensation and contact are three dimensions of online service recovery identified by Kandulapati and Bellamkonda (2014) which entirely depend on technology in this method. The adoption of these technological facilities enhances customer value and relationship improvement by unleashing the most innovative techniques that are user friendly. Moreover, these enable self-service delivery and problem resolution by customers. Self-service is conducted in a human-computer interaction relationship via the Web. However, with the introduction of smartphones, Internet banking can now be done with the aid of mobile devices (Chong *et al.*, 2010).

3.4.2 Significance of Service Recovery

Service recovery is critical for effective customer relationship management (CRM). Customer relationship management is the backbone of customer satisfaction, retention, loyalty, increased revenues and sustainable profitability (Wiid, 2014). Strong developed relationships with clients lead to constructive feedback that yields to reduction of business expenditure due to retained clients (Wiid, 2014). Business expenditure is reduced in terms of advertising as it is more expensive to attract new clients than existing ones. Wiid (2014) states that existing loyal clients significantly increase revenue and profit by over 75 percent.

3.4.3 Types of Service Recovery

Service recovery is classified as internal when it is directed to the internal facets of the organisation, and external when it is directed to its stakeholders in the outside environment of the business (Wiid, 2014).

3.4.3.1 Internal service recovery

Internal service recovery entails the organisation's actions directed to its staff who frequently deal with dissatisfied clients such as frontline employees like the help desk, bank tellers and those assisting at the ATMs in the banking industry (Buttle, 2009). Operational excellence is a key sustainable competitive arm that ensures high quality production of goods and services and quality service delivery to enhance customer experience, leading to satisfaction and growth of relations between the parties (Kandulapati & Bellamkonda, 2014). Operational excellence begins with the employment of highly qualified personnel to be able to deliver the desired quality necessary for realising a competitive edge.

Employees are equipped with diverse skills to deal with various complaints which have been increased by the use of self-service methods influenced by the Internet adoption (Wiid, 2014). Staff developments should ensure that employees acquire necessary skills for any service failure rectification (Lewis & Spyropoulos, 2001). Baeka and Jung, (2015) state that the frontline employees should be effectively trained so that they can efficiently carry out external service recovery. Furthermore, they state that the effectiveness of the internal service recovery determines the success or failure of the external service recovery methods.

Management of the internal service recovery methods is vital due to the dependence on frontline workers for the execution of the external service recovery. Improper handling of staff has a direct negative impact on clients since a demotivated worker cares less about the success of the enterprise (Wiid, 2014). This will mean that complaining clients will be dealt with ruthlessly and impolitely, leading to spiraled switching behaviour tendencies from the greater market share base (Wiid, 2014).

Efficient, skilled and highly informative staff will propel the organisation forward as they will have the knowledge and wisdom to deal with clients to a satisfactory level including the dissatisfied clients (Gustaffsson *et al.*, 2006). Investing in technologically advanced staff further enables an organisation to train and educate clients on new technologies implemented using the qualified workforce. A good financial position also allows a business to outcompete their clients with the way they install latest technologies, price products and open platforms for

communication with clients (Wiid, 2014). With the sensitive nature of the banking industry, a creation of a brand name that can be trusted is key to retaining clients and establishing a sustainable competitive edge over rivals. Corporate image identification is therefore one of the major keys for survival in the intense competitive environment.

3.4.3.2 External service recovery

External service recovery lies between the organisation's employees and their interaction with clients when a service failure is encountered. There are four essential ways of formulating a successful service recovery strategy to embark on positive customer satisfaction effectively: acceptance, clarification, apology, and reimbursement (Buttle, 2009). An organisation should observe 'the customer is always right principle' and accept the mistake to be their responsibility. Problems should be clarified, for example reasons for a delayed correction, and apologies given (Duffy *et al.*, 2006). Frontline staff needs to display a high level of willingness to assist and be empathetic when dealing with dissatisfied clients (Duffy *et al.*, 2006). Accurate and prompt information should be provided throughout the recovery process, such as when it will commence and the length expected.

Lewis and Spyropoulos (2001) further highlight reaction time, intelligence, engagement and reimbursement as key values of recouping failed services. Reaction time is a critical value especially in online trading activities due to the absence of face-to-face interactions during service delivery. Organisations need to engage with maximum intelligence when dealing with clients, thus each unique need must be attended to differently. Further, businesses need to handle returns and exchanges for the faults with caution.

3.4.4 Physical Service Recovery

According to Lewis and Spyropoulos (2001), there is no company which is spared from producing poor quality of goods or invulnerable to offering a poor service at some point in time. To evade this obstacle, it is imperative to make some rectifications whenever clients are dissatisfied with the products or services offered by the organisation. Organisations rectify such mistakes through conducting a service recovery process. Awa *et al.*, (2013) and Cetinsoz, (2013) describe service recovery as a scenario whereby an organisation engages and handles dissatisfied clients in a way that restores positive feelings about the products or services to encourage future willingness to transact. Service recovery encompasses all the measures that an organisation takes in order to counter poor services offered to the clients such as compensation (Baeka & Jung, 2015). A successful service recovery process will result in more

satisfied clients who are loyal and spread positive word of mouth about the business, leading to higher revenues and profits.

Mostert *et al.* (2009) state that organisations can employ different approaches to ensure that they accomplish an effective service recovery to reduce consumer switching behaviour. These approaches encompass the ability to identify the service failure instantly so as to curb a future recurrence. The frontline employees who directly deal with consumers require continuous training to advance their customer handling skills to evade dissatisfaction even during service failure.

Physical service recovery strategies employed in various studies focused on contact and empathy and politeness such as (Lewis & Spyropoulos, (2001); a service recovery expectation in banking focused on factors such as admitting failure, explanation, apology, pure-hearted treatment and promise (Cong & Fu, 2008). Effectiveness of compensation is facilitated with explanations according to (Grewal *et al.*, 2008). The above stated elements can be summarised as contact and empathy and politeness as per the work of Neale and Murphy (2007) as they all fall under interactional justice. Such notions justify the use of these two factors (contact and empathy and politeness) in this study and their influence on trust and relationship retention amongst the four banks in South Africa (FNB, ABSA, Nedbank and Standard bank).

3.4.5 Online Service Recovery

Technological dominance in the 21st century has shifted the focus of business visions, missions, goals and objectives to a more consumer centric scope (PWC, 2014). This is due to the rise of the empowered consumer. Consumer awareness levels have spiraled greatly, causing pressure on businesses to devise innovative ways to remain operational and competitive with the proliferation of technology. One of the 21st century critical success factors is a thorough consumer analysis so as to keep abreast with the dynamic customer whose needs and preferences have been globally influenced (Wiid & Diggines, 2013). Internet acceptance in various industries such as banking, tourism, motor and textile industry have facilitated the increase in global trading activities that have stiffened local competition while strengthening consumer power (Mansori *et al.*, 2014; Petzer, Mostert, & Fourie, 2014; Mostert *et al.*, 2009).

Failure to provide quality services or to restore failed services results in higher costs incurred due to the repetition of the service delivery process. This in turn might damage the reputation of the organisation and drive away clients (Awa *et al.*, 2013). Building a sustainable competitive advantage also lies on four factors identified by Wiid (2014) as efficacy, excellence, novelty

and customer responsiveness. To initiate and enhance a sustainable competitive advantage, businesses should narrow their focus on performing their activities with maximum caution and efficiency. This is a cost cutting strategy due to the creation of websites with specific links that enable a consumer to fix problems independently online. Service recovery comes into play to forge disrupted relationships and trust among several business parties. Furthermore, it is vital to introduce an interactive platform such as a company page on social media sites to encourage feedback on products and services offered. Bearing in mind the interdependence of trust and relationship retention, failure of one leads to a disturbed harmonious effect, thus service recovery seeks to reinforce the two elements to ensure lasting relationships (Baeka & Jung, 2015).

Online service recovery has been widely studied using factors such as response sensitivity, affinity, apology according to Tan *et al.*, (2011), timeliness and flexibility as per Neale and Murphy (2007) and website design quality (Barrera *et al.*, 2014). The use of the above stated factors resulted in the development of the current study online service recovery constructs to be responsiveness and website interface. Such a development was based on the high need for timeliness and flexibility leading to the responsiveness factor and website design quality on website interface factor.

3.4.6 Service Recovery in Online Banking

The introduction of the Internet into the banking industry arose as a revolutionary leap towards the total transformation of various banking transactions (Malhotra & Singh, 2010). The banking industry demands a management and workforce team that is propelled to keep abreast with various technological changes occurring timeously in this century (Mackenzie & van Rensburg, 2013). Kearney (2009) identified five forces that affect the current banking industry environment as the emergence of diverse bank customers, money supply, existence of new management, technology and infrastructure, and performance. These factors affect this industry in different wavelengths.

The emergence of a new bank customer has transformed the type of service delivery offered to clients due to the growing unique needs that never existed in the prior periods erupting from the dynamic social and technological environments (Kearney, 2009). The advancement and sophistication of needs derived from better living standards has led to the obsolescence of other services once deemed critical for company success while exponential growth of customised services is observed. Various needs advocating for customised service delivery can be summed

up as extended life expectancy, travelling for both business and recreational reasons, and a significant rise in the Black middle class (Kearney, 2009).

With much use of the internet in service delivery and in banking, online service recovery has automatically come in due to the inevitability of service failures in service delivery processes. Service recovery online is much more complicated particularly in the banking industries with issues such as security (Tan *et al*, 2011). Valenzuela (2014) suggests that for banks to enhance relationships, creation of strong switching barriers that lock in their clients is of necessity.

Internet adoption has ceaselessly improved the efficiency of the banking industry in terms of service delivery due to the elimination of the drawbacks experienced in traditional banking such as long queues, malfunctioning ATMs, and the unavailability of paper for the completion of transactions (Kesharwani & Bisht, 2012). Bearing that in mind, online service recovery is presented with online banking in the succeeding section.

Among several benefits derived from Internet adoption in the banking industry, the cost of communication and ease and speed of information sharing with consumers has led to corporate website creation and social media marketing (Barrera *et al.*, 2014; Chong *et al.*, 2010). Despite its efficiency both in terms of time and cost cutting, service errors surfaced from this method which was inherent to technological know-how (Komunda & Osarenkhoe, 2012). Existence of safe trading grounds is observed to be drawing the line in Internet acceptance by consumers. In 2009, 6% of the SA community used Internet banking entirely, while about 33% used both internet and offline channels (WorldwideWorx, 2012).

Online service recovery requires quick updates of the system if the source was either informational or functional in nature to enable the completion of transactions (Tan *et al.*, 2011). Kaur, Ahamad, and Verma (2015) highlight the ten fundamentals which should be there for effective and efficient online service websites. These include security, performance, usability, availability, confidentiality, reliability, operability, traceability, recoverability, and visibility. Security is vital for online businesses to be successful as some clients are skeptical of security risks associated with online trading (Beneke *et al.*, 2011). Clients have to be confident about the trustworthiness of the online platform that they will be using. The severity of cybercrimes has somewhat discouraged online trading (Kesharwani & Bisht, 2012). However, organisations have put safety measures in place to facilitate safe and secure transacting platforms for clients to reduce cognitive dissonance. Cognitive dissonance is further eliminated by combining both the online and offline banking methods by the same client.

Confidentiality is a critical notion to reduce perceived risk of online trading. Ensuring and assuring clients of maximum privacy when performing transactions is one of the most decisive determinants of clients' trust on the usage of the website and online transacting (Lee *et al.*, 2012). Most companies are believed to be facing challenges from clients due to the consumer dominance in the market. The increased customer choices mean that the organisations cannot manage to offer clients sub-standard products and services and they should be reliable.

Technological innovations have reached a saturation level with quality gaps at minimal for techno companies. Due to the proliferation of technology, its adoption as a competitive strategy is inevitable despite the costs associated with keeping up to date with such (Yap *et al.*, 2010). However, due to the stiffness of the competitive environment, major acquisitions of technology have been expended upon to remain viable and relevant as an organisation.

Diverse technologies implemented both online and in the branch should be easy to operate to reduce errors and build consumer confidence. This entails the ability to track the operations of the online system by the clients. The online applications should enable clients to facilitate and track their transactions throughout the system without any difficulties (Kearney, 2009). Visibility implies that all clients should be in a position to view all the functions of the online system without any difficulties. Hence, this requires that the organisations design online systems that are user friendly for the clients. All the contents of the online system should be visible to the clients (Kaur *et al.*, 2015). For consumers to engage actively, trust is a critical element

3.5 TRUST IN SERVICE RECOVERY

Trust is a subject that has received much attention in business despite the vague definitions encompassing it. Kesharwani and Bisht (2012) describe trust as an attitude that clients nurture based on the service provider's honesty, commitment and willingness to communicate openly during a transaction. With the surge of Internet tapping in business, trust therefore further depends on the consumer confidence in the company's website to transact fairly without being susceptible to online threats (Liébana-Cabanillas *et al.*, 2013). Trust is a vital instrument that enables organisations to synchronise different functions to ensure that it remains viable and productive in its industry (Beneke *et al.*, 2011).

Based on the consumer behaviour perspective, trust is defined as the confidence consumers have that an organisation is competent enough to continue delivering quality services in the future. Trust is therefore entwined with various aspects of relationship marketing, especially

relationship retention (Santos & Von der Heyde Fernandes, 2008). With its nature of being created from a series of successful experiences between the parties, service failures pose a significant effect and the service recovery approach further determines whether it endures or dies. A study done contrasting offline and online banking showed that the quality of services provided offline highly affect trust considerations online (Yap *et al.*, 2010). Therefore, the effectiveness of service recovery techniques applied in the bank assure customers that the bank is trustworthy enough to resolve online problems and enhance relationships (Yap *et al.*, 2010).

Trust has been proven to be the prerequisite of establishing successful businesses before considering relationship building (Yap *et al.*, 2010). The notion of trust has been extensively covered by numerous researchers and practitioners in various industries such as tourism (Kim *et al.*, 2009), with more focus on the banking industry due to the sensitivity of transactions (Yousafzai, *et al.*, 2003; Liébana-Cabanillas *et al.*, 2013 and Kesharwani & Bisht, 2012). Trust therefore proves to be a prerequisite of establishing and maintaining relations with parties.

Companies specialising on the relationship retention approach focus on building trust and commitment on which income and profit are to be derived from (Mostert & De Meyer, 2010). Trust and commitment are subject to the level of relationship created by the parties. Consumer-oriented approaches therefore dispute that clients are to be taken as members of the organisation unlike independent parties requiring a service or goods from the organisation without any further attachment. Thus, Baeka, and Jung (2015) argue that trust between company staff and consumers has a greater influence on affirming consumer trust with the business. Understanding the customer's interests then arises as a consumer-oriented approach of management that enables chances of forging relationships. According to Beneke *et al.* (2011), open communication channels, honesty, trust, commitment to quality and provision of added value are the key factors that impact on the type, level and strength of relationships that will be created with clients.

For an organisation to be trusted, it should perform according to the perceived standards of the consumers (PWC, 2015). Online trust can be increased when the website interface reaches or exceeds customer expectations. Ease of use is essential in online trading due to the existence of face- to- face barriers between traders. Marketers' inability to give logical explanations therefore requires system technologies that are user friendly (PWC, 2014). Such an advent will encourage users to interact more often with the site and enhance relationships with service providers. For a successful execution of building trust objectives with the rate of Internet and

technological permeation in trading, it is inevitable for company websites to be always unavailable as such will impede the creation of trust amongst interested parties.

Beneke *et al* (2011) assert that some scholars in the commercial field identified trust as one of the vital paradigms for building long-term relations with clients. These scholars found that customer trust had a great influence on the loyalty, hence long-term relations with an organisation. Introduction of new product lines can be easily facilitated by established trust within the organisation. Therefore, it can be postulated that trust facilitates the early adoption of new products and services that enables the business growth objectives. Trust is crucial especially with the profound Internet and technology acceptance in business operations. Uncertainties associated with the absence of facial interaction during business transactions have also been observed to be significantly reduced by trust (Kim *et al*, 2009).

Technological advancement and the adoption of the Internet has greatly affected the conduct in which businesses operate worldwide. Technologically advanced machines have slowly replaced human contact in many organisations and the banking sector has not been spared from those changes. Electronic banking emerged as the major way of conducting banking services to avoid outdatedness (Liébana-Cabanillas *et al*, 2013). However, the minimum contact between clients and organisations (banks) has raised some trust issues.

Customer trust could be viewed as a vital precursor of loyalty. The clients' ability to track their transactions and navigate the system will somehow cast doubts about the authenticity of the system, thereby increasing the trust on the usage of the system (Kaur *et al.*, 2015). Internet dominance in banking has raised issues of online trust which has been viewed as one of the critical aspects of building customer loyalty and increasing organisations market share. Beneke *et al.* (2011) define electronic trust (E-trust) as the level of assurance that clients have in conducting online transactions. Some of the challenges faced in the e-banking sector could be mostly accredited to the lack of trust consumers have in conducting electronic transactions (Yap *et al.*, 2010).

3.5.1 Trust in Banking

Trust, an emotional phenomenon, is of essence when focusing on banking due to its nature of providing products and services critical for stakeholders' financial positions. Arising as a building block of consumer welfare in establishing lasting relations with their service providers, it is seemingly interwoven into service quality, relational quality and relationship retention. The trust-commitment theory articulates that consumers derive attitudes towards

forming relations with others with trust emerging as the main foundation for such achievements (Chong *et al.*, 2010). Trust-commitment theory further determines the navigational chances of consumers to review, validate and make use of banks' websites, ascertaining the benefits derived from such a move.

Thus, building trust with clients in the banking sector is not just relational enhancing but moreover it emerges as cost cutting with greater responsiveness to rising needs; a fundamental for relational quality. Chang and Chang, (2011) validate the idea of trust being able to evade the formation of short-term relations but curbs this problem by building an assurance of sustainable relationships. Trust therefore plays a major role in consumer acceptance of new products and services, such as the migration from online to offline banking.

The rise in various needs impacts on the way banks will rebrand themselves, package their products and services to match the new consumer profiles. Rebranding and packaging will require cautiousness from the strategists so as to retain clients (Kandulapati & Bellamkonda, 2014). Failure to deliver therefore erodes trust between the parties and decreases consumer confidence. Thus, aligning new ideas to the original plan assures service consistency from existing clients. The evasion of geographic boundaries in consumer markets further stiffens the ability of banks to keep abreast with these changes. The way banks define, brand and market their products will be an essential competitive strategy with the rising financial institutions such as mobile money (Kearney, 2009). Adoption of the methods offered by these growing financial services will enhance their economic relevance while gaining a competitive advantage of being known. A study done in South Africa showed that 90% of the surveyed group highlighted security as the most critical harbour of transacting online. Approximately 6.8m online users were predicted for the year 2015, showing a greater chance of Internet banking usage to increase (WorldWideWorx, 2012).

3.6 RELATIONSHIP RETENTION AND SERVICE RECOVERY

Relationship retention is a non-static process that revolves around the attraction of clients into the business, creating value for those clients, and further creating long-lasting cooperation with them (Mostert *et al.*, 2009). Various studies have been done pertaining to relationship retention in different industries (Al-Jader & Sentosa, 2015; Beneke *et al.*, 2011; Buttle, 2009; Chueh *et al.*, 2014; Clark & Melancon, 2013; Gustaffsson *et al.*, 2006; Kandulapati & Bellamkonda, 2014).

Kau and Loh (2006) state that it is less expensive to keep an existing customer than attracting a new one. Thus, relationship retention is a future oriented approach focused on the sustainable ongoing concept of the business. Evolving from relationship marketing, it is therefore a concept that seeks to keep clients within the business and refrain them from switching to competitors through the provision of high quality standards leading to the satisfaction of needs. The 'customer is king' belief therefore affirms this approach as businesses rely on their stakeholders to remain operational. Consumers' ability to transact over the Web has reinforced client empowerment due to the access to better goods and service providers internationally in cases where the local businesses lag, thus creation of strong ties is necessary for survival.

Relationships are not only limited to clients but further ties are created with suppliers to enhance timely deliveries that will innately lead to trust within the parties. The core reasons for relationship enhancement are to increase revenue and maximise profitability, growing the customer base by retaining existing clients, and finding effective means of attracting new ones. Growth of business relationships aids in emergent strategic formulation due to the presence of closely knitted to the business type of suppliers. This assists in cutting costs and keeping consumer confidence alive. Remaining relevant as an organisation is unavoidable, thus knowledge of consumer wants and needs and their changes need to be tracked so as to avoid the cost of irrelevance and losing touch with customers (Kearney, 2009).

Consumers expect to exchange their resources (both tangible intangible) with organisations to gain desired products or services that meet their expectations. Organisations in turn seek to establish harmonious symbiotic relationships with their clients whenever they conduct business. Businesses thriving in well established relationships with their clients retain that as a competitive advantage for market dominance. Furthermore, this is also used as a tool that businesses pull out to destabilise existing and uprising competitors. Clients who have a cooperative affiliation with the business happenings are highly unlikely to be distracted by minor or major errors that occur during service delivery. Errors have been observed to be inevitable in service delivery processes, but caution and effective restoration of the consumers' faith affirms their choice of interaction with that business (Neale & Murphy, 2007).

Strong relationships emerge from the business' responsiveness to customer demands, keeping in touch with clients by sending them relevant resources that encourage them to visit again, and giving incentives in referrals cases such as in bank loans (Buttle, 2009). Inception of new products and services should be followed by updates on the business websites and within the

business premises for awareness purposes. Furthermore, it takes a consumer twelve efficient service deliveries to recoup one dissatisfaction experienced (Gustaffsson *et al.*, 2006; Chang & Chang, 2011; Kandulapati & Bellamkonda, 2014). Therefore, failed services should be recovered quickly and within reasonable time to reduce consumer switching chances.

Chueh *et al* (2014) advocate that customer retention is critical for business success. Studies by Al-Jader and Sentosa (2015) and Komunda and Osarenkhoe, (2012) depict the impact of a slight increase in customer retention on turnover and profitability levels. The banking industry is a sensitive market that requires caution when conducting operations due to its effect on consumer resources upkeep. Dissatisfied clients exempt a greater impact on this industry more than most other markets. New clients require training and offering of skills and advice from bank employees, unlike existing clients who are aware of different service delivery methods available for their banking option. Customer retention is crucial and establishing sound relationships with those clients is even much fruitful for the businesses. In order to achieve a high customer relationship policy, various methods have been identified that facilitate such moves shown in the subsequent section.

3.6.1 Relationship Retention in Banking

Customer satisfaction remains a major driver for lasting relationships between organisations and their clients. Satisfied clients remain in business and are not easily diverted by competing products and services (Al-Jader & Sentosa, 2015). Customer acquisition costs have been proven to be much exorbitant compared to customer retention costs (Abdullaha, Putita, & Teob, 2014). Furthermore, the quality of the relationships held determines whether they will be lasting or not. Therefore, Buttle, (2009) identified a number of factors that enhance lasting relations between the parties. These include the ability of the organisation to respond on time to the stated issues of address, thus whether it is based on service delivery or service recovery. Responsiveness appears to be a critical success factor in banking so as to ensure that relations are forged and enhanced (Kandulapati & Bellamkonda, 2014). Therefore, banks must be flexible so as to address this subject innately.

Flexibility is inevitable for successful competition in the banking industry to meet the diverse needs of consumers with multiple accounts and those crossing international boundaries. The use of information technology and the Internet has kept the industry from being erased by the increasing growth of financial institutions. This Internet tapping has also fueled the flexibility of service delivery through the elimination of the time constraint evidenced by the stipulated

in-branch working hours (Kesharwani & Bisht, 2012). Transactions can be done any time of day with this IT adoption. However, despite the efficiency and flexibility being offered by the Internet for the survival of this industry, some consumer needs can only be addressed within the bank branches. This therefore erases the chances of this industry being completely virtual. Complex consumer needs will always require a physical bank branch to be administered which reinforces the need for physical banking facilities (Liébana-Cabanillas *et al.*, 2013). The existence of different market segments requiring differing types of services also affirms the perpetual need for banking within the branch. A highly flexible organisation results in high quality of relationships created which tend to be lasting.

Firstly, businesses' pledge to deliver and recover failed services also enhances the quality of forged relations to perpetuate despite harsh competitive environments. Due to the immense usage of self service technologies such as ATMs and Internet banking, peak business hours likely suffer from congestion of consumers using them and are susceptible to fail (PWC, 2014). Thus, quick response to such service breakdowns both online and offline therefore results in prolonged relations and the company affords to keep the customer much longer.

When a service error occurs, it is usually noted that clients generally fall back to the traditional methods of banking with a growing number trying to fix online service errors online due to the benefits derived from navigating the Web (Kesharwani & Bisht, 2012). Therefore, the type of service recovery expected by a customer will depend on the severity of the error, thus physical where reimbursements are necessary and online when an error can be easily reversed and corrected (Chang & Chang, 2011). Reimbursements online have been noted to be on the rise with the familiarity to e-retailing. Thus, as per the third factor of ensuring quality of relationships (Beneke *et al.*, 2011), friendliness is inevitable during service recovery. Due to its impact in service delivery, clients are observed to prefer these face-to-face interactions which are much friendlier than the company websites. Furthermore, friendly customer representatives online and offline result in better service delivery, leading to retention of relations between the parties (Al-Hawari, 2014).

3.6.1.1 Relationship retention in banking

Relationship retention is defined as a pledge by both parties to maintain relations while sacrifices will be observed interchangeably despite the presence of competitive offerings (Gustaffsson, *et al.*, 2006; Mostert *et al.*, 2009; Mostert & De Meyer, 2010). Calculative and affective commitments have been identified to be major drivers of relationship retention and

for the purposes of this study the latter will be more relevant. Thus, dissatisfied customers often refrain from the service provider due to either the quality of the service delivered or the service recovery method used (Gustaffsson *et al*, 2006). Mostert *et al* (2009) further built on the significance of perpetual relationships between businesses and customers where they identified the merits of holding these relationships. These affirmed the perception held about monetary aspects of the products and service offerings as unimportant. Furthermore, such customers were identified to cooperate with the organisations in product development and service improvement.

Politeness and commitment also build upon relationship quality which leads to longer customer stay in the business (Buttle, 2009). Thus, effective polite communication with clients throughout the service delivery and recovery process results in lasting relations. Such relations ensure the panel beating of consumers into being brand advocates, opinion leaders and decoders of positive word of mouth prevails into assertive company resources. Subsequent to the discussion of the construct factors, the proposed hypotheses are further indicated with their reference to the study. Proposed hypotheses are presented under section 3.7.

3.7 PROPOSED HYPOTHESES FOR THE STUDY

H₁ Contact positively influences trust

Contact plays a critical role in service encounters as it facilitates the creation of a service. Consumers contact firms in various ways such as visiting the organisation, calling and or sending a fax (Al-Hawari, 2014). However, with the advancement in technology, such options have been widened as web based conversations can take place which are quicker and less costly. The availability of such numerous options of contact is perceived to result in satisfaction and loyalty which are fundamentals for building trust (Baeka & Jung, 2015). A service recovery paradox occurs when series of successful interactions exist between the organisation and clients (Chang & Chang, 2011). Clients tend to trust organisations that they interact with especially face to face as compared to online options. Therefore, contact has a positive influence on trust.

H₂ Empathy and politeness positively influences trust

Interactional justice involves person-person communication when service errors occur (Neale & Murphy, 2007). Empathy and politeness are invaluable in this process and they involve observing attentiveness, respect, courtesy and honesty of service providers (Qin *et al.*, 2012).

Empathy and politeness further work on initial service delivery and service recoupment. Thus, a customer that feels disrespected may cease from purchasing from the organisation despite delivery of a successful service. However, apology, empathy and politeness have greater relevance to failed services situations where they work as recovery strategies (Qin *et al.*, 2012). Moreover, such strategies enhance trust between clients due to the acceptance of responsibilities by service providers. Conclusively, empathy and politeness positively influence trust between organisations and clients.

H₃ Contact positively influences relationship retention

High contact services ensure that the service provider and the customer have close communication during service delivery (Lin & Hsieh, 2011). Such a continuous communication and management of customers by employees results in the forging of relationships (Kau & Loh, 2006). Such high contact service delivery situations such as banking and pharmaceuticals result in customers treating service providers as friends or personal acquaintances. This is an objective of every service provider as it is a platform of building trust and long relationships. These relationships are then enhanced by a continued positive outcome from the service interactions.

H₄ Empathy and politeness positively influences relationship retention

Service recovery is a moment of truth where a firm tries to redeem its image in the eyes of the customer (Petzer *et al.*, 2017). As aforementioned, empathy and politeness are components of interactional justice and serve as building blocks for lasting relationships both offline and online (Kau & Loh, 2006). These factors are practised by employees in an organisation as they interact with clients. Hence, the behaviour of employees towards a prejudiced customer sums up the repurchase intentions as it facilitates the satisfaction or dissatisfaction of the service recovery process (Lewis & Spyropoulos, 2001). Employees require strong interactional skills to be able to handle dissatisfied clients and complaints from customers in a manner that promotes continued consumer patronage. Thus, the structure of apologies issued for any negative transaction experienced by the customer seek to assure that the initial error was a mistake and the organisation accepts full responsibility for such (Tan *et al.*, 2011). Acceptance of responsibility is seen to enhance relationships.

H₅ Responsiveness positively influences trust

Responsiveness has played a critical role in business transactions both offline and online. With the upsurge in online retailing, the criticality of responsiveness has risen as face to face business has been replaced or supplemented by the low cost convenient internet transactions (Qin & Chen, 2012). Responsiveness is further embedded in the definition of service quality for both initial service delivery and recovery efforts (Awa *et al.*, 2013). For an offline operation, responsiveness is essential so as to run the shortest lead times and deliver a purchase in time as per the customer's expectation and better than competitors (Lewis & Spyropoulos, 2001). However, online; responsiveness covers service delivery with various facets such as order delivery time, navigational complexities, customer support services, security issues and payment related faults (Lin *et al.*, 2011).

An online order requires urgency as delays may push customers to social sites that cripple the image of the organisation across numerous customers and potential clients. Poor response of a company website further affects customer perception of the organisation and damage user trust. Moreover, to effectively build trust, customer support services should be available and helpful to meet the needs of the enquirer. Online payments have raised trust issues in online service delivery (Lin *et al.*, 2011). However, such errors may be impeded by the use of secure webpages that ensure customer card credentials are safe from fraudsters and any online payments be verified with a pin sent to the card owner (Chong *et al.*, 2010). Quick response will ensure that trust is created and satisfaction is achieved.

H₆ Website interface positively influences trust

Due to the increased growth of risky websites which lead to spoofing, phishing and viruses, gaining trust with customers in a business organisation will rely on the quality of the website (Kajiyama & Eschizen, 2014). Website quality factors are direct influencers of users' expectations and perceptions which facilitate the building of trust (Beneke *et al.*, 2011). The quality of a website has a significant impact on determining its usability and contact with consumers (Hussien & Aziz, 2013). Thus, the design and functionality largely influence the development of trust. Moreover, the ease of use, content quality, error tolerance on a website determine the degree of trust developed between the users and the organisation (Kajiyama & Eschizen, 2014).

H₇ Responsiveness positively influences relationship retention

As discussed under H₅, responsiveness plays a major role in the facilitation of online service delivery and recovery. Relationships are easily created between organisations that are highly responsive to various market dynamics and customer liaison processes. Neale and Murphy (2007) stated that responding quickly to service problems increased customer repurchase intentions by 82% as compared to successful resolutions without immediate effect which settled at 54%. Such a disparity indicates the impacts of timeliness and repurchase behaviour which facilitates relationship enhancement. Procedural justice covers the speed reaction of a company to attend to its clients (Chou 2015; Chang & Chang 2011).

H₈ Website interface positively influences relationship retention

Website quality determines the development of trust which in turn facilitates the creation of relationships (Cetinsoz, 2013). A web presence enables businesses to overcome geographical disadvantages and costs associated with distribution communication easily creating relationships (Tan *et al.*, 2011). Strong relationships enable the development of a sustainable competitive advantage for the firm in the market share. Relations are created effortlessly as consumers' access company related information that assists them in purchase decisions and evaluation of alternatives from well-designed websites that are easy to use (Beneke *et al.*, 2011). Availability of valid and accessible links (navigability) enforce the satisfaction of visiting the site and aids in trust and the need to continue using the site. Thus, the ease of accessibility and comparison with leading brands ensures the development of relationships due to the possibility to clarify product use and recovery of failed products and services between company staff and dissatisfied clients (Wiid & Diggins, 2013).

3.8 SUMMARY AND CONCLUSION

The shift in market determination power and abilities has transformed the methods of trading noted through the significant empowerment of consumers. Rising consumer power dominance further crippled the power of organisations to produce whatever product to dispose of in the market. In the process of exchanges, service failures have been proven to be inevitable and recovery is key to remaining operational. The quality of service delivery has been impeded by these continuous service failures. A number of service quality determinants were identified that were assumed to be significant pointers of quality perception measures used by clients. Service recovery and its impact on relationships and trust between businesses and clients was discussed in detail.

Chapter four addresses the research methodology initiating from the paradigm of choice to the design and approach selected. The positivistic and interpretivistic paradigms are discussed, each stating their merits and demerits, quantitative and qualitative approaches discussed and the best compatible for the study. Sampling methods are chosen and data analysis procedures are clarified which involve the use of descriptive statistics (mean, median, mode and frequency distributions) and inferential analysis (reliability, validity, correlations, hypotheses and SEM).



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CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

Service recovery management remains a prerequisite for any business to ensure continued support from various stakeholders. Due to the numerous service recovery studies that have been undertaken resulting from the criticality of the subject, this study builds on existing works but primarily focuses on the big four banks in the South African market. The impact of service recovery on relationship building and enhancement and trust issues has been the main scope of the work. The focus of this study therefore lies on the idea of pinpointing the acute components of service recovery that yields to enhanced trust and firmer relationships as discussed in Chapter three.

Chapter four presents how this will be carried out, pinpointing the methods, paradigms to be followed and research designs to be employed. The research process will be discussed in detail, adhering to all the processes involved. Thus, sampling and sample designs and data collection, including all methods involved such as secondary and primary data. Thereafter, data analysis will be explained, exhausting all the criteria to be used such as descriptive and inferential methods of data analysis.

4.2 RESEARCH METHODOLOGY

Research methodology specifies the strategies that will be employed for the purposes of conducting the study to obtain set objectives. To design an accurate methodology that answers the research questions extensively, an understanding of the right knowledge expected to be derived is key. This knowledge assists in the selection of data collection methods.

4.3 THE RESEARCH PROCESS

The research process comprises eleven steps which exhibit the start to the end of each procedure to answer the research question as indicated in figure 4.1. The first step accurately defines the problem at hand whether it will be an existing problem or a future expected problem. When it has been defined, measures and means of solving the problem are drawn, thus leading to the other steps such as the formulation of objectives and hypotheses. Each research problem builds on a set of paradigms that exist, hence the selection of the paradigm that effectively addresses the problem at hand is key, thus step three of the research process is performed. The problem statement can either be addressed using quantitative or qualitative

research designs dependent on its nature and study objectives. Therefore, step four of the research process focuses on the selection of the accurate research design that is compatible with the preset objectives.

Dependent on the addressed, a sampling plan is developed which strategically fits the prescribed research design. The research instrument is then chosen under step six of the process. This instrument leads to the seventh and eighth steps which are designing of questionnaires and collection of data and analysis is presented under step nine. Different statistical methods are used to analyse the data also dependent on the design selected prior. When data has been analysed fully, interpretations follow. The final step thence ensures that the findings are reported and conclusions drawn.

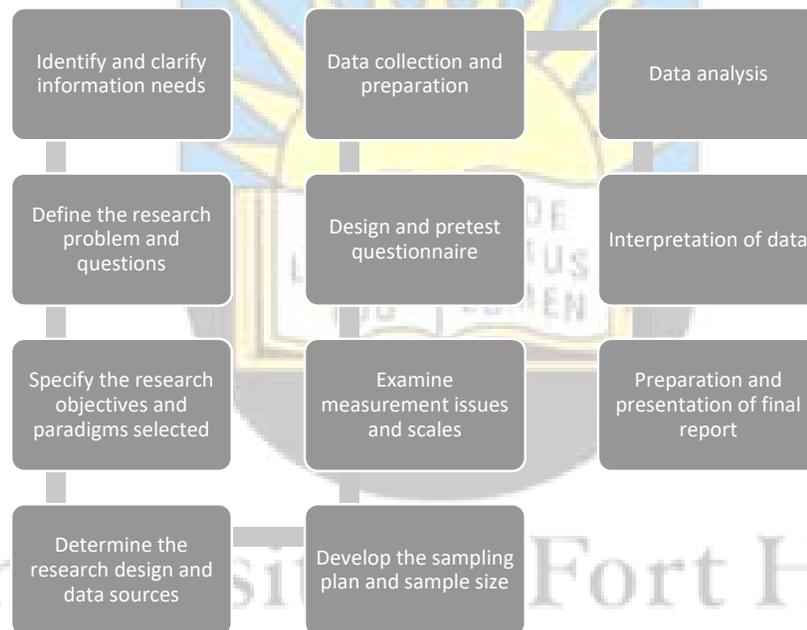


Figure 4.1: The research process (Quinlan, 2011; Malhotra & Birks, 2007)

4.3.1 Identify and clarify information needs and formulate the problem

Figure 4.1 shows a detailed ten step research process. Step one of the process requires the identification and clarification of information needs. With reference to the South African banking industry, heavy investments into information technology to facilitate online service delivery have occurred amongst the four largest banks in the industry, namely ABSA, Standard Bank, Nedbank and First National Bank (FNB) (PWC, 2014). Service failures have been noted to be inevitable despite technological incorporations during service delivery, hence the address of such is critical in gaining trust and expanding relationships with clients which is key for

survival. The four banks in South Africa which are FNB, ABSA, Standard bank and Nedbank suffered 27%, 27%, 26% and 12.1% respectively (Petzer, De Meyer-Heydenrych & Svensson, 2017). The e-service delivery transition could have dealt with most service failures experienced in the traditional method such as delays and long queues. However, a novel set of problems resulted as systems are observed to be very slow and various options aiding online transactions unavailable on the corporate websites (Barrera, *et al*, 2014).

Service failures and recovery strategies in the banking industry have been identified by Lewis and Spyropoulos (2001) which focused on the physical service recovery in the Greek banking industry. Extensive work has been done in South Africa (Mostert & De Meyer, 2010; Petzer & Steyn, 2006; Mostert *et al.*, 2009) with regard to service recovery in various industries such as retailing and airlines. However, none addressed the South African banking industry despite vast coverage on trust and relationship retention. This therefore left a gap to conduct further research on relationship retention and trust on online and offline service recovery strategies in the banking industry. Successful resolution of the encountered service delivery drawbacks is assumed to enhance trust and relationship retentions between the parties.

4.3.2 Research Objectives and Hypotheses Formulated

Research objectives are deemed to be specific, measurable, attainable, realistic and having a time frame. This is, however, impossible without an operational research methodology. Therefore, a research methodology serves as a radar for the achievement of research objectives taking note of the design, data collection, analysis and reporting. Hypotheses are assumptions about the research problem which are expected to be true. Formulation of hypotheses is critical while developing the research process as they serve as a guide to the expected answers.

4.3.3 Overview of Objectives

Research objectives can be primary and secondary in nature. Primary objectives are the aim of the research problem, while secondary objectives are supporting statements to answering the main problem.

4.3.3.1 Primary Objectives

The primary objective of this study is to investigate the influence of physical and online service recovery on the constructs of relationship retention and trust.

4.3.3.2 Secondary Objectives

The following secondary objectives of the study seek to:

- Ascertain the impacts of contact, empathy and politeness in physical service recovery to retain relationships with clients.
- Ascertain the impacts of contact, empathy and politeness in physical service recovery to gain trust between service providers and clients.
- Ascertain the impacts of responsiveness and website interface in online service recovery to retain relationships with clients; and
- Ascertain the impacts of responsiveness and website interface in online service recovery to gain consumer trust online.

4.4 SELECTION OF A RESEARCH PARADIGM

A paradigm is a belief or a pattern of conduct in research studies (Carson, et al, 2001). A paradigm is a set of beliefs and principles that guide the way of doing things (Hallebone & Priest, 2009). Paradigms are divided into two categories: positivistic and interpretivistic. The positivistic paradigm allows researchers to gain knowledge using scientific enquiries in an objective manner, while the interpretivistic is subjective, allowing researchers to bring in new discoveries of the world (Goldkuhl, 2012). There are three types which are the positivist, interpretivist and criticalist as discussed in the sections that follow (Burns & Bush, 2014).

4.4.1 The Research Philosophies

Research philosophies lie in the continuum of ontology and epistemology; the former being the definition of reality and the latter being the ties derived between the researcher and reality (Carson, Gilmore, Perry, & Gronhaug, 2001). Researchers ontologically access the real world undistracted in a process called positivism (Goldkuhl, 2001). This access to reality builds on the idea that the researcher is independent to the object under study, possessing the power to manipulate results of the external variable. Positivism notion holds true to the effects of its descriptive ability to explain underlying associations of social phenomenon (Carson, *et al*, 2001). Theories are established prior to the conduction of research that seconds the need for undertaking the research process with hypotheses clearly stated objectively to direct the entire course. Detachment between the researcher and the external variable is a key prerequisite for this philosophy as rationale is of essence and emotional attachments discouraged so to obtain hard, secure and objective knowledge (Burns & Bush, 2014).

Conversely, some epistemologies and ontological assumptions demarcate an absence of access to reality by the researcher under the interpretivism philosophy (Collis & Hussey, 2009). Such a notion therefore requires the researcher to conceptualise and understand fully what is going on prior to drawing judgements. Furthermore, the inseparation between the researcher and the

variable under study therefore ascribes to the dependence on the observer's subjective conclusions to reach goals. Deeper understanding of the phenomenon is crucial.

As aforementioned, each research philosophy exists to assist to draw up a paradigm. Table 3.2 below illustrates the pre-paradigmatic foundations that relationally lead to either positivism or interpretivism.

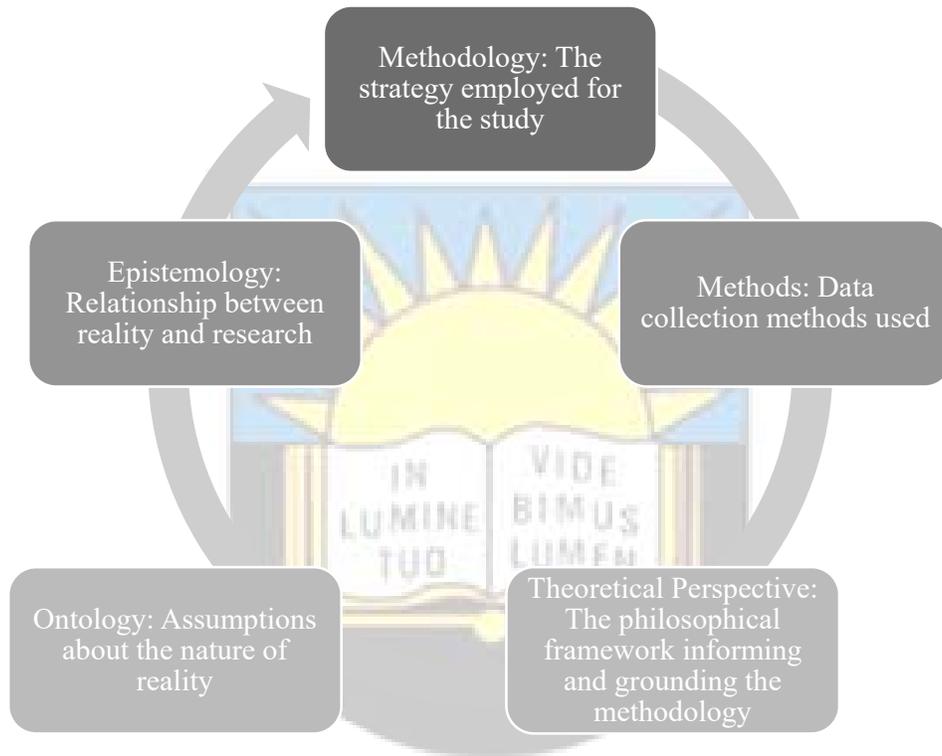


Figure 4.3: Preparadigmatic Foundation (Quinlan, 2011, p. 100) (Carson, *et al*, 2001)

4.4.2 Methodological Implications of Chosen Philosophy

Carson *et al.*, (2001) state that methodology can be defined as the systems applied by an observer to discover the reality contained in the ontological and epistemological assumptions. Methodology falls under two types of research which are positivism and interpretivism. Thus, under the former, positivism application takes course with the need for independence between the researcher and the phenomenon under study (Babbie & Mouton, 2015). Furthermore, external reality is discovered under these methodologies with a consistent and logical approach pursued to maintain clear judgements between facts and values. Mathematical and statistical methods are of prime. Moreover, the focus of this notion lies on the idea that results generated will be inferred to the entire population.

Conversely, the second set of methodologies assumes that there is a high need for understanding and ability to interpret with subjective intelligence (Carson *et al.*, 2001). Researchers possess the power to let their emotional attachments to the study determine the outcomes due to the personal and scientific influence. Qualitative methods are adapted which partially create what is studied. Based on the philosophies aforementioned, three paradigms exist: positivist, interpretivist and criticalist (Hallebone & Priest, 2009). Subsequent to the above discussion, positivism is discussed in depth next.

4.4.3 Positivism

Positivism stipulates the separation between the researcher and the research while interpretivism demands the researcher to be a part of the research project to gain meaningful and accurate results (Bryman & Bell, 2011). Moreover, a positivist epistemology seeks to provide a layout that governs reality distinct from the researchers and respondents using quantitative research approaches. A positivist epistemology is identified as the most ideal for this study's objectives to be met. As per the demands of marketing research to incorporate a philosophical framework, the nature of this study requires the positivistic approach of the paradigmatic principles to be used (Hallebone & Priest, 2009). This therefore allows for the use of a larger sample size to gather data by means of a quantitative research approach to achieve the research objectives (Burns, Bush, & Sinha, 2014).

Quantitative research approaches enable the researcher to reach a sound conclusion with regard to the impacts of service recovery on relationship retention and trust (Berndt & Petzer, 2011). The foregone interpretivistic paradigm focuses on qualitative research. Qualitative research requires an in-depth study using small groups, thus not perfectly compatible for a study with a sample size as large as 200. Quantitative research methods draw up from the positivism belief in the nature of reality due to its separation between the researcher and the research objects, hence believing that this method defines reality objectively (Babbie & Mouton, 2015). The researcher has no influence on the research and no effect on the participants under study. Studies undertaken with positivism focus on cause and effect relationships with the subjects tested selected beforehand.

Research results are expected to allow for future predictions (Hallebone & Priest, 2009). For example, the results of the service recovery methods tested under this study give an idea of what is going on in service recovery situations for banking setups. This is expected to then aid in decision making after a proven cause and effect relationship among trust, relationship

retention and a good service recovery process. Quantitative paradigms rely on the assumption that data should be collected using experimental studies and surveys (Babbie & Mouton, 2015). Large samples are used, for example the University of Fort Hare results in a quicker access to data. Much apprehension is awarded to the confirmation of derived hypotheses to produce detailed and objective quantitative data with high reliability despite low chances of validation.

4.4.4 Interpretivism

The qualitative research paradigm results from interpretivist foundations which argue that reality is subjective and varies with each subject under study (Bryman & Bell, 2011). Researchers are immersed into the research project so as to gain thorough and accurate results through the data collection methods used. The research designs used are exploratory as the area of concentration is new discoveries with theories developed in the process (Hallebone & Priest, 2009). Interpretivism uses small sample sizes having natural location for data collection to generate new theories (Hallebone & Priest, 2009). Subjective and qualitative data is produced with low reliability findings which are, however, high in validity. Findings lack generalisability, although in rare cases these can be applied to a setting that perfectly matches that under study. Qualitative research paradigm favours the use of in-depth interviews, projective techniques and focus groups methods for data collection (Hallebone & Priest, 2009). For the purposes of this study, interpretivism was not employed.

4.5 SELECTION OF A RESEARCH DESIGN

Research designs are plans of action for conducting research dependent on the nature of the project in question which guide in the collection and analysis of data to meet the set objectives (Iacobucci & Churchill, 2010; Wiid & Diggines, 2013; Burns & Bush, 2014). Designs close the gap between set objectives and operationalisation of the project.

4.5.1 Types of Research Designs

A research design refers to the procedures that will be followed for collecting and analysing data (Wiid & Diggines, 2013). There are three types of research designs: which are causal, descriptive and exploratory designs (Burns *et al*, 2014). For the purposes of the study, which follows a positivistic approach, thus a quantitative research paradigm as noted, a descriptive design was selected. Descriptive research designs are used in cases where the response to identified problems requires description and answering the *what, why, who and how* types of questions (Burns *et al*, 2014). Research designs can either be explorative or conclusive, thus

three designs exist which are exploratory, conclusive yields to descriptive, and causal (Wiid & Diggines, 2013).

4.5.1.1 Exploratory research design

Compatible for unknown phenomenon, new discoveries and insights is where the exploratory research applies (Burns & Bush, 2014). This type is often used as a preliminary study where pilot surveys in the form of focus groups, projective tests, ethnographies and experience survey can be used to bring in new insights of the unknown phenomenon. Collecting data that can be repeated to test for accuracy is never an objective for such designs as data collection methods are usually casual and lack exactness, hence retesting poses difficulty. The research project often lacks direction due to the nature of the object under study as it is a process of learning. However, this design is helpful in the formulation of research problems, clarifying concepts and assisting in the elimination of impractical ideas (Iacobucci & Churchill, 2010). Wiid and Diggines (2013) state that the other set of research designs are conclusive which envelope the descriptive and the causal shown as follows.

4.5.1.2 Descriptive research design

Descriptive research designs are rigid in nature, preplanned, structured and compatible for research questions that are ambiguous and used to describe a marketing phenomenon (Bryman & Bell, 2011). They can either be longitudinal or cross-sectional. Longitudinal types allow for test and retest of the phenomenon under study through the continuous or discontinuous panels. Continuous methods allow retest on the same variables while discontinuous allows for retest on different characteristics. Data collection methods for this design include secondary data and surveys (Babbie & Mouton, 2015).

4.5.1.3 Causal research design

Causal designs are used to establish and test relationships among dependent and independent variables (Quinlan, 2011). Relationships are tested through manipulating variables to discover the cause and effect relationship (Bryman & Bell, 2011). This type is more compatible with research methods such as laboratory and field experiments.

Adhering to the above, it can be concluded that the descriptive research design will be selected for this study as the work will not be retested. Data on service recovery among the four major banks will be described and the most used method of service recovery, physical and online, will be recommended for use.

4.6 RESEARCH APPROACHES

Subsequent to the discussions on the types of research designs, research approaches are relevant as they select the best design to incorporate for goal achievement. Two research approaches, namely quantitative and the qualitative, are discussed next.

4.6.1 Quantitative Research

Burns and Bush (2014) define quantitative research as a method that extracts data from a large and sizeable group of respondents who significantly represent the target population with the aid of prior developed questionnaires. Quantitative research falls under a positivistic approach which holds that there is one objective reality which is separate from our consciousness, thus the researcher has no influence on the study and hence remains as an objective observer (Quinlan, 2011). Its main purpose is to gain understanding of the happenings of a particular phenomenon so as to be able to interpret and accurately make predictions. Furthermore, this method seeks to collect and present information numerically using structured approaches which are easy to measure and analyse (McQuarrie, 2006). Descriptive and causal designs fall under this type and enable the repetition of the research process if necessary. Fewer skills are required from the interviewer to conduct this type, although statistical analysis training and marketing research have already been obtained so as to perform this investigation. For the attainment of preset objectives and goals, the quantitative research method will be selected to use for the study.

4.6.2 Qualitative Research

Qualitative research is a method that focuses on gaining an understanding on a phenomenon under study through collecting and analysing data subjectively (Berndt & Petzer, 2011). An interpretivist type which requires a lot of information from respondents gathers data from smaller sample sizes through in-depth interviews, projective techniques and focus groups via probing means (Malhotra & Birks, 2007). Exploratory research technique is highly compatible with this type due to the need to discover new information, thus smaller samples facilitate this requirement. However, replication of the research process is challenging with the rising need for trained observers who form part of the data collection and analysis (Berndt & Petzer, 2011). String type of data is presented and often requires quantitative research to be done after its completion to test its accuracy.

4.7 SAMPLING PLAN

Determining a sample size required to achieve the preset research objectives depends on various factors such as the variations in the data gathered from previous studies, statistical methods proposed, and the response rate and missing values obtained from the pilot survey (Quinlan, 2011). Burns *et al.* (2014) define a sample as a representative of the target population under investigation. The statistical methods also include the behaviour variable in the population parameter (Burns & Bush, 2014). However, the population is also a significant contributory factor to the determination of the sample size and is discussed subsequently.

4.7.1 Population

A population is the total number of items relevant to the study where a sample will be drawn from (McQuarrie, 2006). Bryman and Bell, 2011 state that defining the target population is the first step when making decisions directed to sampling. Iacobucci and Churchill (2010) alluded that a target population is a total number of cases that confine to the conditions required for data collection purposes. For example, the target population for this study includes University of Fort Hare students above the age of 18 and below 65 who use either of the four banks namely; FNB, ABSA, Nedbank and Standard Bank. A number of drawbacks have been observed when an entire population is included in data collection, such as costs and timing to finalise results. Due to the identified drawbacks, a sample will be drawn instead.

4.7.2 Sampling Frame

The portion of a population in which data is collected from is a sample (Bryman & Bell, 2011). Sampling is therefore done following a six step process. This process starts with defining the target population as per section 4.7.1, identifying a sampling frame, selecting a sampling procedure to determine the sample size and sample elements for data collection purposes. The target population for this study consists of University of Fort Hare students within the ages of 18 and 65 banking with either FNB, ABSA, Standard bank or Nedbank. The University of Fort Hare therefore meets the definition of the sampling frame based on the objectives of the study.

Samples are inevitably supposed to represent the population under study, thus the sample should fully reflect the true picture of the population. For the purposes of this study, outlining the inclusion and exclusion criteria when selecting the samples is key as there are more banks in the country than those focused on in the study for precision. Thus, the exclusion criteria relate to all individuals studying at institutions besides the University of Fort Hare. Moreover,

students at the University of Fort Hare using other banks excluded in the study were not surveyed.

4.7.3 Sampling Technique

Selection of a sampling procedure lies between the continuum of probability and non-probability sampling types. Probability sampling types include the simple random, stratified, systematic and cluster sampling. Non-probability sampling includes the judgemental, quota, snowballing and convenience sampling methods.

4.7.3.1 Selection of a Sample: Probability vs Non-probability Sampling

For the purposes of this study, convenience sampling which is a non-probability sampling method was used among the three University of Fort Hare campuses which are in East London, Bisho and Alice respectively. Convenience sampling focuses on the subjects that are easily accessible to the researcher (Quinlan, 2011).

4.7.4 Sample Size Determination

Two hundred respondents are preferred due to limited resources available. Moreover, the LISREL programme used to run statistical analysis states that stronger path co-efficients are obtained from sample sizes ranging from two hundred and above showing better significance results (Iacobucci, 2010). Furthermore, a similar study that was conducted using the four major banks in question also used a sample size of 200 respondents (Masocha, 2009). Such a selection demonstrates the choice of the convenience sampling method (Zikmund, Babin, & Carr, 2010). A student sample size was used based on previous studies done on service recovery making use of the justice theory (Neale & Murphy, 2007). Students are the highest online service adopters as shown in the works of service recovery and justice theories based on an MBA students sample (Qin *et al.*, 2012). Kau and Loh (2006) study based on service recovery and consumer satisfaction also used a student sample for data collection while Grewal et al (2008) focused on service recovery and compensation on repurchase intentions with a student sample. In this study, the sample comprised of 200 University of Fort Hare students aged between 18-55 years in all campuses.

4.8 THE RESEARCH INSTRUMENT

Steps six and seven of the research processes are presented in this section. As this type of research will use structured methods, so will the data collection methods (Shiu *et al.*, 2009). A survey method will be used which involves questioning respondents to obtain information

(Berndt & Petzer, 2011). Quantitative data can be collected through surveys, experiments and observations (Berndt & Petzer, 2011). In this study, the survey method with the aid of a questionnaire was used for data collection purposes. A questionnaire is a document that consists of a set of questions with options for answering them designed to obtain information. The advantage of the questionnaire is its ability to collect a wide range of information at once. Moreover, it is faster to obtain findings and inexpensive because it gives the researcher complete control over the data collection process. However, some respondents might be unwilling to provide the data required and may also provide false answers for social acceptance (Berndt & Petzer, 2011).

These were administered to FNB, Standard Bank, Nedbank and ABSA users. Questionnaires allow for the collection of data from large groups of people (Wiid & Diggines, 2013). The research scales were adopted to measure constructs in this study. Scales were borrowed to facilitate the achievement of set objectives. Wiid and Diggines (2013) define scales as items that represent the features of objects they are set to measure. Table 4.1 presents the research scales adapted from tested reliable scales. The scale items are presented on the left side of the table and the reliability and source of the scale on the right.

Table 4.1: The research instrument

Scales to be adopted	Cronbach's Alpha
Responsiveness	Construct Reliability (0.92)
My bank's website provides me with convenient options to reverse error transactions	Adapted from: Cetinsoz (2013)
My bank's website handles service errors well	
My bank's website offers meaningful security for me to perform online transactions	
My bank's website tells me what to do if my transaction is not successfully processed.	
My bank's website deals with service related problems promptly	
Website Functionality	Construct Reliability (CR) 0.899
The website is always up and available	Extracted from: Barrera, Garcia, and Moreno (2014)
This website has valid links	
The website loads quickly	
This website enables me to get on to it quickly	

It makes it easy and fast for me to get anywhere on the site	
Contact Scale	Construct Reliability (CR) 0.9
My bank provides its telephone number, street address, email, fax number to reach it.	Adapted from: Kau & Loh (2006)
My bank has customer services representatives who give prompt service helping to solve customer or service problems	
My bank offers me the ability to speak to someone showing sincere interest in solving customer or service related problems.	
Empathy and politeness scale	Construct Reliability (CR) 0.9
The employees were courteous to me	Source: Kau & Loh (2006)
I felt that I was treated rudely	
The employees were not polite to me	
The employees showed little kindness or understanding	
The employees listened politely to what I had to say	
They seemed to be very concerned about my problem	
The employees seemed very understanding about the problems I had experienced	
Relationship Retention	Construct Reliability (CR) 0.692
I take pleasure in being a customer of my bank	Adapted from: Gustaffson, Johnson, and Roos (2006)
My bank takes care of its clients	
There is a presence of reciprocity in my relationship with my bank	
I have feelings of trust towards my bank	
Trust	Construct Reliability (CR) 0.92
I believe the banks can be relied on to keep their promises	
I believe that the bank is trustworthy	
I feel pretty negative about the bank	

Measuring scales allow for the recording of data from respondents as they assist in developing questionnaires. The study was made up of six tested scales as shown in the table. Responsiveness was adapted to measure how banks websites respond to navigational needs of clients for the first time and after a service error. The validity of the links, time taken to load were tested under the website functionality scale. Contact scale statements described the methods of communication between bank clients and the bank which was an adapted scale.

Empathy and politeness indicated the courteousness, kindness and sensitivity of bank representatives during moments of truth. Relationship retention were measured using adapted scales.

4.8.1 Pilot study

A pilot study was conducted based on the above noted scales from the University of Fort Hare East London campus. A total of 30 questionnaires were distributed amongst staff and students, coded and analysed. Results drawn from the pilot tests proved that the responsiveness statements in the questionnaire required rephrasing as they loaded on two constructs.

Responsiveness statements used for the pilot test:

1. My bank's website provides me with convenient options to reverse error transactions.
2. My bank's website handles service errors well.
3. My bank's website offers meaningful security for me to perform online transactions.
4. My bank's website tells me what to do if my transaction is not successfully processed.
5. My bank's website deals with service related problems promptly.

Taking note of the factor loadings error generated, the statements were rephrased by the researcher prior to data collection as:

1. My bank provides me with convenient options to reverse online error transactions.
2. My bank handles online service errors well.
3. My bank offers meaningful security to me for performing online transactions.
4. My bank tells me what to do if my online transaction is not successfully processed.

Statement five of the construct received no rephrasing at all. The website interface, empathy and politeness, relationship retention and trust constructs scale resulted in good results with high reliability, validity and factor analysis.

Contact scales loaded on two items and a need to rephrase the statements was necessary. Moreover, contact had three statements which might have led to the poor result; therefore this scale was rephrased and adjusted as shown.

Contact statements for the pilot test:

1. My bank provides its telephone number, street address, email and fax number to reach it.

2. My bank has customer services representatives who give prompt service helping to solve customer or service problems.
3. My bank offers the ability to speak to someone showing sincere interest in solving customer or service related problems.

A need was identified to adapt the scale and add two more statements for better results while rephrasing the existing statements. These statements were rephrased and two new statements developed by the researcher.

Contact statements after the pilot results:

1. My bank provides a telephone number I can call when I have a problem.
2. My bank has representatives available to help me when I have a problem.
3. My bank allows me to make contact with a person when I have a problem.
4. My bank has representatives who are always there to help me when I have a problem.
5. I prefer going into my bank to see a representative when I have a problem.

After the conduction of a pilot survey and uneven distribution of bankers in the University of Fort Hare East London campus, which mostly consisted of FNB and Standard Bank users, a need to broaden the sampling frame was necessary and Alice campus was included for data collection.

4.9 DATA COLLECTION

Data collection is a process of obtaining market research data from respondents (McQuarrie, 2006). Numerous types of data exist that can be collected for the purposes of marketing (Zikmund, et al, 2010). These consist of past behaviour, attitudes and respondent characteristics. There are two types of data collection methods: secondary and the primary research.

4.9.1 Secondary Data Collection

Secondary data is an initial step undertaken prior to any primary data decision- making process. It is useful in external business environment analysis and provides suggestions of solving current problems. Secondary data is easier to collect while giving direction to primary data collection. Furthermore, it serves as a comparative benchmark for the collected primary data. However, often times this data fails to answer the problem at hand and is outdated because of the dynamic environments and measures used are different from the current problem.

Secondary data can be collected from internal and external sources. Internal sources consist of the business's happenings such as prices or clients' names and addresses that can be used to acquire information necessary for problem resolution. External sources consist of syndicated data, pooled data and published sources. When the secondary data falls short of means of answering the research problem, the need for primary data rises.

4.9.2 Primary Data Collection

Primary data is collected for the purposes of the current research question (Shiu, *et al*, 2009). The collection of primary data centers on the surveys, observations and experimentations (Berndt & Petzer, 2011). The greatest advantage of primary data is that the accurate information relating to the specific problem at hand will be collected unlike secondary data (Berndt & Petzer, 2011). The survey method consists of door to door, telephone, mail and Internet surveys. For this specific problem, the survey method will be used (Malhotra & Birks, 2007). As indicated under the pilot survey section, data collection for this study followed two routes, initially for testing the measuring instrument and secondly for collecting the data for analysis to interpret study objectives.

The research tool employed was the survey. Surveys fall under the communication method since it can be employed using different means such as telephone, mail, web-based, door-to-door, mall intercepts and personal interviews. Accumulation of present and original information is one of the characteristics of the survey method (Wiid & Diggines, 2013). Moreover, the survey is one of the quicker ways of collecting primary data compared to other methods. Limitations of the survey method consist of higher costs associated with its methods such as telephone costs and time. Follow ups required on respondents is limited and sometimes impossible because of the time frame. In cases of mall intercepts, meeting the respondents again is highly unlikely. Sometimes there are possibilities of encountering respondents who will be unwilling to participate (Wiid & Diggines, 2013). The researcher played the fieldworker role for primary data collection. After data was collected from the 257 respondents, processing followed subsequently.

4.9.3 Processing Data

When data had been collected from respondents through a survey, it had to be processed into usable information by means of data preparation techniques. Data preparation entails the processing of questionnaires so that they can be inputted into the computer for analysis purposes (Berndt & Petzer, 2011).

4.9.3.1 The data preparation process

Questionnaire responses are meaningless if not processed into meaningful data that can be inputted into electronic formats and processed to produce information necessary for reaching conclusions of the research undertaken. A six step process of data preparation was followed as per figure 4.4 starting with questionnaire collection from respondents up to data analysis.

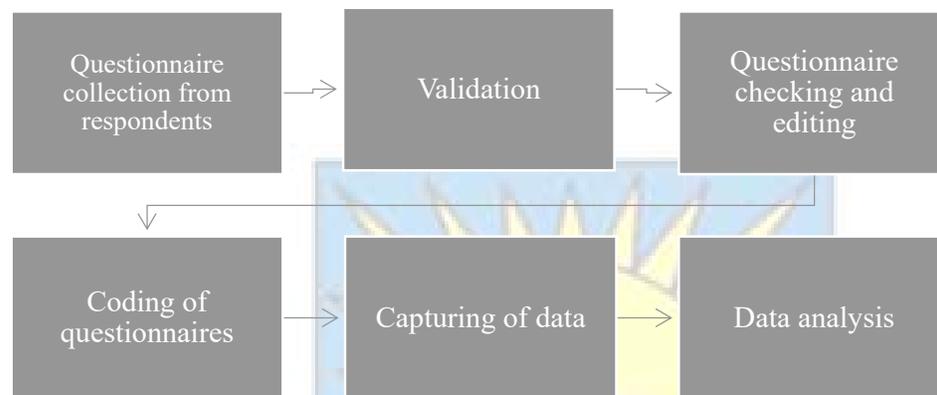


Figure 4.4: Data preparation process (Berndt & Petzer, 2011)

During the conduction of a survey (as prescribed for this research), often times questionnaires are left with respondents to fill up during their spare time. Therefore, after an agreed time frame they are collected, leading to the first step of data preparation and processing. Subsequent to this, data validation is necessary which focuses on the accuracy of the available results. Thus, some questionnaires will be included for analysis and some which are incomplete discarded depending on the subjective reasoning of the researcher. Questionnaire checking follows on step three where incomplete questionnaires are removed and some poorly phrased questions reversed. Incomplete responses may be discarded and individuals who fall under the exclusion criteria but participated are also removed (Collis & Hussey, 2009). Editing, coding, transcribing and cleaning data will be done after all the questionnaires have been checked.

After questionnaires have been checked for errors and completeness, editing follows which ensures that the results lead to increased accuracy and trustworthiness. Editing is crucial to allow for coding of the responses. Unsatisfactory responses may require the researcher to return to the field to obtain better results (Malhotra & Birks, 2007). Because of the nature of the survey method used, returning to the field was impossible. Therefore, a need to assign missing values would be the most appropriate step to take together with discarding unsatisfactory responses. Assigning missing values and discarding responses is only permissible to those that

are not key variables due to their slight impact on the overall conclusions (Berndt & Petzer, 2011) Key variables which may have missing responses may force the researcher to return to the field as conclusion of the findings may be impossible.

Table 4.2: Missing responses summary

Responsiveness	Website Interface Interface	Contact	Empathy & Politeness	Relationship Retention	Trust
R1- 1	WI1- 3	C1- 2	EMP1- 1	RR1- 2	T1- 4
R2- 0	WI2- 3	C2-2	EMP2- 1	RR2- 4	T2- 1
R3- 2	WI3- 0	C3- 1	EMP3- 0	RR3- 6	T3- 2
R4- 0	WI4- 3	C4-1	EMP4- 1		T4- 0
R5- 3	WI5- 1	C5- 4	EMP5- 0		

*C; EMP; R; T and WI are scale codes

*0-6 represent the number of missing values on each scale item.

According to Malhotra and Birks (2007), coding refers to the process by which numbers are assigned to the possible responses of each question in a record. A record consists of related fields, for example sex, age, marital status, occupation and more, thus the demographic and personality characteristics of an individual may be put in one record (Bryman & Bell, 2011). More than one column may be used for each respondent and stored in a computer with columns representing the fields and the rows also representing the records. Missing data should be coded using standard codes such as 8 or 9 (Malhotra & Birks, 2007). Structured questions are easy to code, hence more of them will be used together with a few unstructured questions with the aid of the codebook. When coding has been finalised, the following step is to transcribe the data. Transcribing data entails the transfer of coded data from the code sheets into the computer. The data cleaning phase follows when all the data has been successfully coded.

Data cleaning involves the computerised final checking and treatment of missing responses to ensure minimal errors exist (Berndt & Petzer, 2011). Table 4.2 shows the missing responses for each scale item for this study. Consistency checks, which focus on dealing with data that is

out of range, is also a requirement of this step. Missing responses should be dealt with using one of the four choices: substituting with a neutral value, substituting with an imputed response, casewise deletion or pairwise deletion (Malhotra & Birks, 2007). For the purposes of this study, missing responses were compiled and excluded from data analysis. Bearing in mind the above, data analysis is then made possible when raw data has been converted into electronic formats.

Subsequent to the extraction and summary of the missing responses and coding, data analysis follows under section 4.10.

4.10 DATA ANALYSIS

There are two orders of data: quantitative data, which is numerical, and qualitative data, which is non-numerical (Quinlan, 2011). Additionally, four stages of data analysis exist which are the description, interpretation, conclusions and theorisation. Analysis of quantitative data makes use of statistical methods due to the numerical nature of the data (Quinlan, 2011). As discussed in Chapter 3, a survey was used for the purposes of data collection. Different methods of data analysis used include descriptive, inference and association analysis. Descriptive analysis describes the data using the mean, median and mode, frequency distributions and standard deviation (Burns, et al, 2014). Inference analysis makes use of the standard error and null hypotheses while the association analysis makes use of the correlations, regressions and cross tabulations (Burns et al., 2014; Shiu, Hair, Bush, & Ortinau, 2009).

4.10.1 Descriptive and Inferential Statistics

Descriptive statistics present a summary of the findings and includes biographical information, for example age and gender. The age, gender and name of bank used were presented. Mean, median and mode, which are measures of central tendency, were also tested with good results above the 2.5 value derived from the five-point Likert scale calculation (Field, 2012). Statistical inference uses the data collected from the sample to draw conclusions in relation to the population where the sample was drawn (Malhotra & Birks, 2007). Inference statistics were used for quantitative data analysis purposes such as reliability, factor analysis (validity), correlations, regressions, analysis of variance, t-tests and hypotheses testing. These infer results on the total population and conclusively predict their behaviour based on sample results (Quinlan, 2011)

4.10.2 Reliability

Reliability tests for internal consistency within a measuring instrument (Bryman & Bell, 2011). Constructs of a measuring scale become reliable if they produce the same result or values likely similar. Despite the consistency in measuring, the instrument may be invalid and fail to measure what it is supposed to measure. Cronbach's alpha value is used as a unit of measurement of the tested constructs. Wiid and Diggines (2013) state that a Cronbach's alpha of 0.8 is considered good, while 0.6-0.8 is acceptable, and any value below 0.6 is found unacceptable.

Reliability was tested on each item and the constructs using Cronbach's alpha values, which should have a value greater than 0.7 to be usable for interpretation of results (Wiid & Diggines, 2013). Reliable measures depict similar responses from the same respondent (Burns, et al, 2014). Validity tests present a true picture of the relationship between the results and the phenomenon being tested and is presented in the subsequent section (Collis & Hussey 2009).

4.10.3 Validity

This is the extent to which a measuring scale actually measures what it was designed for, thus the constructs were well represented to gather the accurate required data (Wiid & Diggines, 2013). Validity was tested using exploratory and confirmatory factor analysis.

4.10.3.1 Exploratory factor analysis

Exploratory factor analysis was done with the use of correlations; the Kaiser-Meyer-Olkin and Bartlett's test measures that test for association on the structure of the items (Iacobucci, 2010). Thus, if the correlation structure is strong, factors can be grouped and tested, but if weak then exploratory factor analysis fails to hold water. Factor loadings are used to determine the conformation of the factors, hence a value closer to 1 shows that the item loads on the specific factor more (Koubaa, Tabbane, & Jallouli, 2014). The factor loadings that indicate the closeness of the relationships amongst factors and statements were used (Berndt & Petzer, 2011).

Pioneered by Karl Pearson, correlations state the extent in which quantitative variables have a linear association with each other on an interval scale. Nominal scale data is excluded as it lacks direction and linearity. A correlation coefficient which lies between -1 and +1 shows the dependence of one linear variable on another and fails to show the cause and effect relationship on these two (Field, 2012). When the correlation coefficients between the variables increase or

decrease together, the variables are considered to have a strong association. However, when they oppose each other, a negative association exists.

- Item-total statistics

Item-total statistics were tested for each construct to determine the existence of correlations with the overall scale. Each construct was tested and presented separately.

Kaiser-Meyer-Olkin measure of sampling adequacy represents the ratio of the squared and partial correlations between variables. Zero values depict that partial correlations are greater and a diffused pattern exists leading to the impossibility of factor analysis tests (Malhotra & Birks, 2007). Values closer to one depict the possibility of running factor analysis tests which are solid and reliable. Values less than .5 require further data collection to improve the result, while .7 upwards are much preferred (Field, 2012). Bartlett's tests reveal the presence of differences between an identity matrix and a correlation matrix. Thus, enables the significance of the established correlations to be tested which should be different from zero. Correlation values greater than .8 are discouraged due to the impossibility of determining the contribution each factor has on the total (Malhotra & Birks, 2007).

Bearing in mind the importance of factor analysis in data reduction, examination of the extraction of factors is critical to achieve this goal. Total variance explanations are critical for factor extraction with values greater than one requiring further analysis. Commonalities represent the common variance and for the six constructs tested, all values improved after extraction.

4.10.3.2 Confirmatory factor analysis

Confirmatory factor analysis uses factor loadings to establish associations between variables using the hypotheses tests, measurement model and the structural equation modelling (Berndt & Petzer, 2011). The structural equation modelling has been used to establish the path diagrams of service recovery.

4.10.4 Measurement Model

A measurement model therefore is the establishment of relationships between latent variables and the weighting of such kind of a relationship determining significance or insignificance (Iacobucci, 2010). The measurement model which seeks to understand and explain correlational patterns among variables at item level as opposed to construct level was used (Hiranpong, Decharin, & Thawesaengskulthai, 2016; Suhr, 2006). Correlation coefficients and

correlational matrix values attach a value to a construct in a model thereby enabling measurement of such (Hox & Bechger, 1998). According to Koubaa et al. (2014), a valid and fit measurement model is obtainable from statistical results of 0.7 factor loadings, 0.90 fit indices and an average variance extracted above 50%.

For the purposes of this study, the LISREL programme was used to establish the measurement model values prior to the formulation of structural models. Fit indices discussed under the sections that follow were also calculated, hence accurately depicting the structures necessary for the arrangement of relational patterns in the study. Measurement models are a foundational outlay of mapping out a structural model which seeks to arrange the derived relationships from the measurement model. SEM will further evaluate the overall fitness of the proposed model through fit statistics.

4.10.5 Structural Equation Model

Structural equation model is a statistical approach that focuses on the building and testing of the strength of significance of relationships piloted from the measurement model calculations (Hox & Bechger, 1998). Hiranpong et al. (2016); Lim, Chye, Sulaiman, and Suki (2016), and Shen, Xiao, & Wang (2016) declare that SEM is compatible with studies that seek to establish the existence of relationships between variables, thus similar to the objectives of the current study. Due to its ability to combine factor analysis and path analysis when analysing data, it therefore produces a more advanced understanding of relationships that result from service directed data (Hiranpong et al., 2016). Relationships are structured based on the T-values and P-values calculated using the LISREL programme for data analysis. SEM is used across disciplines with its advantages being the ability to show the impact of each variable on itself and others (Zhou, Guo, Dong, Zhao, & Yang, 2016). Structures are developed from variables which are taken from the model to establish the SEM. For the purposes of this study, structural relationships were established among physical and online service recovery constructs in the South African banking system.

4.10.6 Model Fit Assessment: Fit Indices

Model fitness is tested to concur whether the devised study model successfully measured what it was intended to establish based on the data collected and analysis results (Hiranpong *et al.*, 2016). The overall fitness was tested prior to individual parameters using the chi-square method (Koubaa *et al.*, 2014). This step leads to the establishment of three categories of fit indices, namely the overall fit indices, incremental fit indices, and parsimonious fit indices. For this

model, the LISREL programme was used to estimate parameter specifications. However, due to the complicated chi-square results obtained due to the sample size greater than 200, fit indices have been advised for use in estimating model fitness (Koubaa, *et al.*, 2014). Moreover, these indices have been suggested to assist in confirming model fitness for both the measurement model and the structural model. Model fitness is likely derived from sample sizes of 200 as figures less than such distort results and very large values may deem it remarkably insignificant even if it may be otherwise. Due to the complexity of the chi-square statistic in sample sizes, GFI have received much apprehension in model fitness estimation which are a function of the chi-square despite producing more fit and simpler results with a fitness cut-off point of 0.93 (Koubaa *et al.*, 2014).

Numerous indices have been founded in establishing model fitness to avoid reliance on one set type that may distort the intended results such as the goodness-of-fit indices (GFI) and adjusted goodness of fit (AGFI) by Joreskog and Sorbom (Koubaa *et al.*, 2014). The statistics range between 0 and 1 with a recommended cut-off point of 0.90 and a 0.95 value deemed appropriate. For the purposes of this study, these two were overlooked in data presentation. Moreover, the more the degrees of freedom, the lesser its value, while higher sample sizes make it relatively high resulting in a biased analysis. Tucker and Lewis brought about the Non-Normed Fit Index (NNFI) and the Normed Fit Index (NFI) in 1973 which adjust for model complexity (Hox & Bechger, 1998). Perfect fitting models have a value of 1 although 0.90 is recommended for model acceptance and 0.95 is deemed as good. Model fitness approximations have resulted in the development of the root mean square error of approximations (RMSEA). The true representative picture of a model is the lesser the RMSEA should be, with values less than 0.05 preferred (Koubaa, *et al.*, 2014). The root mean square residual (RMR) and standardised root mean square residual (SRMR) ensure that different scale items are properly ranked and measured meaningfully. Values range between zero and one and accurately fitting models with less than 0.05. Zero demarcates perfect fitness. All the above stated fit indices were used in this study.

4.10.7 Hypotheses tests

Hypotheses are predicted answers to the research problem based on secondary data. Two types of hypotheses are formulated when conducting market research. Firstly, null hypotheses are negative statements under study, and thereafter alternative statements which challenge the null statement. Eight hypotheses were formulated for this study as earlier indicated in Chapter 1

which were tested. The rejection and non-rejection of the null hypotheses was based on the significance levels. Thus, levels of significance were established through the T-Values, P-Values and path co-efficient.

4.11 SUMMARY AND CONCLUSIONS

Chapter 4 has focused on the research methodology outlining the essential steps of carrying out a research problem. The research paradigms such as the qualitative, following an interpretivistic approach and the quantitative following a positivistic approach have been discussed. This study, however, has been founded on the continuum of the positivistic principles which demarcate it from the former in data collection and preparation methods. Positivists postulate that data is collected from large samples with little or less research impact due to the objectiveness of its nature. Large samples of data enable coverage of a wide span of beliefs from different categories. The survey method was stipulated to be the main method of data collection with University of Fort Hare students being the subjects of focus. Data analysis was also indicated which will incorporate both descriptive and inferential methods of analysis. The LISREL programme was the main statistical technique for data analysis.

Chapter 5 therefore focuses on the presentation of findings as per the outputs extracted from the LISREL analysis. Descriptive statistics such as age, gender and type of bank used will be presented and measures of central tendency for each scale item. Reliability and validity results will be presented correctly depicting the scale assessment criteria. Confirmatory factor analysis depicting the measurement model and the mapping of structures onto the structural model will be exhibited. Goodness of fit statistics will portray these anticipated results. Hypotheses tests will be conducted allowing for the rejection and non-rejection of the stipulated statements.

CHAPTER 5

DATA ANALYSIS

5.1 INTRODUCTION

A positivistic paradigm was selected for the operationalisation of this study which agreed with all principles of its foundations implying the application of quantitative research for primary data collection, analysis and presentation. A descriptive research design was compatible with the notions of positivism demarcating the need for structured, pre-planned ideologies that ensure the separation of the researcher with the research was selected. A quantitative research approach affirms the use of large samples and structured questionnaires which ensures the availability of research results much quicker than under qualitative approaches. After the conduction of a pilot survey, data analysis was executed, leading to the amendment of the structured questionnaire. Moreover, data analysis methods to be employed were discussed which consisted of reliability, factor analysis and structural equation modelling.

Bearing in mind the compatibility of this work with quantitative research approaches, the data analysis chapter therefore focuses on the primary data testing the significance of the study with its goals. Reliability and validity of the results will be presented together with other descriptive data analysis requirements such as the mean, mode, median and standard deviations. Inferential statistics tests will be run which will consist of correlations, hypotheses testing, SEM and measurement models. This chapter will further determine whether the results were valuable or otherwise depending on the information produced after the analysis.

5.2 DESCRIPTIVE STATISTICS

Descriptive statistics focus on describing the observed information after data analysis. Therefore, the study sample is described using frequency distributions for age, gender, type of bank used while the normality of data is tested using the mean, mode, median and standard deviations. The sample can also be described using age, gender and the type of bank used as shown in the following sections. Table 5.1 denotes the age of the surveyed sample with their frequencies. The required age groups for the inclusion criteria goals was university of Fort Hare students aged above eighteen. These were divided into three categories which are the 18-27, 28-37 and 38 years and above.

Table 5.1: Age

Age	Frequency	Percent	Cumulative Percent
18-27	225	87.5	87.5
28-37	27	10.5	98
38+	5	2	100
Total	257	100	

From the 257 respondents, 225 were in the 18-27 years age group which made up to 87.5% of the study sample as shown in table 5.1 above. The reason for this could be articulated to the university student composition which is dominated by the younger population. The 28-37 years age group were the second highest with a representation of 10.5% with 27 respondents in total. The 38 years and above group only consisted of 5 respondents with a 2% representation. This shows that the older the students, the fewer they are in the university.

Table 5.2: Gender

Gender	Frequency	Percent	Cumulative Percent
Female	133	51.8	51.8
Male	124	48.2	100
Total	257	100	

Table 5.2 represents the proportion of the gender of respondents. From the 257 respondents, 133 were females and 124 were males, depicting a fair representation of both genders in the study, although females were slightly more represented than males by 6%. Bearing in mind the above exhibited frequencies, the type of banks used by respondents is presented in Table 5.3 amongst the four banks under study.

Table 5.3: Bank

Bank	Frequency	Percent	Cumulative Percent
ABSA	34	13.2	13.2
FNB	83	32.3	45.5
Nedbank	41	16	61.5
Standard	99	38.5	100
Total	257	100	

From the four major banks in South Africa consisting of ABSA, FNB, Nedbank and Standard Bank, the proportion of their representation was 34, 83, 41 and 99 respectively. ABSA made 13.2% of the surveyed group, FNB 32.3%, Nedbank 16% and 38.5% were Standard Bank users.

SUMMARY OF DESCRIPTIVE DATA FINDINGS

- Over 85% of the respondents fell within the 18-27 age group with 133 females versus 124 males.
- The distribution of bankers was 34; 83; 41 and 100 for ABSA, FNB, Nedbank and Standard Bank respectively, with Standard Bank depicting the highest frequency.
- Standard Bank received more preference from university students as compared to the other three, with FNB showing some considerable foothold amongst this group. This may be a result of student accounts inception with low monthly charges as compared to the other two.

The following sections focus on the normality of data presented using the mean, mode, median and standard deviations.

5.2.1 Distribution of Data

Distribution of data is presented separately for offline and online service recovery as shown. Field (2012) states that a five-point Likert scale central tendency results should be above a 2.5

value, which is considered as half of the scale to produce credible results. Offline service recovery contains the contact and empathy and politeness scales as per tables 5.4 and 5.5 below.

5.2.2 Physical service recovery distribution of data statistics

Table 5.4 presents the dependent variable which is contact showing the normality of data across the five items of the scale including the mean, mode, median and standard deviations.

Table 5.4: Contact scale measures of central tendency and standard deviations

Code	Contact scale statements	Mean	Median	Mode	Std. Dev
C1	My bank provides a telephone number I can call when I have a problem	4.15	4	4	.999
C2	My bank has representatives available to help me when I have a problem	4.15	4	4	.790
C3	My bank allows me to make contact with a person when I have a problem	3.90	4	4	.967
C4	My bank has representatives who are always there to help me when I have a problem	3.94	4	4	.839
C5	I prefer going into my bank to see a representative when I have a problem	4.10	4	4	.910

The four major banks have significantly established contact with clients with mean values as high as 4.15 for providing telephone numbers and availing representatives to assist clients. The majority of respondents seemed to still prefer going into the bank to solve experienced problems. The rounded mean values agreed with the multimodal results and median with a central tendency of four. Data varied around the mean.

Table 5.5 Empathy and politeness measures of central tendency and standard deviations

Code	Empathy and politeness statements	Mean	Median	Mode	Std. Dev
EMP1	My bank's employees were courteous to me and are never too busy in responding to clients' complaints	3.74	4	4	1.068
EMP2	I felt that I was treated well by my bank when I went in to complain about a problem	3.88	4	4	.977
EMP3	My bank's employees were polite to me when I went in to complain about a problem	3.94	4	4	.952
EMP4	The employees showed kindness or understanding and provided accurate information during service recovery.	3.99	4	4	.903

EMP5	Employees seemed to be very concerned about my problem and told me exactly when the service recovery will be performed.	3.89	4	4	.873
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Empathy and politeness normality results revealed the mode and median values of 4 agreeing with the rounded off mean values resulting in the same figure. Employees have been observed to show kindness or understanding and provided accurate information during service recovery as the highest mean score of 3.99. Moreover, politeness prevailed as the second highest score with a mean value of 3.94, showing the essence of good public relations in service recovery.

5.2.1.2 Online service recovery distribution of data statistics

Table 5.6: Responsiveness measures of central tendency and standard deviations

Code	Responsiveness statements	Mean	Median	Mode	Std. Dev
R1	My bank provides me with convenient options to reverse online error transactions	3.38	4	4	.982
R2	My bank handles online service errors well	3.49	4	4	.946
R3	My bank offers meaningful security to me for performing online transactions	3.82	4	4	.936
R4	My bank tells me what to do if my online transaction is not successfully processed	3.68	4	4	.982
R5	My bank's website deals with online service related problems promptly	3.50	3	4	.820

Online service recovery was measured using the degree of online responsiveness experienced by clients. The mean, median and mode which are measures of central tendency were tested with good results above the 2.5 value derived from the five-point Likert scale calculation. The mean values for responsiveness ranged between 3.38 and 3.82 shown in Table 5.6. Respondents pointed out the security assurance provided by their banks for online transactions with a mean value of 3.82. Moreover, the ability of the bank to further communicate and guide the client on solving transaction errors was observed with a mean score of 3.68. Online service error reversal scored the lowest with a mean value of 3.38; fairly above the 2.5 although quite lower than the other responsiveness factors. The median and the mode scored a 4 which was fairly close to the rounded mean values except for R5 with a 3.

Table 5.7: Website interface measures of central tendency and standard deviations

Code	Website Interface scale statements	Mean	Median	Mode	Std. Dev
WI1	My bank's website is always up and available	3.73	4	4	.994
WI2	My bank's website has valid links that I need to do my transactions	3.77	4	4	.853
WI3	My bank's website loads quickly	3.70	4	4	.947
WI4	My bank's website allows me to get on to it quickly	3.78	4	4	.902
WI5	My bank's website makes it easy and fast to get anywhere on the site	3.75	4	4	.918

Website interface, a component determinant of online service recovery, resulted in mean scores above the mid-point of 2.5. These ranged between 3.70-3.78 with WI4 denoting the bank's website's easy access as the highest with a mean value of 3.78. The incumbents can only note that online service delivery posits valid links and navigational efficiency. Rounded mean values agree with the median and the mode. Slight variations of data from the mean are observed with all standard deviations less than one.

5.2.1.3 Distribution of data for dependent variables

Table 5.8: Relationship retention measures of central tendency and standard deviations

Code	Relationship retention statements	Mean	Median	Mode	Std. Dev
RR1	I take pleasure in being a customer of my bank	4.01	4	4	.954
RR2	My bank takes care of its clients	3.99	4	4	.913
RR3	There is a presence of reciprocity in my relationship with my bank	3.74	4	4	.844

Relationship retention was tested and a high mean score of 4.01 was observed as clients seemed to favour their banks of choice affirming the significance of relations between the parties. Furthermore, it can be noted that banks invest highly in satisfying clients leading to such a pleasure. The big four banks have been observed to take care of their clients with a mean score of 3.99. Two-way communication and relational feedback has also been good with a mean score of 3.74.

Table 5.9: Trust measures of central tendency and standard deviations

Code	Trust scale statements	Mean	Median	Mode	Std. Dev
T1	I have feelings of trust toward my bank	3.92	4	4	.968
T2	I believe that my bank can be relied on to keep promises	3.92	4	4	.895
T3	I believe that the banking system is reliable	3.94	4	4	.870
T4	I feel pretty negative about the banking system	2.62	4	2	1.304

Trust, a critical component in banking, was likewise tested. Mean values ranged from 2.62-3.94. The banking system is observed to be reliable with a high mean score of 3.94, contradicting with the feelings of negativity tests which resulted in a value of 2.62 despite its reversal. Feelings of belief and trust in the banking sector were observed with a 3.92 score.

5.2.2 Skewness and Kurtosis

Skewness depicts the symmetric form of a data set presumed to fall in three categories which are the positive, negative and normal (Malhotra & Birks, 2007). Positively skewed data has positive values with tails lying towards the right and negatively skewed data has negative values with tails lying towards the left (Field, 2012).

Table 5.10: Normality of data

Code	Model constructs statements	Skewness	Kurtosis
R1	My bank provides me with convenient options to reverse online error transactions	-.585	-.017
R2	My bank handles online service errors well.	-.595	.289
R3	My bank offers meaningful security to me for performing online transactions	-.70	.473
R4	My bank tells me what to do if my online transaction is not successfully processed	-.543	-.099
R5	My bank's website deals with online service related problems promptly	-.203	.361
WI1	My bank's website is always up and available	-.319	-.830
WI2	My bank's website has valid links that I need to do my transactions	-.504	.133
WI3	My bank's website loads quickly	-.415	-.217
WI4	My bank's website allows me to get on to it quickly	-.342	-.484
WI5	My bank's website makes it easy and fast to get anywhere on the site	-.472	.019
C1	My bank provides a telephone number I can call when I have a problem	-1.326	1.438
C2	My bank has representatives available to help me when I have a problem	-.855	.841
C3	My bank allows me to make contact with a person when I have a problem	-1.008	.786

C4	My bank has representatives who are always there to help me when I have a problem	-.77	.699
C5	I prefer going into my bank to see a representative when I have a problem	-1.157	1.364
EMP1	My bank's employees were courteous to me and are never too busy in responding to clients' complaints	-.677	-.157
EMP2	I felt that I was treated well by my bank when I went in to complain about a problem	-1.064	1.105
EMP3	My bank's employees were polite to me when I went in to complain about a problem	-1.032	.969
EMP4	The employees showed kindness or understanding and provided accurate information during service recovery	-1.111	1.584
EMP5	Employees seemed to be very concerned about my problem and told me exactly when the service recovery will be performed	-.983	1.175
RR1	I take pleasure in being a customer of my bank	-1.218	1.739
RR2	My bank takes care of its clients	-1.013	1.281
RR3	There is a presence of reciprocity in my relationship with my bank	-.756	1.043
T1	I have feelings of trust toward my bank	-1.202	1.468
T2	I believe that my bank can be relied on to keep promises	-.903	1.033
T3	I believe that the banking system is reliable	-.851	.819
T4	I feel pretty negative about the banking system	.295	-1.147

Normal curves are evenly distributed on the left and the right and have values close to one. This data set resulted in a negatively skewed depiction for both dependent and independent variables. Kurtosis depicts whether a data set is heavy tailed or light tailed. The results show a heavy left tailed data set with most values close to one.

SUMMARY OF THE DISTRIBUTION OF DATA FINDINGS.

- The contact scale had mean values of 4 which are above the 2.5 cut- off mark reflecting that the respondents agreed with the statements from the variable. The median and mode also depicted the value 4 showing the accuracy of these three measures of central tendency. Standard deviations were all close to 1 meaning less variability of data.
- Empathy and politeness scales all reflected rounded mean values of 4, similar to the mode and median results, thus accuracy of the data. The standard deviation values were all close to 1 when rounded off, hence less variability of data.
- Responsiveness scale rounded off mean values ranged between 3 and 4. However, the mode and median both resulted in a value 4 except for R5 with a value 3 median. Data variation was less as per standard deviation results.

- Website interface scale resulted in rounded mean values of 4 agreeing with the mode and median for this data. Data variation was less shown by the values clustered around .9 for standard deviation results.
- Three relationship retention statements tested resulted in the value 4 for mean values accurately agreeing with the median and mode thereof with little or no data variation which was clustered around .9.
- Three statements of trust reflected mean values of 4 similar to the modes and medians thereof; however, T4 resulted in a 2.62 mean value, poor but above the 2.5 mark with a median of 4 and a mode of 2. The data varied strongly from the other statements with a 1.304 value compared to the rest clustered around .9.
- The rest of the data showed a negatively skewed normal distribution with asymmetric values.

Taking note of the summarised distribution of data results, section 5.3 contains reliability and validity tests.

5.3 RELIABILITY AND VALIDITY

Reliability and validity of research scales is tested using factor analysis. Factor analysis falls into two categories: exploratory and confirmatory factor analysis. Exploratory factor analysis seeks to establish relationships between factors while confirmatory focuses on affirming these relationships (Carson *et al.*, 2001).

5.3.1 Reliability

The definition of reliability stipulates the ability of a measure to reflect the constructs intended to measure and produce similar results on repetition through the test-retest and internal consistency reliability. Table 5.11 reflects the reliability of the measurement scale used with all the constructs tested as shown. A value of .7 is preferred and deemed acceptable although higher values are emphasised.

Table 5.11: Reliability summary for the constructs

Construct	Number of cases	Number of items	Cronbach's alpha
Responsiveness	258	5	.761
Website Interface	258	5	.807
Contact	258	4	.704
Empathy and Politeness	258	5	.836
Relationship Retention	258	3	.728
Trust	258	3	.828

Responsiveness was tested with five items on the 258 respondents interviewed and resulted in a reliability of .761 quite higher than the stipulated cut off of .7 (Field, 2012). Website interface was tested on five items and produced an alpha of .807 which is deemed preferable and a good reliable scale. Contact was tested on five items resulting in a much lower reliability of .618, quite lower than the stipulated, hence the bad item C5 was eliminated and retested to produce an alpha of .704 which is favourable. Empathy and politeness tested high with .836 value which is deemed preferable. Relationship retention and trust were also tested giving out .728 and .828 respectively which are good values depicting reliability. Section 5.3.11 explains the cases that correlate with the total scale.

5.3.1.1 Item-total statistics

Item-total statistics were tested for each construct to determine the existence of correlations with the overall scale as shown in the tables that follow. Each construct was tested and presented separately. The column corrected item total correlations explains the correlations between each item and the total score which should always be above .3 if correlations exist and lesser if not (Field, 2012). Values in the column 'Cronbach's alpha if item deleted' represent the actual reliability if that particular item was excluded from the calculations. Validity was presented in these tables coherently with reliability.

Table 5.12: Responsiveness item-total statistics

Item- Total Statistics	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach's alpha if item deleted	Validity
R1	14.48	7.566	.480	.247	.736	.550
R2	14.36	7.345	.562	.352	.706	.643
R3	14.05	7.309	.581	.369	.699	.660
R4	14.18	7.081	.586	.363	.696	.656
R5	14.36	8.373	.440	.229	.747	.433

For the responsiveness scale, each item correlated with the total scale with values all above .3, the least being R5 with .440 and the most R4 with .586 value. The inclusion of all five items shown depict their relevance as each item deleted gave a result much lower than the overall value when all were included. All the five statements were valid with the least value being .433 and the highest being .660.

Table 5.13: Website interface item-total statistics

Item- Total Statistics	Scale mean if item deleted	Scale mean if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach's alpha if item deleted	Validity
WI	14.99	8.070	.527	.319	.719	.627
WI2	14.95	8.519	.557	.343	.780	.548
WI3	15.02	7.618	.668	.472	.745	.712
WI4	14.95	7.904	.644	.457	.753	.655
WI5	14.97	8.170	.572	.373	.776	.592

Each item correlated well with the overall scale exhibiting values above the cut-off point of .3. The ‘Cronbach’s alpha if item deleted’ consisted of values less than the overall score of .807 and depicts the significance of each of the statements to the measure. The scale fit well with the overall questionnaire. The five statements for the website interface scale were not only reliable but were also valid. Contact item-total statistics follow in Table 5.14.

Table 5.14: Contact item-total statistics

Item- Total Statistics	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach’s alpha if item deleted	Validity
C1	11.98	3.782	.545	.302	.604	.633
C2	11.98	4.564	.504	.285	.635	.500
C3	12.23	4.218	.438	.206	.675	.480
C4	12.19	4.471	.485	.258	.643	.541

The contact scale was tested with four items after the elimination of C5 regarded as bad with a validity loading of .315 hence was not included in reliability analysis. With a reliability of .704 lying in the acceptable range, all four corrected item total correlations results were above the .3 cut-off point with the least pegged at .438 and the highest at .545. Cronbach’s alpha results for each item deleted were much lower than the aggregated result as they all recorded less than .7 results. The scale was reliable. The rest of the four statements after eliminating C5 were valid. Empathy and politeness item-total statistics are presented in Table 5.15.

Table 5.15: Empathy and politeness item-total statistics

Code	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach’s alpha if item deleted	Validity
EMP1	15.70	9.144	.541	.328	.835	.639

EMP2	15.56	8.761	.707	.513	.783	.730
EMP3	15.50	8.990	.682	.495	.791	.719
EMP4	15.45	9.167	.698	.504	.787	.677
EMP5	15.55	9.843	.580	.372	.818	.580

Composite reliability for empathy and politeness scale was .836. Moreover, the item-total statistics results were quite favourable with values depicting the internal reliability of the scale way above the .3 mark. All the individual items in the Cronbach's alpha result after deletion resulted in favourable reliability results, although the figures were much less than the result after the total inclusion. Moreover, the statements were all included as the results proved validity of EMP1 to EMP5.

Table 5.16: Relationship retention item-total statistics

Code	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach's alpha if item deleted	Validity
RR1	7.73	2.189	.577	.353	.608	.700
RR2	7.75	2.244	.605	.375	.572	.664
RR3	8.00	2.708	.475	.228	.724	.474

Relationship retention internal reliability scale was tested revealing average correlations for the first two items and a figure below the .3 value assumed to show the measure of associations between the items. Moreover, under the 'Cronbach's alpha if item deleted' column, the uncorrelated item revealed a value of .724 if it was excluded from the analysis which was lower than the composite value of .728. Furthermore, despite the weakness of the item RR3, RR1 and RR2 yielded quite lower reliabilities if excluded despite their association. Hence, the scale is reliable with all three items. The validity of item 3 was as low as the reliability. However, the composite reliability was higher hence the significance of the statement and therefore critical to include in the summary of findings.

Table 5.17: Trust item-total statistics

Code	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach's alpha if item deleted	Validity
T1	7.85	2.507	.690	.477	.761	.741
T2	7.86	2.712	.693	.480	.756	.689
T3	7.84	2.816	.679	.461	.771	.706

Trust scale internal consistency was tested twice, initially with four items and then with three after exclusion of item 4 resulting in values above .3 mark confirming that all the items were correlated and measured the same thing. Furthermore, tests done under the exclusion of each item revealed that the reliability of the scale will be reduced as each item exclusion resulted in the range of .756-.771 which were lower than the composite value of .828. Tests done with four items gave a low reliability of .618 and the corrected item-total correlation for the fourth item was .090 compared to the recommended .3 minimum value. The exclusion of this item resulted to a .828 reliability value. All the three trust statements were valid and hence included in the summary of findings.

5.3.2 Exploratory Factor Analysis

Exploratory factor analysis is tested using the Kaiser-Meyer-Olkin Measure of Sampling Adequacy, the Bartlett's test, reliability and validity as per section 5.3.2.1.

5.3.2.1 KMO and Bartlett's Tests

As discussed in section 4.10.3.1, Kaiser-Meyer-Olkin measure of sampling adequacy represents the ratio of the squared and partial correlations between variables as discussed in the previous chapter. Values of .7 upwards are preferred and none of the exhibited results depict such as per Table 5.18.

Bartlett's tests reveal the presence of differences between an identity matrix and a correlation matrix depicted in the previous chapter. Correlation values greater than .8 are discouraged due to the impossibility of determining the contribution each factor has on the total. From the six constructs tested, all exhibited values greater than zero of correlations between the items with

none indicating a value above .8 for responsiveness, website interface, contact, empathy and politeness, relationship retention and trust respectively.

Table 5.18: KMO and Bartlett’s Test of sphericity

Tests	R	WI	C	EMP	RR	T
KMO Measure of Sampling Adequacy	.777	.807	.722	.839	.662	.723
Bartlett’s Test of Sphericity Approx. Chi-Square	292.583	400.446	181.728	486.103	165.386	286.244
Degree of Freedom (df)	10	10	6	10	3	3
Significance (Sig.)	.000	.000	.000	.000	.000	.000

Responsiveness scale recorded a value of .777 which is deemed as a middling value that is acceptable. A 292.583 result for the Bartlett’s test of sphericity was observed at ten degrees of freedom and .000 significance level. The result was acceptable. Website interface resulted in a meritorious value of .807 for the KMO test, 400.446 at ten degrees of freedom with .000 significance. Results were good and acceptable. The contact scale tested a middling value of .722 for the KMO, 181.728 Bartlett’s at 6 degrees of freedom with a significance level of .000 which was good and acceptable. Empathy and politeness in turn tested a meritorious value of .839 KMO, Bartlett’s at 486.103 at 10 degrees of freedom with .000 significance which was acceptable. Relationship retention also tested a .662, closer to the .7 mark for KMO, 165.386 Bartlett’s at three degrees of freedom with .000 significance and was accepted. Finally, KMO reported .723, 286.244 Bartlett’s at three degrees of freedom and .000 significance for trust which was acceptable.

5.3.2.2 Factor extraction

For the six constructs in this study, only one factor of each could be extracted from the total variance table resulting in the impossibility of further analysis through rotation. The initial Eigenvalues compared with the extraction sums of squared loadings improved for the percentage of variance throughout the six tests. After the total variance explanation, the factor matrices are presented as shown which represent the factor loadings of each construct. Thus, no further requirements to undertake factor extraction. The measurement model was tested for validity together with the separate dependent variables.

SUMMARY OF EXPLORATORY FACTOR ANALYSIS FINDINGS

- All factors loaded separately with only one of each factor extracted impeding factor rotation. Factor analysis was tested on both dependent and independent variables.
- Contact scales ranged between .315 and .633 leading to the removal of item C5 with the lowest loading of .315 poor for information presentation.
- Empathy and politeness ranged between .580 and .730 with all five factor statements acceptable as they were fairly high above .5.
- Responsiveness loadings ranged between .433 and .660 resulting in the acceptance of all the five statements. R3 and R5 had the highest and lowest loadings respectively.
- Website interface had high loadings ranging between .548 (WI2) and .712 (WI3). All five statements were closely related, thus measuring the same phenomenon.
- Relationship retention statement loadings ranged between .474 (RR3) and .700 (RR1) leading to the acceptance of all the three statements as they are all valid.
- From the three trust statements tested, all these ranged between .689 and .741 which showed the compatibility within the statements and measurement of the same phenomenon.
- Factor analysis results show that all the scales were valid and related to each other with the level of loadings.

5.4 STRUCTURAL EQUATION MODELLING

Section 5.4 presents the measurement model, structural equation model and hypotheses tests as per the sections that follow.

5.4.1 Measurement Model

Model specification and respecification is an approach formulated to ensure structure conformity to the already existing valid theoretical foundations to avoid a self-made model (Koubaa, *et al*, 2014). Model fitness was tested; firstly, parameter specifications were determined using LAMBDA X then retested as per the recommendations by Koubaa *et al*. (2014). The LISREL Estimates (Robust Maximum Likelihood) programme was used with eleven iterations performed to produce the measurement model parameter specifications for the six constructs of the study and results are as per the table.

Table 5.19: Measurement model parameter specifications

Construct	Contact	Empathy and politeness	Responsiveness	Website Interface	Relationship Retention	Trust
Contact	1.000					
Empathy and politeness	0.686 (0.064) 10.740	1.000				
Responsiveness	0.513 (0.068) 7.528	0.396 (0.072) 5.493	1.000			
Website Interface	0.495 (0.070) 7.092	0.533 (0.062) 8.664	0.526 (0.067) 7.885	1.000		
Relationship Retention	0.661 (0.072) 9.147	0.682 (0.058) 11.853	0.381 (0.073) 5.217	0.481 (0.070) 6.837	1.000	
Trust	0.507 (0.507) 6.568	0.533 (0.066) 8.123	0.430 (0.073) 5.924	0.366 (0.074) 4.984	0.762 (0.054) 14.203	1.000

According to section 4.10.4, measurement models achieve fitness when standard deviations are beyond 50%. Thus, for this model, structures were derived for each factor in contrast with another with most having values beyond 50%. Weak structures were observed in obtained values below 0.5 such as responsiveness and empathy and politeness, relationship retention and responsiveness and website interface, and finally trust and responsiveness and website interface. The measurement model fit at the displayed correlational matrix values. The goodness of fit for this measurement model was tested.

5.4.1.1 Goodness of fit statistics

As per the discussion under section 4.10.6 pertaining to fit indices, this section presents the tested data and reveals the degree to which the proposed model reflected what it was devised to represent. Two Tucker-Lewis measures discussing the goodness of fitness of measurement models are the non-normed fit index (NNFI) and the normed fit index (NFI) which ensure simplicity were tested. The results for NFI were 0.933 deemed acceptable and NNFI with a value of 0.969 quite above the advised good threshold of 0.95. These depicted the accuracy and true reflection that the model objectives tallied with the intended results for the

measurement model. Perfectly fitting indices have a value of 1 while values above 0.90 are acceptable. This became true for the rest of the tested statistics such as the CFI, IFI and RFI as they all resulted in values above 0.9. However, the Parsimony Normed Fit Index (PNFI) gave a 0.815 value which is close to 0.9 as per Table 5.21.

Table 5.20: Goodness of fit indices for the measurement model

Goodness of Fit Measure	Value	Recommended cut-off value
Normed Fit Index (NFI)	0.933	0.9
Non-Normed Fit Index (NNFI)	0.969	0.95
Parsimony Normed Fit Index (PNFI)	0.815	0.9
Comparative Fit Index (CFI)	0.973	0.9
Incremental Fit Index	0.973	0.9
Relative Fit Index (RFI)	0.923	0.9
Root Mean Square Residual (RMR)	0.0543	<0.05
Root Mean Square Error of Approximation (RMSEA)	0.0493	<0.05
Standardised RMR	0.0631	<0.05

The use of approximates due to the difficulties encountered in discovering perfect fitness resulted in the establishment of the root mean square error of approximations (RMSEA), root mean square residual (RMR), and the standardised RMR. Small values depict the fairness of approximations expected to be less than 0.05 after statistical testing which was true for the RMSEA and relatively differing less for the RMR and standardised RMR from the stipulated. After the computation of the goodness of fit statistics, a standardised solution was computed which agreed with the prior fitting the measurement model factor loadings as shown in the table. Table 5.22 presents the standardised solution which is exactly the same as the parameter specifications results. Therefore, the model fit without any alterations.

Table 5.21: Standardised measurement model results

Construct	Contact	Empathy and politeness	Responsiveness	Website Interface	Relationship Retention	Trust
Contact	1.000					
Empathy and politeness	0.686	1.000				
Responsiveness	0.513	0.396	1.000			
Website Interface	0.495	0.533	0.526	1.000		
Relationship Retention	0.661	0.682	0.381	0.481	1.000	
Trust	0.507	0.533	0.430	0.366	0.762	1.000

The results table agreed with the parameter specifications results showing that no modifications were done to the data set. Thus, stronger structures were observed to exist between physical components of service recovery unlike the online structures. Relationship retention and responsiveness have little significance on each other with a 0.381 value while relationship retention and website interface signified a 0.430 tie. Furthermore, trust and website interface also portrayed a little significance on each other with 0.366 relationship.

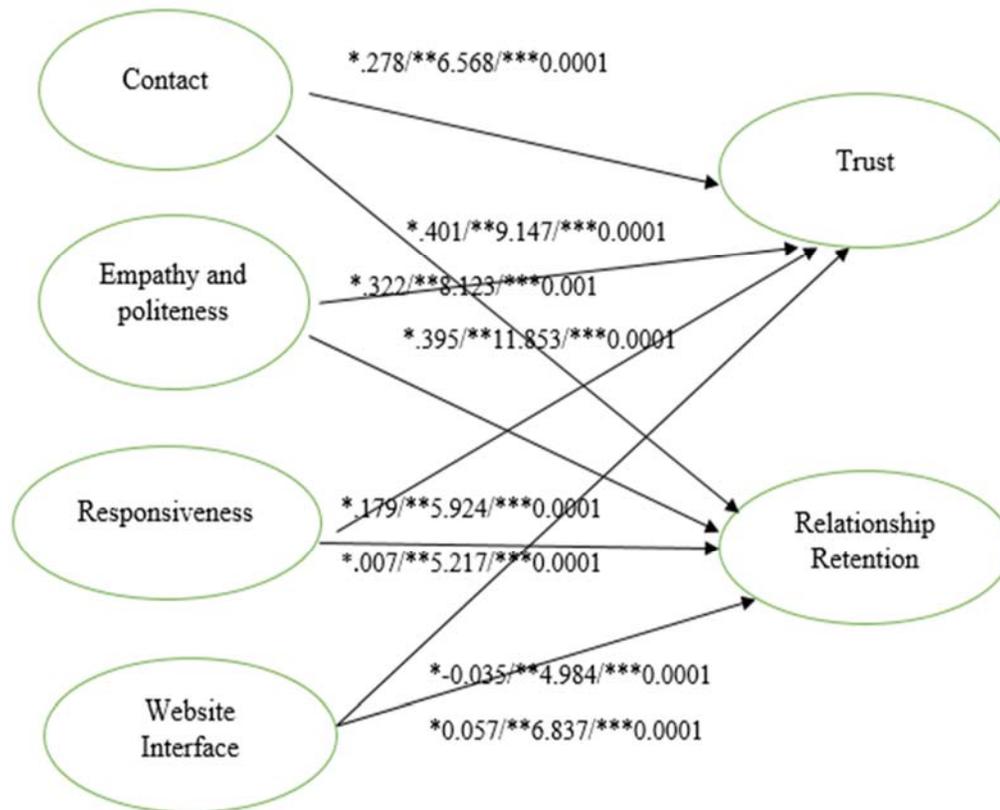
SUMMARY OF THE MEASUREMENT MODEL FINDINGS

- The measurement model tests the overall fitness of all the variables, both dependent and independent.
- Contact scales have a significant impact on service recovery, both offline and online as per the table. High values obtained between contact and each of the other variables validates this significance with empathy and politeness emerging first (.686), relationship retention second (.661), responsiveness third (.513), trust (.507) and finally with website interface emerging last (.495) due to its technological component.
- Empathy and politeness also reveals a significant impact on the other variables with little impact on responsiveness. Therefore, empathy and politeness play a major role in enhancing relationship retention, trust and its relevance strikes through the technological discipline with a high value of .533 for website interface. Despite the problems encountered online, empathy and politeness should be extended based on the results shown.
- Website interface does not necessarily influence trust (.366) weak structure obtained. However, relationship retention and trust significantly influence each other (.762).

- Parameter specifications for the correlational measurement model tallied with the final result revealing model internal consistency.
- Goodness of fit statistics for the model revealed an almost perfect fit with the NFI, NNFI, PNFI, CFI, RFI and IFI all close to 1 and rounded off to 1.
- RMR, RMSEA and standardised RMR all showed the internal compatibility.

5.4.2 Structural Equation Model Assessment

SEM is a concept presented using the path co-efficient values, T-values and P-values for each construct to demarcate the type and significance of each relationship of the described factors. As discussed in section 4.10.5 of Chapter 4, the structural model is mapped out after the presentation of the measurement model. The structural model for this study was mapped out using the LISREL programme for data analysis depicting the strength of significance of the derived relationships based on the T-values and the P-values as shown in Figure 5.1.



*Path Co-efficient value

**T-value

***p-Value

Figure 5.1: Structural equation model

Table 5.22: Relationship between trust and constructs

Trust	Path co-efficient	T-values	p-Value
Empathy & Politeness	.322	8.123	0.0001
Contact	.278	6.568	0.0001
Responsiveness	.179	5.924	0.0001
Website Interface	-0.035	5.217	0.0001

All the four independent variables are significantly related to trust. Despite a negative path co-efficient value between website interface and trust, the significance in relationship shows its essence when developing websites to facilitate consumer satisfaction. Presentation of the relationships are based on the order of strength with empathy and politeness having a .322 path co-efficient, 8.123 T-value and 0.0001 p-Value. Second to this was contact with .278 path co-efficient, 6.568 T-value and 0.0001 p-Value. Responsiveness ranked third with a path co-efficient of .179, T-value of 5.924 and a p-value of 0.0001. lastly, website interface had the weakest relationship with trust and revealed values of -0.035 for the path co-efficient, a T-value of 5.217 and a p-Value of 0.0001.

Table 5.23: Relationship retention and study constructs factor analysis results

Relationship retention	Path co-efficient	T-values	p-Value
Contact	.401	9.147	0.0001
Empathy & Politeness	.395	11.853	0.0001
Website Interface	0.057	6.837	0.0001
Responsiveness	.007	5.217	0.0001

Table 5.24 shows that all the four independent variables are significantly positively related to relationship retention. Physical service recovery variables (contact and empathy and politeness) predicted the degree of mapping onto trust and relationship retention shown by the path co-efficient values .401 and .395, T-values of 9.147 and 11.853 and p-values of .0001 for both respectively. The higher the T-value and the lower the path co-efficient values, the greater the compatibility significance of the associations. Contact, empathy and politeness factors showed higher T-values and lower path co-efficient values explaining the heavy reliance on physical service recovery in banking for the South African market. Furthermore, contact and empathy and politeness correlations displayed the significance of these constructs and impacts imposed on trust and relationship retention with all four independent variables having a 0.0001 level of significance.

T-values and path co-efficient values depicted the degree of association between responsiveness and website interface which are online service recovery variables on trust and relationship retention. Thus, despite the less favourable T-values and path co-efficient values attained on responsiveness and website interface, their weighting remains inevitable to ignore when strategising service recovery with intents of building trust and growing relationships. Structures formed thereby highlight the need to avoid narrowly focusing on physical means of service recovery influenced by the submerging of commerce into the digital world. However, less usage and dependence on this platform was drawn from the stated results although this study specifically focused on online performance exclusive of social media. Fit indices for the structural model are shown hereafter.

5.2.3 Correlations

Correlations results were all significant for the eight hypotheses of offline and online service recovery. Contact and trust are significantly correlated with a .411** and with relationship retention with a .459**. Higher correlations exist between contact and relationship retention to trust. It is vital to include contact in service recovery strategies for offline service recovery. Empathy and politeness significantly influence trust and relationship retention with .469** and .537** values respectively. Higher correlations exist with relationship retention unlike trust despite their important impact in both. Empathy and politeness should be adhered to for inclusion in service recovery strategies.

Responsiveness and trust are significantly correlated despite the rejection of the hypothesis with a .364** value. Relationship retention and responsiveness also resulted in a significantly

correlated value of .298**. This affirms the notion of accepting the crucial role responsiveness plays in establishing trust and relationships despite the least likely possibility it poses on building trust and retaining ties after a failed service thereof. Based on the significant correlations, conclusions can be drawn that lack of such inclusion in service recovery strategies may be adverse. Website interface is significantly correlated with trust and relationship retention with .344** for both constructs. This significance stipulates the impact this factor has in service recovery and should not be ignored when drafting service recovery strategies.

Table 5.24: Goodness of fit statistics for structural equation model

Goodness of Fit Measure	Value	Recommended value
Normed Fit Index (NFI)	0.927	0.8
Non-Normed Fit Index (NNFI)	0.963	0.95
Parsimony Normed Fit Index (PNFI)	0.813	0.9
Comparative Fit Index (CFI)	0.968	0.95
Incremental Fit Index (IFI)	0.968	0.9
Relative Fit Index (RFI)	0.917	0.9

All the presented goodness of fit indices agreed with their rules of thumb marking the fitness of the structural model to the current work.

Goodness of Fit Measure	Value	Recommended value
Root Mean Square Residual (RMR)	0.0583	0.05
Root Mean Square Error of Approximation (RMSEA)	0.0537	0.05-0.1
Standardised RMR	0.0681	0-1

The RMR, standardised RMR and RMSEA also resulted in good values depicting fitness of the entire structural model.

SUMMARY OF THE STRUCTURAL EQUATION MODEL FINDINGS

- The linear direction of relationships between variables was drawn out using calculated statistical values based on the LISREL programme.
- The strength of the established relationships was based on the values of path coefficients as indicated in the SEM diagram.
- Stronger associations were observed on the physical service recovery results with contact, empathy and politeness showing significant impacts on the establishment of trust and relationship retention.
- Weaker associations were observed on the online service recovery structures despite the high correlations established within factors. Website interface and trust indicated the weakest association.
- The goodness of fit indices from both the measurement and structural models gave similar rounded values indicating the clear representation, accuracy and consistency of the model.
- The underlying theory of the model agreed with the data collected thereof, hence the consistency in results explaining model fitness.

5.4.3 Hypotheses Testing

Hypothesis tests are shown in tabular formats from Tables 5.25 to 5.32.

Table 5.25: Hypothesis one results

Contact positively influences trust	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰ : Contact does not positively influence trust					✓
H ¹ : Contact positively influences trust	.411**	.278	6.568	0.0001	

The null hypothesis was rejected which stated that contact does not positively influence trust. The alternative hypothesis stating the positive influence contact has in establishing trust under physical service recovery was not rejected. Significant correlations exist between contact and trust and the P-value further reveals the significance. Conclusively, contact should be prioritised when building trust with clients in the banking industry for offline options as shown by the positive path co-efficient between the variables.

Table 5.26: Hypothesis two results

Empathy and politeness positively influences trust	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰² : Empathy and politeness does not positively influence trust					✓
H ² : Empathy and politeness positively influences trust	.469**	.322	8.123	0.001	

Empathy and politeness tested against trust revealed that they are significantly correlated with a value of .469**, a T-value of 8.123, and a 0.0001 p-value resulting in the rejection of the null hypothesis. For successful offline service recovery methods, empathy and politeness should be prioritised and they signify the amount of trust clients will gain towards the bank as shown by a positive strong co-efficient value of .322 between the variables.

Table 5.27: Hypothesis three results

Contact positively influences relationship retention	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰³ : Contact does not positively influence relationship retention					✓
H ³ : Contact positively influences relationship retention	.459**	.401	9.147	0.0001	

Significant correlations exist between contact and relationship retention with a .459** value and P-Value within the critical region. Therefore, these results determine the rejection of the null hypothesis, thus stating that contact does influence relationship retention.

Table 5.28: Hypothesis four results

Empathy and politeness positively influence relationship retention	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰⁴ : Empathy and politeness does not positively influence relationship retention					✓
H ⁴ : Empathy and politeness positively influences relationship retention	.537**	.395	11.853	0.0001	

Relationship retention is significantly affected by empathy and politeness during offline service recovery attempts due to the existence of correlations amongst the factors. The observed P-value compels us to reject the null hypothesis stating the absence of influence these two factors have on each other and acceptance of the alternative hypothesis which affirms the association. Successful service recovery strategies should ensure the incorporation of empathy and influence.

Table 5.29: Hypothesis five results

Responsiveness positively influences trust	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰⁵ : Responsiveness does not positively influence trust	.364**	.179	5.924	0.0001	
H ⁵ : Responsiveness positively influences trust					✓

Despite the existence of correlations between the factors, it is observed, however, that the path co-efficient of .179; T-value of 5.924 and the P-value of 0.0001 showed lower levels of

significance and conclusively failed to reject the null hypothesis. Therefore, responsiveness does not positively influence trust although its significance in failed service recoupment may not be overlooked.

Table 5.30: Hypothesis six results

Website interface positively influence trust	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰⁶ : Website Interface does not positively influence trust	.344**	-0.035	5.217	0.0001	
H ⁶ : Website Interface positively influences trust					✓

Website interface and trust are correlated factors in the online banking concept. However, the hypothesis is negative shown by the path co-efficient of -0.035. the T-value is 5.217 and the P-Values is 0.0001 showing the significance of website interface in developing trust. We do not reject the null hypothesis. Thus, website interface does not positively influence trust although the navigational elements on the bank websites should not be overlooked based on the P-Value obtained.

Table 5.31: Hypothesis seven results

Website Interface positively influence relationship retention	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰⁸ : Website interface does not positively influence relationship retention	.344**	.057	6.837	0.0001	
H ⁸ : Website interface positively influences relationship retention					✓

Website interface and relationship retention are positively correlated with a .344** value, a path co-efficient of 0.057, a T-value of 6.837 and a P-value of 0.0001. The results indicate a

failure to reject the null hypothesis and conclusion that website interface does not positively influence relationship retention. However, when creating online service recovery strategies aimed at retaining clients, it is essential to take note of the website interface factor as is established that it is correlated with relationship retention.

Table 5.32: Hypothesis eight results

Responsiveness positively influences trust	Correlation	Path co-efficient	T-value	P value	Reject
H ⁰⁷ : Responsiveness does not positively influence relationship retention	.298**	.179	5.924	0.0001	
H ⁷ : Responsiveness positively influences relationship retention					✓

Responsiveness correlates with relationship retention at the rule of thumb value of .3. With the low correlations value obtained, the path co-efficient was weak at .179, T-value at 5.924 and P-value at 0.0001. The null hypothesis stating insignificance of responsiveness when creating relationships was not rejected. This therefore concludes that when establishing long- lasting relationships with clients online, responsiveness has little impact on the goal despite the correlations that exist between the two factors.

SUMMARY AND CONCLUSIONS FOR HYPOTHESES TESTS RESULTS

PHYSICAL SERVICE RECOVERY

- Hypothesis one stating that contact positively influenced trust which resulted in the rejection of the null hypothesis and acceptance of the alternative hypothesis. Error-services can be successfully recovered through engaging with the affected parties which leads to the building of trust between the parties.
- Hypothesis two stating that empathy and politeness influenced trust, thus being empathetic and polite when dealing with clients who have experienced a failed service is a requirement if trust is the intended end result.

- Hypothesis three stating that contact positively influences relationship retention resulting in the failure to reject the null hypothesis and concluding that relationship retention is influenced by contact. Successful engagement with clients leads to growth and retained relations when a service error occurs.
- Hypothesis four stating that empathy and politeness significantly influence relationship retention resulted in the failure to reject the null hypothesis and a conclusion reached that the inclusion of empathetic and polite ways when attending to dissatisfied clients is of essence.

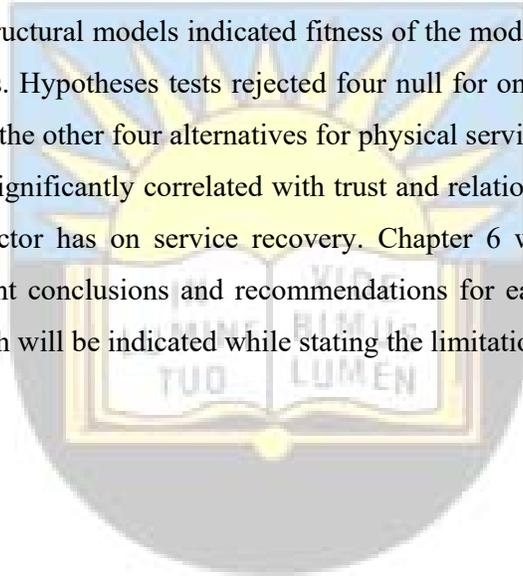
ONLINE SERVICE RECOVERY

- Hypothesis five stating that responsiveness does not influence trust resulted in the failure to reject the null hypothesis and rejection of the alternative. When strategising for service error recoupment, it is essential to avoid prioritising responsiveness. However, delays result in more dissatisfaction. Therefore, responsiveness does not necessarily enhance trust but its exclusion furthers the level of distrust.
- Hypothesis six stating that website interface does not influence trust resulted in the failure to reject the null hypothesis and rejection of the alternative. Clients find it a prerequisite to have good company websites hence do not necessarily influence trust, but failure to have such results in distrust.
- Hypothesis seven stating that responsiveness does not positively influence relationship retention, hence failure to reject the null hypothesis and rejection of the alternative hypothesis. When strategising for longer relationships with clients, it is essential to respond quickly although such has less impact thereof. However, delays may result in higher dissatisfaction.
- Hypothesis eight stating that website interface does not positively influence relationship retention, therefore we do not reject the null hypothesis and reject the alternative. Website interface does not necessarily enhance relationships, although poor websites lead to broken relationships.
- Physical service recovery hypotheses influenced trust and relationship retention resulting in the rejection of the negative null hypotheses and acceptance of the alternative hypotheses.

- Online service recovery null hypotheses were not rejected and alternative hypotheses rejected.

5.5 SUMMARY AND CONCLUSIONS

Chapter 5 explained data analysis results as per the sections above. Research scales were not only reliable but were also valid. Descriptive statistics revealed the biased age representation of 18-27 despite the proportional participation from both genders. Standard Bank and FNB were the dominant used banks as compared to the other two. More confirmatory analysis under the measurement and structural models indicated fitness of the model based on the calculated goodness of fit statistics. Hypotheses tests rejected four null for online service recovery and led to the acceptance of the other four alternatives for physical service recovery. However, all eight hypotheses were significantly correlated with trust and relationship retention indicating the importance each factor has on service recovery. Chapter 6 will summarise literature, methodology and present conclusions and recommendations for each independent variable. Details of future research will be indicated while stating the limitations that the study faced.



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CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

Chapter 5 focused on the analysis of data, thus tested for reliability, validity and hypotheses. Information gathered from descriptive data analysis revealed the significance of the brands position these four banks have on the study population. The reliability of the research scales measuring trust and relationship retention as dependent variables was positive and acceptable. Validity was tested through exploratory and confirmatory factor analysis with correlations showing high factor loadings necessary for valid results. Confirmatory factor analysis that establishes the association between the constructs resulted in high degrees of relationships between the variables. Furthermore, the measurement model established using LISREL also fit the study based on the goodness of fit statistics results obtained. The structural equation model displayed the strength of relationships each variable had on the independent variables. Contact, empathy and politeness conclusively yielded better results in the service recovery model depicting the importance these constructs hold in trust and relationship retention cases.

Chapter 6 is strategically organised to summarise the study emanating with literature summaries to methodology and finally bringing out the recommendations prior to concluding the study. Literature summaries focus on the overview of banking, service failure and a contrast of online and offline service recovery. Objectives of the study will be highlighted prior to the summarisation of the methodology chapter. Thereafter, recommendations for each service recovery method are presented with identified study limitations and direction for future research thereof and final conclusions.

6.2 OVERVIEW OF THE STUDY

Error-free service delivery has been deemed impossible and hence service failures have resulted in a growth of dissatisfied clients who require assistance with problem solving to remain in the business (Barrera *et al.*, 2014). Due to the impacts of dissatisfied clients to the existence and sustenance of the business, service recovery paradox ensures that such unruly experiences are curbed before they lead to destructive relations amongst the parties (Clark & Melancon, 2013). The advent of technology inclusion in service delivery inherently resulted in its adoption on service recovery methods. This study therefore has to pinpoint the difficulties

experienced in offline and online service recovery procedures and demarcate which has a greater influence on trust and relationship retention.

Clients tend to choose a service recovery method based on various factors such as the panel of occurrence, technological skills and awareness, personal behaviours, and available options provided by the service provider (Buttle, 2009; Clark & Melancon, 2013). The panel of occurrence depicts the method of service delivery that resulted in failed services, thus an online service delivery is likely to attract an online resolution. Clients who transact online are highly likely to choose the same recovery method due to the associated innate benefits. Technological skills and awareness deal with the client's articulateness in navigating the business's website in effort to resolve the encountered problem (Clark & Melancon, 2013). Personal behaviours explain that introvert clients would prefer to interact with the system and assistants online to resolve the issue, while extroverts will choose the offline methods so as to experience facial interactions (Buttle, 2009). Organisations sometimes detect the panel of solution based on the severity of the problem, for example, serious problems to be handled using physical means.

Assessments of the degree of impact on retaining relations and gaining trust that presently employed recovery strategies pose were unearthed in this study. Therefore, if the current prescribed strategies receive any need of tailoring, such will be advised. For physical service recovery, contact, empathy and politeness were assessed on the significance they have in recouping failed services. Responsiveness and the state of the bank's websites were assumed to establish the degree to which failed clients can be restored in online service delivery.

6.2.1 Literature Overview

6.2.1.1 Overview of the banking sector

Banking sector environments have been characterised by oligopolistic competition where a few dominant players are the main rivals, like the major four in the South African environment (PWC, 2014). FNB, Nedbank, Standard Bank and ABSA have been the main rivals within this industry with a few entrants making a footing in the isolated low income market. High and middle income segments have been the target of the incumbent banks, leaving room for potential entrants in the low income market. Capitec, Ubank, Bidvest, Postbank and African Bank strategically positioned themselves in the low income niche with little competitive pressure exerted from the big four (Mackenzie & van Rensburg, 2013).

In spite of the government motivation to trade within the low class market, the global financial crisis, technological advancements which cut through the income gaps and the saturation of the

middle and high income markets left growth potentials only available in low-class markets. Competitors received remarkable growth within this segment leading to perceived switching of the big four clients due to their product offering. The big four realised the need for their presence to retain clients and embarked in this market through low- cost charge per month accounts. Differentiation was observed across this market through promotional campaigns. In conclusion, the success of the incumbent in this market led to increased costs of trading on the smaller banks with African Bank observed to suffer severe financial outages.

6.2.1.2 Service failure in banking

Service mishaps have notably affected the quality of service delivery in banking that compromises the forging of relationships and establishment of trust. However, service failure has been optimistically viewed as a platform to create stronger ties based on trust which will result from the recoupment process. Service delivery that is influenced by effective communication lays a strong foundation for service recovery when errors occur that is less affected with resentment and anger, thus leading to creation of trust and relationships.

6.2.1.3 Offline service recovery in banking

Duffy et al. (2006) have identified four strategies used in the banking environment for recovery, namely showing empathy, being apologetic, reimbursing the client, and ensuring that the problem is fixed. Moreover, women have been observed to prefer physical service recovery as compared to their male counterparts. The cruciality of physical service recovery therefore poses a need for business managers to ensure that continuous improvement of customer service personnel is prioritized to avoid double failure which will definitely ignite switching behaviours for clients.

6.2.1.4 Online service recovery in banking

Three dimensions affect service recovery in banking: recovery attributes, failure attribution and empowering employees. Empowering employees affirms the significance of consistent programmes that focus on internal service recovery for the successful embark on the external recovery situations.

6.2.1.5 Trust and relationship retention

Komunda and Osarenkhoe (2012) describe the invariability between trust and relationships, thus it is practically inevitable for consumers to create ties with parties they hardly share similar affiliations of trust with. Credibility trust enhances relationship growth. Despite its focus to

restore consumer trust, service recovery online is affected by several other factors, such as the severity of the error, that determine the restoration of the intended objective (trust). Trust is a key component positively advocating for long-term relationships between consumers and businesses. Website errors present negative trust establishments especially in banking (Komunda & Osarenkhoe, 2012). Trust is sometimes founded on high quality service recovery processes which grow into stronger and more commitment based ties.

6.2.2 Objectives of the Study

Research objectives can be primary and secondary in nature. Primary objectives are the aim of the research problem, while secondary objectives are supporting questions to answering the main problem.

6.2.2.1 Primary objectives

The primary objective of this study is to measure physical service recovery in terms of contact and empathy and politeness. Moreover, online service recovery was measured using website interface and responsiveness.

6.2.2.2 Secondary objectives

- Ascertain the impacts of contact, empathy and politeness in physical service recovery to retain relationships with clients.
- Ascertain the impacts of contact, empathy and politeness in physical service recovery to gain trust between service providers and clients.
- Ascertain the impacts of responsiveness and website interface in online service recovery to retain relationships with clients.
- Ascertain the impacts of responsiveness and website interface in online service recovery to gain consumer trust online.

6.2.3 Summary of Methodology

Research methodology sums up the undertakings associated with response to a problem. Research problems are defined differently with some requiring the use of both secondary and primary methods to tackle them successfully. On this note, both research methods were used for this study to respond to the comparability of service recovery in the banking industry both online and offline in South Africa.

Two research philosophies have been identified as positivism and interpretivism; current research following the former (Malhotra & Birks, 2007). Positivism has been shown to stipulate the objective approach to reality by the researcher while ensuring distance with the subjects. This method was adopted for this study as the goals were constrained to positivistic definitions. Interpretivism, on the other hand, has been identified as a subjective approach to reality where the researcher is required to be immersed in the way of life of the subjects to bring out new discoveries more accurately (Babbie & Mouton, 2015). Positivism philosophies are building blocks and foundation of quantitative methodologies, and interpretivism leads to the selection of qualitative research approaches and methodologies.

Quantitative research ensures the formulation of designs aligned with such and often uses descriptive research designs that are structured and directed to answer an identified marketing research problem (Hair et al., 2009). Conversely, qualitative research applies exploratory research designs that require less structured planning prior to conduction as shown in Chapter 4. Quantitative data collection employs surveys (mall intercepts, telephone, email, face-to-face) and observations. The latter employs projective techniques, in-depth interviews and focus groups via probing. Research scales were adapted for questionnaire design and data was collected from a sample of University of Fort Hare students for primary data collection objective. For this study objectives, the researcher employed convenience sampling amongst the university of Fort Hare students and conducted a survey with adapted scales from reliable sales.

Data was prepared through the elimination of missing responses, coding and processing using LISREL. Analysis was done to test for reliability and validity of the model. Validity was also prescribed to follow exploratory factor analysis using the Kaiser-Meyer-Olkin measure (Field, 2012). The researcher tested the descriptive aspect of the data such as gender, age, type of bank used and normality of data. Reliability and validity was tested and research scales proved valid and reliable. Furthermore, SEM was tested to establish relationships and their strength thereof between variables. This was established through path co-efficient values. Fit indices were also used to test model fitness and the model fitness was achieved. Four of the tested hypotheses were rejected and the other four could not be rejected.

6.3 CONCLUSIONS AND RECOMMENDATIONS FOR SECONDARY OBJECTIVES

Conclusions have been presented for each service recovery method variables and presented with recommendations thereafter.

6.3.1 Physical Service Recovery Secondary Objective

To ascertain the impacts of contact, empathy and politeness in physical service recovery to retain relationships and gain trust with clients.

The physical service recovery constructs consisted of contact and empathy and politeness.

6.3.1.1 Conclusions for physical service recovery

Service failures in banking under the offline method have been noted as long queues, malfunctioning ATMs, and wrong statements printout (Hussien & Aziz, 2013). Contact, empathy (pure-hearted understanding) and politeness form a basis for assessing the strength of offline methods in service recovery antecedents. Moreover, these three factors are inclusive of apology, attentiveness, credibility, demonstration, explanation, compensation, admittance of responsibility by the organisation, courtesy and attribution (Awa *et al.*, 2013). The sub-factors stated have been tested in different parameters on their impacts in service recovery situations, although none was contrasted with online service recovery in banking (Duffy *et al.*, 2006). Neale and Murphy (2007) further emphasise the importance of contact, empathy and politeness in service recovery. Contact has, however, been expanded in some cases to online service recovery.

6.3.1.2 Recommendations for physical service recovery

- Intense training of employees responsible for service recovery execution. Bearing in mind the observed significance of physical service recovery in banking, it is essential to ensure that employees are trained and retrained to be able to address service errors. Results indicated that empathy and politeness imposed the greatest influence on trust and relationship retention amongst the four banks. Empathy and politeness revealed the highest path co-efficient of .322 with trust showing its essence in trust development situations based on the high significance level attained with a p-Value of 0.0001. Empathy and politeness are interactional justice elements, hence the need to ensure continuous training to ensure that employees improve their conduct towards clients. For contact, the path co-efficient was second highest with a value of .278 with trust and was significant at 0.0001 significance level. These results indicate the need for highly trained employees who deal with clients.
- Draw up post service recovery strategies directed to internal staff and clients. After an execution of a service recovery process, employees require briefing on how to address similar cases in the future, while contact should be kept with the victimised client to

ensure that they have been satisfied with the second attempt to enhance relationships and trust. As shown by the study results with contact and empathy and politeness having the greatest influence on trust and relationship retention under physical service recovery, strong focus should be directed to employees who will influence customer retention and trust.

- Encourage consistency and transparency. Ensure that different employees attend to the same problem for different clients fairly and similarly. As depicted by the results, physical service recovery has a greater influence on retaining clients, consistency is key. Thus, different employees attending to the same clients with similar problems should not provide conflicting solutions that may confuse the clients.
- Implement working customer support services by drawing up a service failures list that specifies service errors and service recovery strategies used for clients which will assist the business in taking action against continuous similar problems. Post service recovery assessments should be initiated to evaluate the trends of successful recovery strategies.
- Create a customer suggestion panel that enables them to contribute their expected type of service recovery under a number of stated frequent service failures and continuous improvement is encouraged through research.
- Always have a live person available to interact with the affected clients based on the results of interactional justice. Results indicate the high need for interactional justice to facilitate the growth of trust and relationship retention.
- Encourage employees to show genuine and sincere interest when addressing service errors with clients as communication holds key to keeping or losing the client. Interactional justice is important in enforcing trust and relationship retention platforms.
- Ensure that correct bank addresses are available all the time for customer ease of access during service errors occurrence. Other possible communication platforms should be available to cut customer costs in cases where nearest a branch is not as close.
- Employees should exercise maximum courteousness and never be too busy when attending to customer complaints as customers may be reactional and relationship retention growth be impeded.
- Clients further require quality treatment such as politeness and kindness with maximum understanding when raising complaints.

- Time factor is of essence and employees should stipulate when, how and the projected time the recovery process will take. Lack of clarity induces further dissatisfaction despite the ability to recover the service successfully.

6.3.2 Online Service Recovery Secondary Objective

To ascertain the impacts of responsiveness and website interface in online service recovery to retain relationships and gain trust with clients.

Online service recovery objectives focused on responsiveness and website interface in relationship building.

6.3.2.1 Conclusion of the online service recovery objectives

Neale and Murphy (2007) state that responsiveness plays a major role in ensuring repurchase intentions which cool down to established relationships. A study conducted focusing on quick response to emails after the submission of a complaint resulted in 82% probability to repurchase unlike when the email delayed or was never responded (Awa, et al, 2013). The significance of responsiveness and website interface in online service recovery moreover lies on the consumer culture and technical efficiency such that different consumers will view a quick response differently. Technical averse results in no difference as they take time to follow up on these online complaints.

The mediating role of technology and Internet acceptance in service delivery focuses on responsiveness as part of the merits of its adoption, hence this factor correlationally fits in the study while poses an insignificant impact in building relationships and trust (Chang & Chang, 2011). Responsiveness plays a major role in assessing the quality of a service by a provider but obscure impact in service recovery fails to change consumer attitudes. Thus, inexistence of responsiveness factors in service delivery leads to dissatisfaction while its existence fails to determine relationship establishment and trust. Somehow, consumers assume such a factor to be a prerequisite for established business models, thus its existence causes little difference. Compensation, contact, timeliness (depends on consumer's technical efficiency and attention to detail from the provider), fulfillment, reliability, privacy, security and website design are some of the components determining the success of online service recovery antecedents to enable customer satisfaction that drives the growth of lasting relationships and trust. A study done on service quality in Internet banking set ups revealed that websites are critical guides to

ensuring quicker and easier adoption of the method, therefore they are vital and should not be disregarded when strategising online service recovery ideas (Chong, et al, 2010)

6.3.2.2 Recommendations for online service recovery

- Activation of online representatives is critical for encouraging online service recovery processes as consumers are observed to have a high need of communicating with a live person when they experience faults.
- Personification of online recovery steps is also necessary, for example emails and applications that guide the consumer throughout the process, posing questions to check if the customer understands. These web-based applications with empathetic, apologetic and explaining capability are likely to replace the need for people to solve errors.
- Migrating company websites to social media since consumers respond well in social networks.
- Businesses should realise the importance of human presence in problem solution, thus systems should not be designed in ways that result in them being completely technological without human assistance.
- Convenient options on the bank sites should be designed for the ability to reverse online errors, thereby curbing service failure chances.
- Whenever a service error has been experienced, proper and secure navigation panes should pop up to assist users to recoup such.
- Notifications of a failure or success of a transaction should be timeously communicated to enhance user satisfaction.
- Websites are to remain up and available always and in cases of maintenance, such information should be promptly communicated in advance.
- Valid links that load quickly should be availed always for speed and cut on delays while enhancing user satisfaction for the online choice.
- The site should be easily navigable with minimum or zero out of reach links.

6.4 PRIMARY OBJECTIVE

Contrast the offline and online service recovery methods and the impacts thereof on relationship retention and trust.

The primary objective of the study was to establish the influence of physical service and online service recovery strategies on trust and relationship retention.

6.4.1 Conclusions and Recommendations for the Primary Objective

Physical service recovery has received greater acceptance based on the data analysis results with a high need for interaction with businesses face-to-face when a service error occurs. The power of apology and explaining while showing emotions when consumers report errors has led to its preference. Moreover, continued dependence on social networks has deemed company websites redundant as most popular brands have pages on social sites. Since the study focus was on the company websites outside social media context, it can be assumed that the need for real time problem rectification online exists but on a different panel as to the one under study. Responsiveness and website interface revealed significant correlations with relationship retention and trust signifying the relevance these two constructs have on service recovery. These factors further correlated with other dependent variables well showing that they are significant, but the panel of measurement of their impact needs attention. Conclusively, both offline and online variables play a significant role in the creation of relationships based on trust.

6.4.1.1 Recommendations for the primary objective

- Banks should focus on providing beyond satisfactory service responsible for creating strong ties with clients to reduce possible switching behaviour.
- Clients should be well taken care of after the old adage of the ‘customer is king’ principle for relationship enhancement.
- Banks should keep their laid out promises to cultivate feelings of trust from their clients.
- Being reliable is critical to create trust with clients, hence services should be relied on.
- The banking system is not trusted by clients, hence delivering quality services while successfully recouping failed services aids in the trust of this sector.
- Due to the physical service results obtained, it is essential to migrate its strengths to the online platforms.
- Online service recovery saves on time, infrastructure needs and financial resources such as salaries as people are replaced by technology.

6.5 CONTRIBUTIONS OF THE STUDY

The major contribution of this study is the ability to examine the influence of offline and online service recovery in banking which is an area that had never been done in the South African context. Observing technology and Internet adoption in business together with the national goals of 2030 contained in the South African National Development Plan, it is vital to measure the distance covered towards the accomplishment of this goal. Physical service recovery still

holds an upper hand when service errors occur, which depicts that more focus should be directed on strengthening online recovery methods for the development of completely digital transacting platforms. Internet banking has suffered from the social environment impacts that threaten its penetration with the upsurge in cybercrimes. Therefore, a need to improve online security is perceived to yield positive results for online service recovery method.

6.5.1 Proposed Strategies for Marketing and Bank Managers

Contact, empathy and politeness exhibited a strong significance in building consumer trust and relationship retention based on the results. Thus, the internet era should be adopted with these two factors in mind so as to survive the dynamic market. Social media has shown the potential of offering online contact and empathy and politeness capability and a high need to exploit these platforms is of essence. Marketing managers and bank managers should formulate strategies that focus on social media service recovery to keep up with the dynamic customer. Taking note of social media take off in South Africa, assumptions can be drawn that sustainable strategies should involve the social strata that has changed market power from businesses to consumers. Technological and Internet usage in South Africa has been observed to revolutionise many industries and the banking sector included. Therefore, the rejection of the four alternative hypotheses that focused on responsiveness and website interface should be further addressed to the social arena to affirm their importance.

6.6 LIMITATIONS OF THE STUDY

- This study focused on only two methods of banking which are not the case and further ignored the size of the niche that relies on Internet banking. Despite the reduced barriers in Internet connectivity, various methods of banking exist such as telephone and cellphone banking, with the latter having received much appreciation in the low income classes. Furthermore, the big four entered the low class market later than the competitors such as Capitec who had already dominated this market. The sampling of the University of Fort Hare students affirms this notion as the population was dominated by Capitec users.
- Focus was given to university students who are dependent on grants with little economically reasonable transactions that would require Internet services.
- The use of the student sample resulted in a limitation of the study as it was deemed not generalizable.

- The conception of Internet banking is observed to be for the elite who massively transfer and transact online as compared to the study subjects who performed online transactions sporadically. This then had an impact on the online service recovery results. Website interface results were also affected by the lack of clarity in whether the loading and accessibility problems emerged from the banks' sites or the respondents' Internet provider.

6.7 RECOMMENDATIONS FOR FUTURE RESEARCH

- Contact and empathy and politeness constructs may be extended to online channel in the banking industry and their impacts compared between offline and online in banking. This is necessary so as to benefit from online time efficiency necessary for the modern dynamic consumer.
- Assessment of responsiveness and website interface from social networking sites is critical. The rise in company brand fan pages and company profiles on social media sites requires the change of assessment platforms.
- The growth of competing brands like Capitec should be assessed as this bank emerged dominant amongst the sample showing its effect on the market share that the incumbents operate in.

6.8 FINAL CONCLUSIONS

Quality services offered and sophisticated problem solving techniques ardently enhance relations between parties, thus the consumer and the service provider (Komunda & Osarenkhoe, 2012). Due to the proliferation of virtual businesses, some consumers who have adopted such tend to respond differently to various service failures based on their adoption skills and the depth of the problem encountered (Cetinsoz, 2013). Therefore, the fewer online navigating skills possessors have, the greater the chances to fall back to the traditional methods while others happen to manage the problems online (Barrera et al., 2014). Adhering to the switch of powers between businesses and consumers and the significance of user trust in business operations, successful implementation of service recovery efforts aid to the retention of clients and gaining trust thereof.

The role of trust in the online trading environment is an inevitable context due to the replacement of facial interactions by machines which erased the significance of verbal communication. Trust is a key concept in customer relationship management. The banking

sector is especially affected by the concept of trust due to the increase in fraudulence activities and cybercrimes (Liebana-Cabanillas *et al.*, 2013). Trust and relationship retention in service recovery enhancement are interwoven in contact, empathy and politeness, responsiveness and website interface. Strict adherence to the stated factors will not just improve trustworthiness and growth of relations but will serve as a pool for effortless and costless marketing for the business through WOM and eWOM.

Descriptive data analysis results indicated a relevance of both methods in retaining relationships and gaining trust with clients. The measurement model, structural equation model and goodness of fit statistics showed that the model measured exactly what it was developed for. A true representation of the underlying theory was therefore also highlighted by the goodness of fit indices derived from the collected data. Of the eight hypotheses drawn up, four were accepted for physical service recovery and the other four rejected for online service recovery. However, correlation results showed the significance of all the factors when drawing up strategies for service recovery despite the online service recovery hypotheses rejection. Thus, conclusively, responsiveness and website interface hold a strong impact in the service recovery concept.

Marketing managers and bank managers are encouraged to formulate strategies that focus on social media service recovery to keep up with the dynamic consumer. Taking note of social media take off in South Africa, assumptions can be drawn that sustainable strategies should involve the social strata that has changed market power from businesses to consumers. Technological and Internet usage in South Africa has been observed to revolutionise many industries unexclusive of the banking sector. Therefore, the rejection of the four alternative hypotheses that focused on responsiveness and website interface should be further addressed to the social arena to affirm their importance.

Service recovery in banking is made up of scant evidence with comparison of offline and online methods that have never been studied in the South African context. This study sought to discuss service recovery amongst the major banks in South Africa and compare the offline and online methods to discover the one with the most impact. Based on data analysis results computed using a LISREL programme, physical service recovery emerged as the most preferred method.

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APPENDICES

APPENDIX ONE – ETHICAL CLEARANCE CERTIFICATE



University of Fort Hare
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ETHICAL CLEARANCE CERTIFICATE

Certificate Reference Number: VILI 01 SDUBOI

Project title:

The influence of physical service recovery and
online service recovery on trust and relationship
retention.

Nature of Project:

Masters

Principal Researcher: Langelihle Dube

Supervisor: Dr K Viljoen

On behalf of the University of Fort Hare's Research Ethics Committee (UREC) I hereby give ethical approval in respect of the undertakings contained in the abovementioned project and research instrument(s). Should any other instruments be used, these require separate authorization. The Researcher may therefore commence with the research as from the date of this certificate, using the reference number indicated above.

Please note that the UREC must be informed immediately of

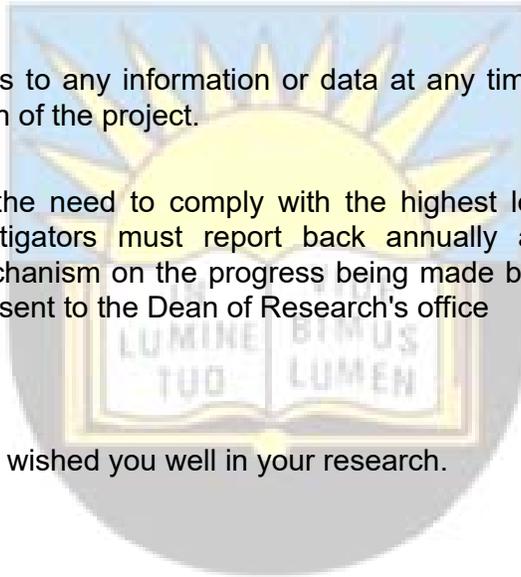
- Any material change in the conditions or undertakings mentioned in the document

- Any material breaches of ethical undertakings or events that impact upon the ethical conduct of the research

The Principal Researcher must report to the UREC in the prescribed format, where applicable, annually, and at the end of the project, in respect of ethical compliance.

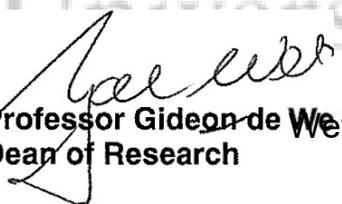
The UREC retains the right to

- Withdraw or amend this Ethical Clearance Certificate if o Any unethical principal or practices are revealed or suspected o Relevant information has been withheld or misrepresented o Regulatory changes of whatsoever nature so require o The conditions contained in the Certificate have not been adhered to
- Request access to any information or data at any time during the course or after completion of the project.
- In addition to the need to comply with the highest level of ethical conduct principle investigators must report back annually as an evaluation and monitoring mechanism on the progress being made by the research. Such a report must be sent to the Dean of Research's office



The Ethics Committee wished you well in your research.

Yours sincerely


Professor Gideon de Wet
Dean of Research

07 March 2016

APPENDIX TWO – QUESTIONNAIRE VERSION ONE



University of Fort Hare
Together in Excellence

University of Fort Hare - Department of Business Management

October 2015

Questionnaire: An investigation of physical versus online service recovery in the South African banking industry.

Dear Respondent

I am a master's business management student at the University of Fort Hare in East London and am currently conducting research on physical versus online service recovery in the South African banking industry. If you are either an FNB, Standard bank, Nedbank or ABSA user, it would be greatly appreciated if you could possibly complete the below questionnaire. All you need to do is indicate the correct answer in relation to the statement provided, for most of the questions you need to indicate with a cross how strongly you agree or disagree with the statement. Please try to be as honest as possible when answering the questions.

If you have any questions regarding this study please do not hesitate to contact my Supervisor, Dr Kim Viljoen (kviljoen@ufh.ac.za). I thank you for your contribution as this will assist me in finishing my master's degree.

Yours sincerely,

Ms Langelihle Dube

UFH Masters Business Management Student

1. What is your gender?

Male	
Female	

2. What is your age?

18 – 27	
28 – 37	
38 or older	

3. Which Bank do you bank with?

FNB	
Standard Bank	
Nedbank	
ABSA	

Statement number	Please put a cross in the appropriate block indicating whether you strongly disagree, disagree, neither agree nor disagree, agree or strongly agree with each of the following statements:	Strongly disagree	disagree	Neither agree nor disagree	Agree	Strongly agree
1	My bank's website provides me with convenient options to reverse error transactions.	1	2	3	4	5
2	My bank's website handles service errors well.	1	2	3	4	5
3	My bank's website offers meaningful security to me for performing online transactions.	1	2	3	4	5
4	My bank's website tells me what to do if my transaction is not successfully processed.	1	2	3	4	5
5	My bank's website deals with service related problems promptly.	1	2	3	4	5
6	My bank's website is always up and available.	1	2	3	4	5
7	My bank's website has valid links that I need to do my transactions.	1	2	3	4	5
8	My bank's website loads quickly.	1	2	3	4	5
9	My bank's website allows me to get on to it quickly.	1	2	3	4	5
10	My bank's website makes it easy and fast to get anywhere on the site	1	2	3	4	5
11	My bank provides its telephone number street address, e-mail and or fax number to reach it	1	2	3	4	5
12	My bank has customer services representatives who give a prompt service during the service recovery process.	1	2	3	4	5
13	My bank offers the ability to speak to someone showing sincere interest in solving customer or service problems	1	2	3	4	5
14	My bank's employees were courteous to me and are never too busy in responding to customers' complaints	1	2	3	4	5
15	I felt that I was treated well by my bank when I went in to complain about a problem	1	2	3	4	5
16	My bank's employees were polite to me when I went in to complain about a problem	1	2	3	4	5
17	The employees showed little kindness or understanding and provided accurate information during service recovery.	1	2	3	4	5
18	Employees seemed to be very concerned about my problem and told me exactly when the service recovery will be performed.	1	2	3	4	5
19	I take pleasure in being a customer of my bank.	1	2	3	4	5
20	My bank takes care of its customers.	1	2	3	4	5
21	There is a presence of reciprocity in my relationship with my bank.	1	2	3	4	5
22	I have feelings of trust toward my bank.	1	2	3	4	5
23	I believe that my bank can be relied on to keep promises.	1	2	3	4	5
24	I believe that the banking system is reliable.	1	2	3	4	5
25	I feel pretty negative about the banking system	1	2	3	4	5

APPENDIX THREE – QUESTIONNAIRE VERSION TWO



University of Fort Hare
Together in Excellence

UFH Department of Business Management

Masters Research Questionnaire May 2016

Physical versus online service recovery in the South African banking industry

Dear Respondent

I am a master's business management student at UFH and am currently conducting research on physical versus online service recovery in the SA banking industry. If you are either an FNB, Standard bank, Nedbank or ABSA user, it would be greatly appreciated if you could possibly complete the below questionnaire. Please understand that you are not being forced to take part in this study and the choice whether to participate or not is yours alone. However, we would really appreciate it if you do share your thoughts with us. If you choose not take part in answering these questions, you will not be affected in any way. If you agree to participate, you may stop at any time if you feel uncomfortable. If you do this there will also be no penalties and you will NOT be prejudiced in ANY way.

Confidentiality will be observed and in no way will your identity be revealed in this research. I will not be recording your name anywhere on the questionnaire and no one will be able to link you to the answers you give. The information will remain confidential and there will be no "come-backs" from the answers you give. We request that you please complete the page at the end of the questionnaire by simply affixing your signature and date; this indicates that you understand our confidentiality clause and that this research will not harm you in any way. Furthermore, by signing this page you are indicating that you were not pressurised into completing this questionnaire and you agreed without duress. This page will be kept separate from your questionnaire so that your identity is not revealed in relation to your answers.

With respect to the questionnaire, all you need to do is indicate the correct answer in relation to the statement provided, for most of the questions you need to indicate with a cross how strongly you agree or disagree with the statement. Please try to be as honest as possible when answering the questions. If you have any questions regarding this study please do not hesitate to my supervisor, Dr Kim Viljoen (kviljoen@ufh.ac.za) or myself (langadubs@gmail.com). Thank you very much for your contribution to my study.

Yours sincerely,
Ms Langelihle Dube

PLEASE CIRCLE THE CORRECT ANSWERS TO THE BELOW QUESTIONS:

Gender: Male Female

Age: 18 – 2728 – 3738 or older

Which bank do you bank with? Absa FNB Standard Nedbank

Statement number	Please put a cross in the appropriate block indicating whether you strongly disagree, disagree, neither agree nor disagree, agree or strongly agree with each of the following statements:	Strongly disagree	disagree	Neither agree nor disagree	Agree	Strongly agree
1	My bank provides me with convenient options to reverse online error transactions.	1	2	3	4	5
2	My bank handles online service errors well.	1	2	3	4	5
3	My bank offers meaningful security to me for performing online transactions.	1	2	3	4	5
4	My bank tells me what to do if my online transaction is not successfully processed.	1	2	3	4	5
5	My bank's website deals with online service related problems promptly.	1	2	3	4	5
6	My bank's website is always up and available.	1	2	3	4	5
7	My bank's website has valid links that I need to do my transactions.	1	2	3	4	5
8	My bank's website loads quickly.	1	2	3	4	5
9	My bank's website allows me to get on to it quickly.	1	2	3	4	5
10	My bank's website makes it easy and fast to get anywhere on the site	1	2	3	4	5
11	My bank provides a telephone number I can call when I have a problem	1	2	3	4	5
12	My bank has representatives available to help me when I have a problem	1	2	3	4	5
13	My bank allows me to make contact with a person when I have a problem	1	2	3	4	5
14	My bank has representatives who are always there to help me when I have a problem	1	2	3	4	5
15	I prefer going into my bank to see a representative when I have a problem	1	2	3	4	5
16	My bank's employees were courteous to me and are never too busy in responding to customers' complaints	1	2	3	4	5
17	I felt that I was treated well by my bank when I went in to complain about a problem	1	2	3	4	5
18	My bank's employees were polite to me when I went in to complain about a problem	1	2	3	4	5
19	The employees showed kindness or understanding and provided accurate information during service recovery.	1	2	3	4	5
20	Employees seemed to be very concerned about my problem and told me exactly when the service recovery will be performed.	1	2	3	4	5
21	I take pleasure in being a customer of my bank.	1	2	3	4	5
22	My bank takes care of its customers.	1	2	3	4	5
23	There is a presence of reciprocity in my relationship with my bank.	1	2	3	4	5
24	I have feelings of trust toward my bank.	1	2	3	4	5
25	I believe that my bank can be relied on to keep promises.	1	2	3	4	5
26	I believe that the banking system is reliable.	1	2	3	4	5
27	I feel pretty negative about the banking system	1	2	3	4	5

RESPONDENTS INFORMED CONSENT:

I hereby agree to participate in research regarding the comparison of offline versus online service recovery methods in the South African banking industry. I understand that I am participating freely and without being forced in any way to do so. I also understand that I can stop this interview at any point should I not want to continue and that this decision will not in any way affect me negatively.

I understand that this is a research project whose purpose is not necessarily to benefit me personally. I have received the contact details of a person to contact should I need to speak about any issues which may arise in this interview.

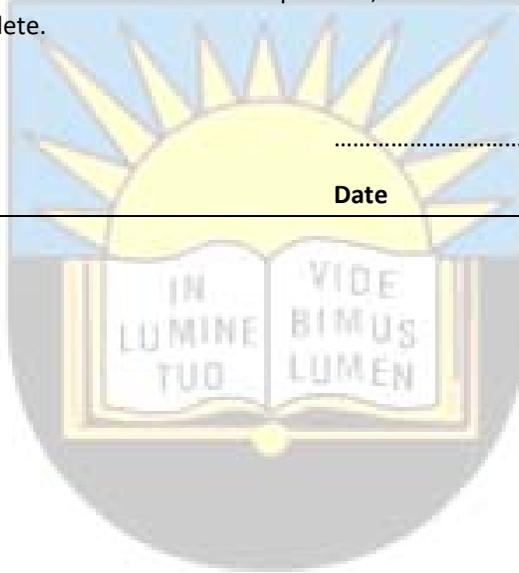
I understand that this consent form will not be linked to the questionnaire, and that my answers will remain confidential. I also understand that if at all possible, feedback will be given to me if I so wish once the research is complete.

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Signature of respondent

.....

Date



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