ASSESSING RELATIONSHIP MANAGEMENT IN MEEG BANK IN EAST LONDON

By

Ntsunguzi Carol Ntombemhlophe

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Promoter / Supervisor: Dr Margie Cullen (NMMU)
DECLARATION

“I, Carol Ntombemhlophe Ntsunguzi, declare that:

• This work has not been previously accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

• This dissertation is being submitted in partial fulfillment of the requirements for the degree of Masters in Business Administration.

• The dissertation is the result of my independent work/investigation, except where otherwise stated. Other sources are acknowledged by referencing and a reference list is attached.

• I hereby give consent for my dissertation, if accepted, to be available for photocopying and for loan, and for the title and summary to be made available to outside organisations.”

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Date: December 2009
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ABSTRACT

Quality of service becomes the main avenue that could be used to gain sustainable competitive advantage. This is due to the fact that the environment within which organisations operate continues to change with respect to customer expectations. The financial sector, in particular the banking industry is not left behind and players in this industry also strive to “up their game” in the competitive market-place. It has become increasingly important for organisations to find ways, not only to reach the top, but to maintain on-going long-term relationship with their customers. This can result in long-term benefits, both for the organisation (by improving marketing productivity) and for the customer (by delivering better quality products). This paper assesses the perception the Business clients/ customers within a business banking environment have about relationship management by Meeg bank in East London branch town of Eastern Cape.

A literature survey was undertaken into the importance of Customer Relationship by bank. Questionnaires were sent to all employees of the business clients for their views on Customer Relationship Management (CRM). The result the show importance of the commitment of all employees’ especially senior management is essential for the success of CRM efforts in improving the quality of service offered by an organisation.

The research also confirmed the importance of having wide range of options in form of products offered. This will not only benefit the bank in terms of higher profits, but will give the bank the competitive advantage in the market place.
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CHAPTER 1
INTRODUCTION AND PROBLEM STATEMENT

1.0 INTRODUCTION

Twenty years ago, relatively few people in South Africa had bank accounts, and those who did were made to feel they were privileged. (Berndt, Herbst & Roux, 2004). A visit to the bank manager could be intimidating experience (Berndt et al, 2004). The banks have thus dealt with their customers in a paternalistic manner, which resulted in a ‘bank-knows-best’ approach (Berndt et al, 2004). The Banking industry in South Africa has taken strides to change this over the past 20 years. The South African financial services sector consists of four major dominate players, Nedbank, FNB, Standard bank and Absa (Ackermann, & van Ravesteyn, 2007). These banks compete for clients using the same products, almost similar pricing models, market segments as well as competition from international banks that have identified the profit potential in South Africa. Quality of service becomes the main avenue that could be used to gain sustainable competitive advantage. Thus banks are on the leading edge when it comes to developing new avenues to better and improve the ways they service their customers. The foregoing shows that for banks to remain viable, operating models with high customer focus and world class processes need to be implemented (Ndlovu, 2009).

Sustainable survival of any organisation starts with good strategy formulation. An organisation may have a sound strategic plan, but the next logical step is to deploy the plan by integrating it into the operation with a focus on customers. ABSA Group’s chief executive, Steve Booysens cited in Abacus, 2008 introduced a customer service charter, emphasizing the need for all employees to work as a team that puts the customer at the centre of everything the bank does. According to him this would lead to the delivery of service that is effortless, consistent, and seamless and errors free (Abacus January, February and March 2008).
Almost all business interactions are conceived as relationships between the firm and the customer; maintaining this long-term relationship is the true indicator of the firm’s success. However, in most business situations, it is not common to see a long-term relationship between service provider and the customer (Kandampully, 1998). Gummesson (1999), states that relationships require at least two parties, who are in contact with each other.

Gronroos (2000) argues that a relationship is by and large related to an attitude and, from the organisation’s viewpoint, a relationship can develop only when all, or at least, most important customer contacts and interactions are relationship-oriented. Therefore, organisations should create interaction and communication processes that facilitate a relationship.

In this research the focus on management of customer relationships would feature prominently as the writer seeks to establish the main challenges facing these business clients specifically in Meag bank in the East London town of the Eastern Cape.

It is essential from the onset, to briefly explore the historical background that led to the investigations. Business clients in all banks are allocated a Relationship Manager (Business Banker). The Relationship manager together with a Business Analyst (Operational Banker) are responsible for looking after the clients needs, build and nurturing a relationship with the client. The researcher has worked for a number of banks in the Business Banking section, which focus on providing financial facilities requested by small to medium businesses and developing relationships with clients for the past six years and has observed, a noticeable trend with some businesses. A number of businesses “move” their accounts from other institutions to develop a new relationship with the bank only to find that they never really “moved” their accounts, but are keeping the relationship with both competitive banks. Some of these business clients would keep these relationships for quite some time (sometimes for six or more months) before
really ending their relationship with the competitor, while some would close down their accounts and move to the next competitor.

The writer is therefore going to investigate the factors that led to the end of these relationships and try to find out what sustains the existing strong relationships (the strategies used by the banks that continue to flourish). Research of this nature will not only benefit the business people, but the banks by improving profitability and decrease costs of acquisition, as service offering by banks will be improved and this will create a competitive advantage of which other service providers will soon imitate.

1.1 RESEARCH PROBLEM QUESTION AND SUB-PROBLEMS / FOCI
1.1.1. Research Problem Question

Assessing the perception the Business clients/ customers within a business banking environment have about relationship management by Meeg bank in East London branch town of Eastern Cape has been.

1.1.2. Sub-foci
In order to develop a strategy to conduct this research in a systematic manner, a number of sub-problems were highlighted to enable the researcher to find an appropriate solution to the main problem.

   i. What challenges are currently being faced by Businesses clients towards Meeg bank in East London?
   ii. What is currently being done to assist in minimising the challenges faced by these business clients?
   iii. What current strategies are available to address similar situations that are being followed by the Meeg bank to retain business clients?
What needs to be done to enhance the effectiveness of the relationship maintenance on customer service at Meeg bank business unit?

1.2 PURPOSE OF THE RESEARCH

Research of this nature is vital and a critical issue, which will enable the researcher to investigate possible ways to assist business clients to maintain relationships with their bank and for the bank to develop successful relationship based on trust, commitment, social bonding, promise fulfillment and customer satisfaction. This will ensure business’s sustainability and growth for businesses, banks and the community itself and attempt to seek answers to questions that will add to existing body of knowledge and improve the competitive environment.

1.3 DELIMITATION OF THE STUDY – SCOPE / PARAMETERS

The research will mainly be focussed on Meeg bank business clients, the bank’s current policies, and the employees of the East London branch business unit.

1.4 ASSUMPTIONS

The key assumptions are that the literature study combined with the results of the empirical study will result in assist minimising if not curtail the closing down of business accounts with the bank and even total closure of businesses. This method of continuous improvement will then become part of the organisation strategy, which will result in retaining of business clients and overall growth for the bank.
1.5 OBJECTIVES OF THE RESEARCH STUDY

The objectives of this study are as follows:

i. To determine the possible factors that lead to clients not keeping relationships with the bank;

ii. To enhance the sustainability and growth of these businesses;

iii. To establish ways or strategies of preventing the closure of business accounts / move of these accounts to other banks; and

iv. To utilise the survival strategies of other “committed businesses” as preventative measures for closing of business accounts.

1.6 RESEARCH DESIGN

1.6.1 Methodology

The nature of the research will follow a qualitative approach; although quantitative will be used upon data analysis. An action research methodology will be used. The reasons for this preference are discussed below as pointed out is supported very well by the statement by Collis & Hussey, 2003:67 “Action research is a type of applied research designed to find an effective way of bringing about a conscious change in a partly controlled environment”. They further state that the main aim of action research is to enter into a situation, attempt to bring about change and to monitor the results. One of the characteristics of the action research as stated by Gummeson (1999), is that action research is primarily applicable to the understanding and planning of change in social systems and thus is a suitable research and consulting strategy for business organisations.
1.6.2 Data collection tools and techniques

The following will be used:-
Structured interviews, questionnaires and policy documents will be analysed. The latter will only be utilised upon getting written contract / approval with those involved for ethical purposes.

The proposed research study will be targeted at an aggregate, i.e. a collection of undifferentiated individuals and bodies comprising players in the small / medium business financing interventions and entrepreneurship. These will include enterprise / business owners, management as well as other employees of banks.

- The use of interviews allows the researcher to gain rich insights into issues, which are normally not amenable to questionnaires. Unstructured interviews enable people to tell real life situations and observations; and
- Personal contact enables long-term relationships to be maintained and observation of quality management over a period of time.

1.6.3 Data analysis

The portfolio of currently managed at the East London Meeg bank consists of 120 business clients. A sampling frame of 40 business clients will be drawn.

A full-scale questionnaire will be used. Saunders, Lewis and Thornhill (2000) suggest that organisation of data is more manageable when fewer people are involved. This sample size will ensure that enough questionnaires would be available for both qualitative and quantitative analysis, as well as for reliability and validity purposes.

A combination of the coding processes will be utilised, that is open coding, axial and selective coding to analyse data.
1.7 DEFINITIONS OF CONCEPTS

1.7.1 Relationship marketing

The terms ‘relationship marketing’ and ‘customer relationship management’ are often used interchangeably. Relationship marketing (RM) is used to describe the philosophy and orientation towards customer retention, which takes place at top management (Christopher, Payne & Ballantyne 2002), or the relationship networks and interactions developed by organisations (Gummesson 2002).

1.7.2 Commitment

Various researchers have elaborated upon the dependence of commitment on a successful relationship. Egan (2000, 2001) suggests that commitment is central to relationship marketing. Conway and Swift (2000) feel that the level of commitment a partner feels towards that relationship is of great importance in developing relationships. Hocutt (1998) views commitment as “an intention to continue a course of action or activity or the desire to maintain a relationship”. This is often indicated by an ongoing “investment’ into activities which are expected to maintain the relationship (Blois, 1998).

1.7.3 Turn around time

This has to do with the waiting time from the moment a client requests a service to the moment he/she gets same (Abacus, 2007). Turnaround time is of utmost as time is money and clients don’t like being kept waiting.
1.7.4 Business Unit

The selected department is one of the business units of Absa Corporate and Business Banking in South Africa.

1.7.5 Facilities

Facilities consist of loans, overdrafts, commercial properties, and installment sale for assets finance offered by banks to clients.

1.8 PRELIMINARY LITERATURE STUDY

The literature study will focus on major elements impacting on customer relationship development and maintenances *vis*:  
- Customer relationship management (CRM);
- The effects of service loyalty and how it enhances services promotion through word of mouth; and
- Responsibility by banks and financial institutions

A variety of studies find that higher levels of customer satisfaction lead to greater customer loyalty (Anderson and Sullivan 1993). According to Kandampully (1998), customers have a greater need to maintain a relationship with the service firm because of the unique features inherent in services, namely intangibility, inseparability of production and consumption, heterogeneity and perishability. The customer’s desire for a relationship is, thus founded on the tacit understanding that this will proffer a guarantee of service reliability and fulfils not only the customer’s present but also his / her future needs. Thus, it is apparent that customers cannot “try out” services, they
purchase a service prior to experiencing it and must trust the firm to deliver the perceived service promise (Berry and Parasuraman, 1992). Once customers receive confirmation that trust is warranted, they desire and seek to maintain that relationship loyalty.

Organisations seek benefits in order to develop a relationship with their customers, so that they will be able to create a competitive advantage. It is also the same for the customers, who seek a benefit to start a relationship and respond with their loyalty. The end user clearly enjoys a better service and a higher value. It appears that better customer relationship is advantageous for both the customer and the organisation and, for most companies, building strong relationships in an era of intense competition represents a significant challenge (Rashid, 2003).

The impression from a survey of small business owners by Binks, Ennew, and Reed, (1992), is that bank charges are too high and that the collateral required covering loans is excessive. A number of authors (Wynant and Hatch, 1990; Keasey and Watson, 1993) report that many of these problems are exacerbated by the fact that the majority of small business owners do not fully understand the bank’s situation. It is also the case that many small business owners do not understand the way in which banks evaluate loan applications and what they expect from their small business customers in return for the provision of small business finance. This tends to be the result of confusing terminology used by the banks, a general lack of financial skills, over-optimism among many small business owners and poor communication between the two parties (Wynant and Hatch, 1990).

The literature review has demonstrated that there is a vast array of literature on customer relationship development and management.
Further, the literature study has shown that the research problem is a business management problem, which requires some insights. The research is necessary in order to establish ways to enhance small and medium business’s growth and sustainability.

1.9 OUTLINE OF CHAPTERS

The research paper is arranged as follows:

- Chapter 1: Introduction and problem statement
- Chapter 2: Discussion of Banking industry in South Africa
- Chapter 3: Literature Review
- Chapter 4: Research Design and Methodology
- Chapter 5: Analysis and interpretation of data
- Chapter 6: Conclusion and recommendations

1.10 Summary

In this chapter, the researcher discussed the importance of the research, the main problem and subsequent sub-problems as well as the broad outline of the research. The significance of the research was explained and some key concepts were defined. In Chapter 2, the researcher will discuss the general banking environment in South Africa which provides the context and environment for this research.
CHAPTER 2
BANKING INDUSTRY IN SOUTH AFRICA

2. Introduction

In chapter 1 the researcher defined the research problem, statements of sub problem, explained the importance of the research and defined key concepts. In chapter 2, the researcher will discuss the general banking environment in which context this research will be conducted. Also the importance of Customer Retention by banks will be highlighted.

2.1 Background on South African banking industry

The historical origins of banking in South Africa involved the creation of banks which were exclusively focused on meeting the needs of the farming community for bank credits (Gidlow, 2008). This led into the establishment of the then two government backed banks in the 17th century. The banking industry has since then changed rapidly and so has South Africa which no longer focuses on farming community alone for bank credits. The industry then developed into building societies which mainly focused on offering building loans / home ownership, insurance companies focusing on risk covering products, trust banks and commercial banks that focused on savings products. These days the industry has changed dramatically with banks now incorporating a wide range of products under one roof. These include changes in products offerings, customer segmentations, distribution channels, processes, corporate structures, just to name a few. These changes in the South African banking industry over the past decades have established a banking system which is relatively well developed, with excellent regulatory, legal and accounting infrastructures (Kemp, 2002).

The South African banking industry is composed of monetary authority, locally controlled banks, foreign controlled banks and branches of foreign banks, mutual banks, savings and credit co-operatives (SACCOs) and other bank related
organisations. There were 39 registered banks and 15 local branches of foreign banks at end of 2001, but by the end of 2003 this had fallen to 23 and 15 respectively (Gidlow, 2008).

The banking industry, like any other industry, is changing all the time and there is no room for institutions that are not keen to keep up with the ever-changing times market demands. Stovin-Bradford (2008) added to this by saying that, financial institutions find themselves operating in an unstable macro economic environment characterised by rising inflation, the unstable rand, rising crude oil prices and escalating food prices and the potential hike in Eskom tariffs. Inflation is currently above the South African Reserve bank’s (SARB’s) upper ceiling of six percent. Operating in such an environment has seen the banking industry experience an unprecedented degree of change to keep bad debts and costs under control (Stovin-Bradford, 2008). Changes in management, processes, customer expectations and competitive behaviour are evident and no bank can afford to rest on its laurels (Bennett, 2002).

2.2 Major role players in South African banks

According to Gidlow, (2008) although there were 22 commercial banks operating in South Africa in 2005, the local banking system rested on four pillars in the sense that the four major banks, namely Absa bank, First National Bank, Standard and Nedcor dominated the commercial banking sector in the country. These four banks accounted for around 83 percent of commercial bank deposits in South Africa and if one includes Investec bank, then 89 percent of the banking sector’s total assets of R1,7 trillion at August 2006 were concentrated among South Africa’s big five banks. According to a survey conducted by PricewaterhouseCoopers in 2007, as at the end of March 2007 the five largest banks held approximately 90 percent, the foreign banks eight percent and the other local banks two percent of the South African banking assets. The survey further indicated that the big four banks had 17 046 ATMs in 2007 and this
number is expected to grow by 14 percent to 19,486 by year 2010. It further indicated that the dominant market share of the big four banks makes it difficult for foreign banks. At the end of December 2007, Absa had assets of R641 billion, 892 points of presence, nine million customers, 7,687 automated teller machines and 36,893 permanent employees. Standard bank had 746 branches in the same year, and a much better asset base of over R756 billion. Nedbank managed to reach total assets of R563 billion at 30 September 2008 (http://www.finscope.co.za;2009).

These banks are involved in virtually every monetary transaction in the country. These range from cheque processing, cash withdrawals, handling of credit and debit cards transactions, segmenting their clients according to private banking for up market clients, business banking, to name just a few and offering facilities like home loan, commercial property finance (CPF), overdraft facilities, Term loans and asset financing, electronic transfer of funds and cellphone banking.

The banking sector is one of the most highly competitive and dynamic industries, according to Absa bank’s customer experience manager, Ina Steyn (2008). Banks compete against each other and even other non banking institutions that offer what are traditionally considered banking products like credit cards and loans. For example companies like RCS Financial Services, Woolworths, Real people, Virgin Money, MTN Money, Wizzit and Vodacom, to name just a few, compete with banks by offering credit cards. Absa was the first South African bank to introduce Cellphone banking service (http://www.thetimes.co.za/Business/Business;2009). There are now 1.7 million logons to Absa’s Cellphone Banking services each month, while FNB Cellphone Banking is now recording 3.5 million transactions per month (http://mybroadband.co.za/news/Cellular/6337.html;2009). FNB further makes the product more attractive to users as they pay no subscription fees, but account transactions fees apply.

Services offered by banks are virtually the same and even if one bank comes up with a new product, it can be easily copied by others. For instance FNB has the “in contact” (http://www.fnb.co.za;2009) whilst Absa has the “Notify me”
This is just one product with different names. What banks generally offer are very similar products disguised under different names. For instance, one bank would say it offers a cheque account whilst another would say it offers current account. This is essentially one product in terms of its functions.

Bennett and Durkin (2002) argue that service companies like banks are known for lack of innovation legacy. They argue that banks have been known for being bureaucratic and making their money by staying in business through controlling risk, procedures and processes, not by innovation. The two further state that this trend has changed and the banking players have realised the importance of being innovative in the face of competition in the industry (Ndlovu, 2009). An example of such an innovation is displayed by Nedbank who have recently introduced a product by offering a service of registering and buying (over the counter) a business entity (company or close corporation) outside of the banking arena at a very reasonable fee as confirmed by a banker (Mkize, 2009) at Mthatha branch. This initiative is very thoughtful as it allows the majority of clients a one-stop shop.

Standard bank was the first of banks in the world to enable the online transfer of funds from mortgage bonds, using client’s homes as collateral. The bank was also one of the first two in the world to link mainframe computers in disparate sites, allowing customers nationwide access to their cheque accounts (http://www.southafrica.info/pls/procs/iac;2009).

The article further states that Absa was the first institution in the world to use IMS Fastpath, simplifying banking transactions and processing a record number of transactions per second. Following this, Absa was among the first three institutions in the world to run an IBM Sysplex using Fastpath (http://www.southafrica.info/pls/procs/iac; 2009).

Banks also serve the community in terms of social responsibility. Standard bank is involved in a number of corporate social responsibility activities ranging from sport (South African cricket) and arts sponsorship and has a highly regarded art gallery to its Mindset which it partners with the Liberty and Nelson Mandela
foundations. Standard bank also provides educational bursaries for previously disadvantaged individuals and other various joint projects with the national Department of Education and other partners (http://www.mg.co.za/article/2009). Absa’s projects and focus areas when it comes to corporate social responsibility are the education, entrepreneurship, health, employee community involvement, group wide community initiatives, environment and heritage, arts and culture and is explained in detail on Absa – CSI (http://www.absa.co.za;2009). Absa has stadiums in a few cities of South Africa. FNB and Nedbank are not lagging behind either and are involved in some corporate social responsibility activities with sport being one of the activities.

Quality of service becomes the main avenue that could be used to gain sustainable competitive advantage. Thus banks are on the leading edge when it comes to developing new avenues to better and improve the ways they service their customers (Ndlovu, 2009). For instance Absa site caption is “Enhanced customer service is our aim” (http://www.absa.co.za;2009). Standard bank’s mission is “To be the best financial services group in Africa with the most satisfied customers” (http://www.standardbank.co.za;2009). FNB has a websites “How can we help you”, (http://www.howcanwehelpyou.co.za/;2009) to help consumers navigate their financial world in a language that they understand.

This shows that there is indeed acknowledgement of the fact that customers are the key to the business success. The question remains then if this is the case why then do customers complain from time to time about the service they get?

Focus on client retention has increased considerably as banks are trying to make it difficult for clients to leave, through product penetration which increases switching costs. Increased rivalry amongst competitors is however, welcome as customers continue to benefit from product enhancements and constant focus on service levels (Nkonki, 2001).
Like any industry, banking has its perils. An article by Lauren Cohen (http://www.iol.co.za/general/news/newsprint.php?art_id;2009) states that South Africans are encouraged to deposit their money in banks, but they are seeing their hard-earned cash swallowed up by spiraling bank charges, while most overseas banks provide banking transactions for free. A quick survey revealed the following as at 29 April 2009:

Table 1. Comparison of Bank transaction between Absa, FNB and Standard Bank

<table>
<thead>
<tr>
<th>Transactions detail</th>
<th>Absa</th>
<th>FNB</th>
<th>Standard Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withdrawing R500 at an ATM costs</td>
<td>R6,50</td>
<td>R6,75</td>
<td>R7,30</td>
</tr>
<tr>
<td>Depositing money R500 at an ATM costs</td>
<td>1% of deposit value = R5</td>
<td>R2 + 0,95 of the value of deposit = R6,75</td>
<td>R7,30</td>
</tr>
</tbody>
</table>


According to South Africa's Banking Council, bank charges are based on many factors such as the inflation rate, interest rate, government bonds and the level of risk of operating.

Cohen, (2009) quoted a former FNB regional general manager Talbot Cox 2009 who said, “Volume-based banking needs highly sophisticated computer systems in which South Africa is a world leader, so it is difficult to justify why banking costs are not comparable when just a few years ago we were at the forefront of delivery”. One suggestion was that South African banks had too many branches which need machines and staff, making their underlying cost structure so much
higher. A good comparison would be between the number of branches a bank has and how many people they serve (Cohen, 2009).

2.3 **Regional Banks and other small banks**

There are a quite a number of regional small banks in South Africa. Almost all of them target specific niche markets such as asset finance for medical professionals only, (MLS Bank), there is a Science and Technology bank, micro lending banks like African Bank, Capitec bank and Real People, several private banks like reagal Treasury, local ethnic and regional banks like Ons Eerste Volksbank and Meeg bank.

Small banks are often closely held with no publicly traded equity or debt, with the principal owner also serving as the president. This makes it easier to resolve contracting issues between the small business and the loan officers and between loan officers and the bank, making it easier to make relationship loans (Berger, 2002).

Most merchant and investment banks like Merrill-Lynch, ING Bank are grouped as small banks due to the fact that their businesses do not require huge advances book. Other banks are Export and Import Bank of India, American Express and discount houses like Sasfin Bank. They offer a very limited range of products some of which are highly specialised, like the Science and Technology bank, due to their strong focus and often their size of operation ([http://www.finforum.co.za/banks_south_africa;2009](http://www.finforum.co.za/banks_south_africa;2009)).

Out of the small banks it is only Meeg bank, SA Bank of Athens and Mercantile bank that offer a full range of retail and commercial banking products and services and also have a clearing status. These three banks compete with the five major banks on all their products.
Meeg bank, initially an acronym for Midland Economic Equity Group has been a consortium which has been led by Prof WL Nkuhlu based in the Eastern Cape Province with one branch in Johannesburg until recently. At the beginning of 1998 it acquired a 34.9 percent stake in Bank of Transkei Limited. Until recently the shareholders were as follows:-

Meeg bank Holding Company Limited, individual shareholders, Eastern Cape Government and Absa Bank, this was before Meeg bank failed to meet financial requirements as per Basel II. Absa stepped in and bailed Meeg bank out and put its proposals/ intentions to the shareholders of acquiring all the shares to become the hundred percent shareholder. The acquisition of Meeg bank by Absa is in process with final input from the Minister of Finance, Trevor Manuel still outstanding. Meeg bank is however, continuing with business as usual with full focus on maintaining customer relationships and customer retention, compliance and growing the bank’s clientele. Meeg bank offers a wide range of products for all its market segments such as, traditional products like the savings account for the mass market to high tech services like internet and telephone banking. For its primary market and other medium size corporate market the bank offers overdrafts, personal loans, term loans residential homes and commercial properties, instalment sales, financial leases, credit cards and business credit cards (Nkonki, 2001).

According to Nkonki (2001), big banks generally perform better than small banks. This is largely due to the fact that big banks are listed companies, and are therefore extremely conscious about their consistent performance which affects their share price and individual ratings. However, small banks are gradually gaining market share as the big banks are seen to be too big to listen to their small customers.
2.4 Importance of Customer Retention by Banks

For banks that compete for clients using the same products like cheque account by Absa and current account by FNB, almost similar pricing models, same market segments (private bank for upmarket clients and commercial banking) as well as competition from international banks that have identified the profit potential in South Africa, quality of service becomes the main avenue that could be used to gain sustainable competitive advantage.

Banks or any business that does not pursue superior customer satisfaction risks having its profits adversely affected by the costs of lost customers, lost opportunity revenue, customer replacement costs and customer recovery costs (Bennett, 1992).

According to Bennett (2002), poor customer service leads to the following costs:

- Costs of lost customers – who will leave because of their perceptions of inadequate performance by the bank

\[
\begin{align*}
A & = \text{Annual revenue} \\
B & = \text{Total number of customers (*)} \\
C & = \text{Percent (%)}\text{ of dissatisfied customers} \\
D & = \text{Number of dissatisfied customers } (B \times C) \\
E & = \text{Percentage (%)}\text{ of dissatisfied customers apt to switch} \\
F & = \text{Number of dissatisfied customers who switch } (D \times E) \\
G & = \text{Annual revenue per customer } (A/B) \\
H & = \text{Revenue lost through poor service } (F \times G)
\end{align*}
\]

Lost opportunity revenue – because of the negative word of mouth from dissatisfied customers, the bank will not get some new customers it would have attracted.
Customer replacement costs - If the bank is to retain its market share, it must replace the customers it looses. However, it costs six times as much to get a new customer than it does to keep an old one.

Customer recovery costs - additional costs are incurred in the quest to keep dissatisfied customers. For example, the costs of redoing things not done right the first time, time spent on apologizing and waiving fees.

Total costs of poor customer satisfaction

Focus on customer retention has increased considerably as banks are trying to make it difficult for clients to leave, through product penetration which invariably increases switching costs. Increased rivalry amongst competitors is however, welcome as customers continue to benefit from product enhancements and constant focus on service levels.
Customers will remain loyal to a service organisation only if the value of what they receive is determined to be relatively greater than that expected from competitors (Zeithaml & Bitner, 1996). Managing customer relationship focuses on customer retention (Sheth, 2000), and customer retention is deemed to be more profitable than customer acquisition. Another benefit for banks of having a good relationship with its customers is the ability to create a competitive advantage.

2.5  **Business Banking Department within Meeg / Absa bank**

Business clients get grouped into portfolios and have a dedicated relationship manager to service them (http://www.absa.co.za; 2009). The portfolio consists of clients that come from different industries ranging from lawyers, doctors, clients owning commercial properties, franchisees like Spars, Woolworths, garages to name a few.

There have been changes in the titles of the relationship managers from time to time. For example at Absa, they used to be named business bankers but now they are named relationship executives (http://www.absa.co.za;2009). These new names are meant to give a new meaning to the way banks view their clients. Banks are doing so to portray a new image as having the interests of their clients at the core of their very existence. In order for a relationship to work it requires commitment from both the client and the bank.

The Business Banking department / section focuses on providing financial facilities requested by small to medium businesses and large businesses and developing relationships with clients.

Depending on how large the number of clients in each bank is, a bank might have up to even eight Relationship managers and eight Business Analysts with a portfolio of clients ranging from 65 to 120 groups. Groups are made up of the primary client being the main business account and other businesses that the
client / business have interest on and individuals who are members/ directors/ trustees and / or sureties for facilities.

The Relationship manager together with a Business Analyst (Operational Banker) are responsible for looking after the clients needs, building and nurturing the relationship with the client with the intention of retaining these clients and growing their portfolio and value.

It is the responsibility of both the Relationship manager and a Business Analyst to know how each business operates and portray a clear picture of business activities and needs when compiling an application to the credit centre that are not in contact with the clients. This is done through visits mostly by the Relationship manager and visits to the bank by the clients. Involvement of all bank employees is vital since the clients image of the bank is not about only two employees but a series of quality performances by several employees to ensure a shorter turn around time and quality service. The bank ensures that all employees are knowledgeable and compliant in terms of FAIS, FICA and NCA.

2.6 Summary

This chapter covered the South African banking environment in general. Regional and small banks and importance of customer retention as well as Business banking section within Meeg bank whose context this research will be conducted were also highlighted.

In Chapter 3, the researcher will discuss what the literature says on Customer Relationship Management.
CHAPTER 3
THE THEORY OF CRM: Elements and Overview

3. Introduction

The previous chapter explored the South African banking environment in general. Regional and small banks and importance of customer retention as well as the Business banking section within Meeg bank whose context this research will be conducted were also highlighted.

In this chapter, the researcher will give an overview of the literature on Customer Relationship Management.

3.1 What is Customer Relationship Management (CRM)?

Gronroos (2000) argues that a relationship is by and large related to an attitude and, from the organisation's viewpoint, a relationship can develop only when all, or at least, most important customer contacts and interactions are relationship-oriented. CRM refers to the processes applied by a company to handle its contact with its customers (Berger, 2002). Berger (2002) further expands this and comes up with what he terms collaborative CRM. This he says entails an organisation having its various departments such as sales, credit or any other division sharing the information gathered from customer interactions to boost customer satisfaction and loyalty. At Absa Corporate and Business banking this is done via customer management plan (CMP) meetings whereby the client’s relationship executive, life and short-term broker, vehicle finance, electronic banking and other relevant unit get together to discuss best ways to develop a solution of a particular client. Such an approach has the benefits to both the bank and customer in the sense that the bank stands to generate more income by offering the client products that would in turn benefit him.

Other theories often use the terms ‘relationship marketing’ and ‘customer relationship management’ interchangeably. Relationship marketing (RM) is used
to describe the philosophy and orientation towards customer retention, which takes place at top management (Christopher, Payne & Ballantyne, 2002), or the relationship networks and interactions developed by organisations (Gummesson, 2002). Customer relationship management (CRM) is regarded as the practical implementation of relationship marketing (Christopher et al., 2002; Gummesson, 2002). Harker (1999), Bennett & Durkin (2002) and Howcroft, Hewer & Durkin (2003) believe that the best definition of relationship marketing is the following one by Gronroos (1990; 1994a), covering all the underlying conceptualization: “to establish, maintain and enhance relationships with customers and other partners, at a profit so that the objectives of all parties are met.

The relationship between RM and CRM can be diagrammatically represented as in the following figure 1:

Figure 1. CRM and RM – The relationship

| Relationship marketing: philosophy and orientation towards customer retention |
| Customer relationship management: identification and Selection of target customers in order to implement RM |
| Customer management: tactical, proactive management of the customer; interactions with the organization; ‘moments of truth’ generated |

Source: Adapted from Christopher et al. (2002)
According to Rashid (2003), CRM is foremost a business strategy that drives the reengineering of customer processes to improve the customer experience and increase revenue and profitability for the company. Buttle (2004:34) defines CRM as a core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted consumers at a profit. CRM can be further described as a comprehensive set of activities that covers all functions of the firm interacting with and supporting a consumer. These activities ultimately build customer satisfaction by providing their needs, want and desires over the long term (Wilmshurst & Mackay, 2002:169).

Sheth and Parvatiyar (2000) describe CRM as the comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.

### 3.2 The service organisations: An overview of different perspectives

#### Case studies of personal experiences in service organisation

**Examples of experiences – (I/me/my/us/our/we represent the researcher)**

**Experience 1 – coffee at Michelle’s cafe’**

According to Rashid (2003), customers at a local café near the researcher’s place of work are treated like friends. Whenever the researcher visited Michelle’s café it was like visiting a friend. On arrival the researcher would exchange greetings and then the conversation would progress to how each has been since our last meeting. At this point Michelle would ask: “What would you like?” and the reply would be “the usual. Michelle knows “the usual”. She remembers the researcher has white coffee with no sugar and a large chocolate muffin – Michelle’s specialty. And not only that, she also remembers which newspaper the researcher enjoys reading. And sure enough, five minutes later that is exactly what the researcher gets: white coffee with no sugar, large chocolate muffin, and the researcher’s favourite newspaper.

On placing the items on the table she asks how each of my family members are and what they are up to. She also recalls the various topics and issues that we
had talked about during my last visit and asks questions about them. This further enhances the conversation. After a while, she leaves and serves her other regular customers. And with them she continues the same process as with me. As I enjoy my muffin I remember how a friend who enjoyed his visits to Michelle’s café recommended it to me and since then the researcher has also recommended it to other people. After a short while, I decide to leave. I have had a nice coffee, a delicious muffin, read my favourite newspaper and had a lovely conversation. I said goodbye to Michelle and she finished off by saying “see you again”.

What is unusual about the interaction above is that the customer is not treated like a customer but like a friend. The café has developed a long-term relationship with the customer on a one-to-one basis as a result of a social bond based upon trust and commitment. A customer like this is a brand-loyal and will not easily be enticed by the competition but may also refer the café to their friends through word-of-mouth communication.

Making conversation about family members might not be conducive for other coffee café or any other businesses for that matter since other customers could find it as prying and fishing for sensitive personal information.

**Experience 2 – A visit to McDonald’s**

According to Rashid (2003), like most families, especially with kids, we regularly eat at McDonald’s. McDonald’s is a reputable brand with restaurants all over the world with products and service that are similar in each restaurant. On one particular visit, the researcher ordered his food and was told by the assistant that when it was ready it would be delivered to our table. We sat down and began talking, waiting for our meal to arrive. Nothing arrived for ten minutes, by which time the family began to wonder what had happened, since this is unlike McDonald’s service. After fifteen minutes the researcher approached the counter to enquire about our order. The manager apologised and informed me that the assistant who took our order was to bring it to our table and slipped. He offered us another free meal for the delay and once again apologized. We were
obviously delighted with the offer but were equally concerned about the assistant. She had apparently had been rushed to hospital with cuts.

This example illustrates that the customer has a level of expectation when visiting a McDonald’s restaurant: clean and pleasant environment, acceptable fast food, friendly and efficient service and good value for money. Our experience is that McDonald’s service is efficient and, when this did not happen, we were disappointed that McDonald’s had failed to deliver on its promise. When the organisation recovers the situation when something has gone wrong by compensating with something, the customer remembers this incident even more.

**About the experiences**

These examples illustrate a major shift in marketing thought: from mass marketing to individualised marketing and from focusing on acquiring lots of new customers to retaining and building more business with fewer loyal, high-value customers. The examples show that owing to internal relationship marketing, fulfilment of promise is achieved, resulting in good experiences. The consequence of this is customer satisfaction which leads to trust and commitment from the customer. As the relationship develops between the supplier and the customer, empathy will be established, resulting in greater loyalty from the customer and free word-of-mouth publicity. The benefits to customers are less anxiety, good relationships with employees, special treatments and greater confidence. The benefits to the organisation are reduced costs in terms of marketing, customer loyalty and less threat from the competition. Therefore there are benefits to both the customer and the supplier – (Rashid, 2003).

### 3.3 Customer Relationship Management in Banks

In the past, different views existed on the relevance and importance of relationship banking as part of the relationship marketing strategy. The old view was that customers only used their banks for transactions and viewed the bank
as a ‘utility. The new view is that over and above the transactional aspect of banking, there is a relationship aspect that fulfils certain needs of the customer (Gronroos, 1997; Cram, 2001).

Today, banks have moved away from a transactional-based marketing approach to as a relationship-based approach that has at its core the recognition of the lifetime value of the customer. Satisfaction is a multidimensional construct which has been conceptualised as a prerequisite for building relationships and is generally described as the full meeting of one’s expectations (Oliver, 1980) and is the feeling or attitude of a customer towards a product or service after it has been used.

Relationship banking is an expensive and service approach, and it is critical that it achieves the purpose for management that it sets out to do, with one of the aims being to enhance customer loyalty (Murray, 2004). Relationship banking is a valuable enabling strategy that promotes competitiveness and provides sustainable success for banks (Abratt & Russell, 1999). The utilisation of relationship banking as a business strategy for increasing customer retention, creating customer loyalty and ultimately increasing long-term profits is a relatively new tactic that originated in the 1980s and gathered pace during the 1990s (Levitt, 1981, 1983; Rauch, 1993; Cheese, 1994). The correct application of a relationship banking offering could impact the bottom line of banks favourably over the long term (Gummesson, 1998; Iniesta & Sanchez, 2002).

Customers are increasingly making purchase decisions based on a perception of their relationship with a particular company (Gibbons, 1999). Improving relationships with the most profitable customers will impact on a company’s bottom line. Instead of focusing all their attention on attracting new customers and introducing new product lines, banks must concentrate on retaining and growing profitable customers (Bernd; Herbst & Roux, 2004). Irrespective of the business or industry, it is a generally accepted fact that the cost of acquiring a new customer is much higher than of retaining an existing one (Kotler, 1995). It is estimated that it costs up to five times more to acquire a new customer than to
get an existing customer to make a new purchase. This means that for every Rand spent to acquire a new customer; it will cost a company only 20c to retain that customer (Silverstein, 2000:326).

As already alluded by the researcher, the retail banking industry in South Africa is a complex and very competitive environment, which is dominated by the big four banks; Absa, Nedcor group, First National Bank and Standard bank. The nature of the financial industry, which deals with products and services that are complicated, risky and of a long term nature, customers are in high involvement relationship with their financial service providers (Howcroft, Hewer & Durkin 2003). Operating in such a dynamic environment requires banks to fully understand all the factors of relationship banking that affect their success and market share.

One of the challenges for banks is how to differentiate themselves from their competitors. Differentiation based on price and cost strategies is generally short-lived, and the only real way to differentiate is through relationships and service propositions (Ghemawat 1999; Fournier, Dobscha, & Mick, 1998). Barnes & Howlett (1998) argued that to establish and maintain a competitive advantage, banks need to retain customers through strong relationships. Cognisance should also be taken of the perception of some customers that all banks are the same, and that one is as good or bad as the next (Cheese, 1994). Defection is low, but this may be the result of customer inertia rather than true customer loyalty. The effort required for a customer to transfer the relationship to another bank is often seen as being too cumbersome, compared with the benefits of making the transfer. Situations in which there is no close relationship will always be in danger when more attractive alternative are to customers. However, customers who value the banking relationship over the long term and do not seek to exploit the bank are most desirable (Gibbs, 1985).
Most banks have been unsuccessful in implementing relationship-banking strategies, as they have been unable to make the shift to a relationship-based sales culture (Schneider, 2003).

The management of retail banks should therefore place much higher value on the phenomenon of customer loyalty. Where feasible, they should also focus their attention on the appropriate application of relationship banking as a value-creating strategy. The top management is critical for any implementation of strategy.

The following figure 2 and table 2 illustrate the strategies of linking relationship banking and customer loyalty and customer management model that can be utilised by top management not only to maintain their client-base but also to delight their customers.

**Figure 2: Conceptual framework for linking relationship banking and customer loyalty**

![Conceptual framework for linking relationship banking and customer loyalty](image)

- **Critical factors and aspects**
  - Value proposition
  - Service & quality
  - Employee competency
  - Price
  - Reward & recognition
  - Communication

- **Benefits**
  - Retention
  - Satisfaction & trust
  - Cost reduction
  - Cross selling
  - Word of mouth
  - Competitiveness

*Source: Based on Ackermann & van Ravesteyn (2005)*
<table>
<thead>
<tr>
<th>Activity</th>
<th>Steps to consider</th>
<th>Activity</th>
<th>Steps to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STEP 1: IDENTIFY</strong></td>
<td></td>
<td><strong>STEP 2: DIFFERENTIATE</strong></td>
<td></td>
</tr>
<tr>
<td>Collect additional customer</td>
<td>Drip-irrigation dialogue</td>
<td>Identify top customers –</td>
<td>Database mining Management information systems (MIS)</td>
</tr>
<tr>
<td>information</td>
<td></td>
<td>segmentation; rank customer in</td>
<td>Adapting marketing and process activities according to ranking of clients</td>
</tr>
<tr>
<td></td>
<td></td>
<td>classifications</td>
<td></td>
</tr>
<tr>
<td><strong>STEP 3: INTERACT</strong></td>
<td></td>
<td><strong>STEP 4: CUSTOMISE</strong></td>
<td></td>
</tr>
<tr>
<td>Build relationships</td>
<td>Phone top customers – not to sell, just</td>
<td>Identify new potential customers;</td>
<td>Add to sales action plans and to database for promotions and new product launches</td>
</tr>
<tr>
<td></td>
<td>build relationship</td>
<td>customer life cycle; complementary</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>products</td>
<td></td>
</tr>
<tr>
<td>Expand existing database</td>
<td>Outside service; alliances with</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>complementary companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Verify/update customer</td>
<td>Competition; letters to</td>
<td>Determine which customers are not</td>
<td>Accounts not used or services fees too low for transaction volume</td>
</tr>
<tr>
<td>information</td>
<td>customers; use of interaction</td>
<td>cost effective</td>
<td></td>
</tr>
<tr>
<td></td>
<td>opportunities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 2: Customer Relationship Management model**
<table>
<thead>
<tr>
<th>Client service project</th>
<th>Phone company and test employees’ knowledge and service levels</th>
<th>Personalise mail</th>
<th>Use customer information and detail to determine promotion details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call centre</td>
<td>Recordings at call centre and productivity tests</td>
<td>Find out what your customers want</td>
<td>Invite customer to focus groups</td>
</tr>
<tr>
<td>Process trail</td>
<td>Seek to eliminate steps – reduce cycle times to speed up response time</td>
<td>Ask top customers what can be done differently</td>
<td>Respond to suggestions</td>
</tr>
<tr>
<td>Improve complaint handling</td>
<td>Banking code; market complaint handling</td>
<td>Involve top management in customer relations</td>
<td>Customer relations are a culture</td>
</tr>
<tr>
<td>Technology to make doing business easier</td>
<td>Personalised messages on statements; call valuable customers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Peppers, Rogers & Dorf (1999)

3.4 **Meeg bank / Absa bank policies**

Retention and growth of the Absa Group customer base are key themes supporting Group strategic objectives ([http://www.absa.co.za;2009](http://www.absa.co.za)) – Customer Experience Policy.
Meeg bank as Absa’s subsidiary utilises Absa’s policies. Although Absa does not have a Customer Relationship Management policy, among its policies there is a Group Customer Experience (GCE) policy which focuses on building a customer centric culture, providing leading edge intelligence on customer experience, and enabling Absa Group to excel at customer service and recovery.

The GCE policy outlines the:

- Principles informing customer experience design and behaviours;
- Policy structures, ownership and approvals;
- Customer experience management and implementation processes;
- Roles and responsibilities of Absa / Meeg employees.

Successful application of this policy (as per the policy document) facilitates:

- ‘Retaining’ and ‘growing’ the customer base;
- That, employees in Absa ‘walk the talk’ – changing the perception of service from an intellectual idea to concrete behaviour that influences the way customers feel;
- Customers repeatedly choosing to buy from Absa, rather than Absa selling to them once;
- Designing the service offering from the customer’s point of view;
- Shaping consistently throughout the value chain with customers, so that they know what to expect, across all business units, touch points and segments;
- Complying with the relevant legislation regarding complaints handling and Ombudsman regulations.

3.5 **Components for evaluating customer satisfaction**

The customer is the ultimate judge of the quality of service offered by any organisation, bank included. There is a general belief among clients that banks are only after making super profits by via exorbitant pricing structures (Ndlovu,
2009). In so doing, some customers believe banks do not realise the critical importance of excellent service to their customers who are in reality the means to profits.

According to Bennett (1992), the key components in evaluating customer satisfaction are,

- Customer requirements and expectations;
- Customer relationship management;
- Customer service standards;
- Commitment to customers;
- Complaint resolution;
- Customer satisfaction determination;
- Customer satisfaction results; and
- Customer satisfaction comparison (with competitors & leading companies).

3.6 Employee involvement

Wheeler (2008) raises an important point when he argues that one's own needs are one’s priority. He further argues that one must be for him/herself firstly and then one can give to others the best of service. The quality of service that one delivers stems from one’s own happiness. He couldn’t have put it any better and it is thus important for organisations to ensure that their employees are satisfied if they are to deliver unquestionable customer service.
It is important for organisations to ensure that employees are properly trained, have the skills and support required to efficiently and effectively perform their duties (Bennett, 2007). The working environment should be conducive for the innovative spirit to flourish. Customer relationship management requires that committed employees who critically scrutinise the work they do and come up with innovative ways for them to work smarter.

Some organisations encourage employee involvement by the use of quality circles and even quality improvement teams (Churchill, 1999). Engaging employees inspires them to come up with sustained innovations that are hard to duplicate, giving the organisation the much needed competitive advantage (Ndlovu, 2009).

From the discussion before, it is clear that management’s total commitment is key to the successful management of customer relationships. All level of managers, be they the executives, middle, general or line managers, they should be 100 percent committed to CRM if an organisation is to reap the full benefits and have its performance boosted. It is also apparent that management receives the support from other relevant players.

3.7 Conclusion

This chapter examined various definitions of Customer Relationship Management. In addition to the definitions, an overview of different perspectives of service in service organisations using case studies was given. CRM in banks, components for evaluating customer satisfaction as well as employee involvement were also discussed.

In terms of the study, the main findings are as follows:

- The term Customer Relationship Management and Relationship marketing are mostly used interchangeably;
- There is a major shift in marketing thought from mass marketing to individualised marketing;
• There is also a shift from focusing on acquiring lots of new customers to retaining and relationship building;
• Identify (your customers), differentiate, interact and customise are the steps to follow to add value to an organisation as outlined by CRM model;
• Employees play a vital role in maintaining and growing the client base of any organisation and should therefore be properly trained.

This translates into higher sales volume for an organisation. This is achieved by reducing or eliminating a variety of costs that mitigate against any organisation’s prime goal of making a profit. Poor customer service negatively affects the performance of any business in that it leads to loss of business as customers would go to the organisation’s competitors. It is important for any organisation to understand how to evaluate customer satisfaction as failure to do so would lead to the business only realising after it has lost valuable clients after they had closed their accounts.

In Chapter 4, the researcher will explain the research design and methodology that has been followed to answer the research question. Also to be discussed is the research process and the role of concepts and theory.
CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4. **Introduction**

Chapter 3 examined various definitions of Customer Relationship Management. In addition to the definitions, an overview of different perspectives of service in service organisations using case studies was given. CRM in banks, components for evaluating customer satisfaction as well as employee involvement were also discussed.

The objective of this chapter is to establish an appropriate research strategy for the given research problem. The research strategies must be applicable to the nature of the problem. It will be assumed that the nature of the research problem, the objectives of the research and the methodology of the research will focus the research strategy with the primary research methodology focused on descriptive and qualitative nature.

4.1 **Definition of Research**

Research is a process of enquiry and investigation, conducted in a systematic and methodical way leading to increased knowledge (Collis & Hussey, 2003). Geocities.com ([http://uk.geocities.com,2009](http://uk.geocities.com,2009)) states that, research is a process through which an attempt is made to achieve systematically and with the support of data, the answer to a question, the resolution of a problem, or a greater understanding of a phenomenon. This process, which is frequently called research methodology, has eight distinct characteristics:

- Research originates with a question or problem;
• Research requires a clear articulation of a goal;
• Research follows a specific plan or procedure;
• Research usually divides the principal problem into more manageable sub-problems;
• Research is guided by the specific research problem, question, or Hypothesis;
• Research accepts certain critical assumptions. Research requires the collection and interpretation of data in attempting to resolve the problem that initiated the research; and
• Research is, by its nature, cyclical; or more exactly, helical.

Lastly, Leedy and Ormond (2001:4) define research “as the systematic process of collecting and analysing information in order to increase understanding of the phenomenon under investigation.

4.2 Research design and problem structure

The research design is the logical sequence that connects the empirical data to the study’s initial research questions and, eventually, to its conclusions. The research design can be defined as the blueprint of the research, connected to at least four problems: what questions to study, what data are relevant, what data to collect, and how to analyse the results (Yin, 1994:8). Research design may be defined as the structure of the research and it is the glue that holds the research together (Zikmund & D'Amico, 2001). Leedy (1997) defines research design as the visualisation of the data and the problems associated with the employment of those data in the entire research project as well as common sense and the clear thinking necessary of the management of the entire research endeavour.

The research design can be classified into three basic purposes: exploratory, descriptive and explanatory. An explorative research approach is suitable when a problem is difficult to demarcate, and when the researcher has not got a clear
comprehension about what model to use and which characteristics and relations are important (Olander & Rosengren, 1999:23). Exploratory research is usually conducted with the expectation that subsequent research will be required to provide conclusive evidence. Descriptive research is often used when a problem is well structured and there is no intention to investigate cause/effect relations (Olander & Rosengren, 1999:23). Zikmund & D'Amico. (2001:25) states that “you know what you want to find, but do not know the answers”. Different kinds of statistical selections and analysis are usually used during this kind of investigation (Olander & Rosengren, 1999:23). Olander and Rosengren (1999:23) state that the purpose of explanatory research is to identify cause and effect relationships between variables. Olander and Rosengren (1999:23) also state that experiment is the most common method in explanatory research.

4.3 Research Method

Research method is essentially a systematic, focused and organised gathering of data for the purpose of extracting information that would in turn answer or solve the research problems or questions (Ghauri & Gronhaug, 2002). The researcher has to decide from the beginning, whether he will use the quantitative or qualitative methods of collecting data. Mixed methods studies could be done also.

Leedy and Ormond (2001) state that quantitative research is ideal where the researcher seeks to answer questions about relationships among measured variables. The underlying intention will be to explain, predict and control. Qualitative research is collecting, analysing and interpreting data by observing what people do or say. It refers to meanings, concepts, definitions and descriptions. On the other hand, qualitative research is used to answer questions about the complex nature of a phenomenon, often describing this from the researcher’s point of view. It is important to note that the difference between the approaches does not lie in “quality” but rather in procedure. In qualitative
research, findings are not arrived at by statistical methods or other procedures of quantification as is the case with quantitative research.

A summary of the main differences between qualitative and quantitative research is given in Figure 3:

Figure 3.

<table>
<thead>
<tr>
<th>Qualitative methods</th>
<th>Quantitative methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To build theory</td>
<td>• To test theory</td>
</tr>
<tr>
<td>• To explore and interpret</td>
<td>• To confirm and validate</td>
</tr>
<tr>
<td>• To describe and explain</td>
<td>• To predict and explain</td>
</tr>
<tr>
<td>• Unknown variables</td>
<td>• Known variables</td>
</tr>
<tr>
<td>• Subjective “insider view” and closeness to data</td>
<td>• Objective “outsider view” distant from data</td>
</tr>
<tr>
<td>• Holistic perspective</td>
<td>• Particularistic or focused and analytical</td>
</tr>
<tr>
<td>• Process oriented</td>
<td>• Result oriented</td>
</tr>
<tr>
<td>• Observations, interviews</td>
<td>• Standardised instruments</td>
</tr>
<tr>
<td>• Words</td>
<td>• Numbers</td>
</tr>
</tbody>
</table>

Adapted from Reinhardt & Cook (1979) and Leedy & Ormond (2001)

Advantages of using both types of research include:

- Increased validity as results are confirmed by different data sources;
- Complementary, i.e. adding words to numbers and vice versa;
- Creating new lines of thinking by taking into account fresh perspectives and contradictions (http://uk.geocities.com) 2009.

Leedy (1997:143) describes the situation where it is possible to combine qualitative research methods with quantitative research methods in the same project.
Leedy and Ormond (2001) agree with Jankowicz (1991) that qualitative and quantitative methods complement each other and cannot be used in isolation. For instance tables presenting figures often need some qualitative information to explain the meaning of the figures. In the same spirit, figures do help give more meaning to qualitative information.

4.4 **Research surveys and Interviews**

The use of interviews allows the researcher to gain rich insights into issues, which are normally not amenable to questionnaires. Collins and Hussey (2003) define interviews as a method of collecting data in which participants are asked questions to find out what they do, think or feel. According to Ghauri & Gronhaug (2002), there are two types of interviews. The first being structured interviews, which are used to solicit fixed responses. The second type is unstructured interviews and these give the respondent the freedom to discuss opinions, reactions and behaviour. Unstructured interviews enable people to tell real life situations and observations. Personal contact enables long-term relationships to be maintained and observation of quality management over a period of time.

4.5 **Research design and methodology used at Meeg bank**

The research design and methodology that was followed is of a descriptive and qualitative nature. The researcher collected data through primary sources. Data was gathered via the questionnaires sent out to respondents in July 2009. Personal observations and interviews with the relevant parties were also conducted. Secondary data were gathered from the literature search. The researcher chose the questionnaire because of the cost effectiveness and convenience for completion by respondents. Another motivation is the easy access to potential respondents and the nature of the research.
4.6 Questionnaire Development

The major components of Customer Relationship Management highlighted in the literature review were used in the questionnaire. The questions were designed in such a way that they cover the important aspects of CRM. Likert scales were used and these enabled the researcher to determine people’s attitudes by asking them the extent of their agreement or disagreements with a series of statements about something. The Likert scale is a sum of responses on several Likert items. A Likert item is simply a statement which the respondent is asked to evaluate according to any kind of subjective or objective criteria (http://en.wikipedia.org/wiki/Likert_scale;2009). The Likert scale does not expect a simple yes/no answer from the respondent, but rather allow for degrees of opinion and even no opinion at all. Therefore, quantitative data is obtained, which means that the data can be analysed with relative ease (http://www.simplypsychology.pwp.blueyonder.co.uk/likert-scale.html;2009).

4.7 Pre-testing the questionnaire

Upon completion of the questionnaires, four clients from the branch were approached and asked to complete and pre-test the questionnaire. Pre-testing the questionnaire helped the researcher determine the relevance of the questions. The researcher was also able to restructure the unclear questions. The final structure of the questionnaire is as follows;

*Section A – Questions on demographic information*

The demographic information was analysed according to designation, qualification, position or designation and number of years of involvement in CRM activities.
Section B - Dichotomous questions
These are closed questions that offer only two alternatives, for example yes or no.

Section C – Likert scale questions
Are used to get the respondents’ attitudes by asking them the extent of their agreement or disagreement with a series of statements about an issue.

The following five scale points range:
5 – Strongly agree
4 - Agree
3 - Neutral (neither agree nor disagree)
2 - Disagree
1 - Strongly disagree

The questionnaire is illustrated in annexure A (Questionnaire will be attached)

4.8 Research population

The proposed research study was targeted at an aggregate, i.e. a collection of undifferentiated individuals and bodies comprising players in the small / medium business financing interventions and entrepreneurship. These included enterprise / business owners currently banking with Meeg bank and clients who recently closed their accounts with Meeg bank and opened with other banks.

The business portfolio under research consists of 120 business clients (of which 10 businesses have moved their accounts already). A sampling frame of 40 businesses (10 businesses which moved their accounts were also included) was drawn. Saunders, Lewis, and Thornhill, (2000) suggests that organisation of data is more manageable when fewer people are involved. This sample size was to ensure that enough questionnaires would be available for both qualitative and quantitative analysis, as well as for reliability and validity purposes.
A covering letter was sent explaining the purpose of the research and to encourage respondents to complete the questionnaire. The unit management will be offered the results of the survey upon completion.

### 4.9 The Actual survey

The appointments were set up with the respective business owners after the completion of the questionnaires. At the time of the survey, 40 questionnaires had been sent out and 34 responses were received giving a response rate of 85 percent. Same is depicted in the table below;

Table 3. Overall response rate

<table>
<thead>
<tr>
<th>RESPONSES</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attained responses</td>
<td>35</td>
<td>87.5%</td>
</tr>
<tr>
<td>Outstanding responses</td>
<td>5</td>
<td>12.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Results from the survey

### 4.10 Interviews

The researcher conducted interviews with all the business owners. Questions that were asked concerned the concerns that the respondents have about the bank and how to improve customer service and retain and improve relationship with its customers.
4.11 Validity and Reliability

With any type of measurement, two considerations are very important. One of these is validity and the other reliability. Validity is concerned with the soundness, the effectiveness of the measuring instrument. The following questions can be asked:

- Does the measuring instrument measure what it is supposed to measure? and
- What is the accuracy of the measurement?

Reliability deals with accuracy. According to Leedy and Ormond (2001:99), it is the extent to which, on repeated measures, the indicators yield similar results. Reliability in quantitative research projects can be evaluated by repeating a similar question later on in the questionnaire.

Validity is concerned with the effectiveness and soundness of the measuring device. The crucial question is whether it measures what it is intended to measure and whether it is accurate. Therefore, in this study, does the questionnaire measure what it was intended to measure? Leedy and Ormond (2001:31) state that reliability is seen as the consistency with which the measuring device performs. This means that apart from delivering accurate results, the measuring instrument must deliver similar results consistently.

According to Singleton, Straits and Straits (1993:121), reliability may be improved by conducting exploratory studies in the area of interest or by conducting pre-tests on a small sample of persons similar in characteristics to the target group. In this study, both were conducted by the researcher, in the form of the literature study (Chapters 2 and 3 of this work). As already alluded above upon completion of the questionnaires, four clients from the branch were approached and asked to complete and pre-test the questionnaire. The aim of this study was to ensure that all questions were understandable and relevant.
4.12 Summary

This chapter covered the design and methodology of the research into the assessment of Customer Relationship Management by the existing business clients and the ones that already moved their accounts of Meeg bank being reviewed. The researcher indicated how the empirical study would be conducted. Also discussed was the design of questionnaires. Various research methods were probed to enable the researcher to choose between qualitative or quantitative research methods. In Chapter 5, the researcher will present the results of the questionnaire and analyse the findings, with the aim of answering the problem statement and the sub-problems.
CHAPTER 5
RESEARCH FINDINGS

5. **Introduction**
In the previous chapter, the researcher explained that part of the research process was to gather data required to answer the problem statement. In this chapter the researcher presents the empirical findings on the impact of Customer Relationship Management by Meeg bank. The questionnaire was sent to 40 business clients. The findings are presented in tables, pie / table charts and the questionnaires (Annexure A) and interviews concerning CRM are explained.

The questions were broadly grouped into demographic information, competitiveness, customer services / product offerings, bank facilities and customer relationship management. Subdividing the questions as such would help the researcher determine how the bank performs in each of the areas. It would be easier to establish the areas that are lacking and thereof make appropriate recommendations.

Tables and charts in this chapter show the responses from the research questionnaire. The first column of the tables shows the questions from the questionnaire; depending on the type of question, other columns show yes/no, the number of people (No) and percentage (%) of the total sample population while other shows the Likert scale – the numbers representing the following:
5 - Strongly agree
4 - Agree
3 - Neutral (neither agree nor disagree)
2 - Disagree
1 - Strongly disagree
5.1 Results of the questionnaire and interviews

5.1.1 Section A

Section A of the questionnaire was aimed at gaining information regarding demographic information.

Table 4.1 Summary of results:

<table>
<thead>
<tr>
<th>Highest qualification</th>
<th>Number of Responses</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma / Degree</td>
<td>17</td>
<td>48.6%</td>
</tr>
<tr>
<td>Matric</td>
<td>12</td>
<td>34.3%</td>
</tr>
<tr>
<td>High School</td>
<td>6</td>
<td>17.1%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>100%</td>
</tr>
<tr>
<td>Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>9</td>
<td>25.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>10</td>
<td>28.6%</td>
</tr>
<tr>
<td>Retail &amp; Other</td>
<td>16</td>
<td>45.7%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>100%</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>20</td>
<td>57.1%</td>
</tr>
<tr>
<td>Female</td>
<td>15</td>
<td>42.8%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>100%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 40</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>40 &amp; more</td>
<td>21</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>100%</td>
</tr>
<tr>
<td>Years in business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 10yrs</td>
<td>22</td>
<td>62.9%</td>
</tr>
<tr>
<td>10 yrs &amp; more</td>
<td>13</td>
<td>37.1%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>100%</td>
</tr>
<tr>
<td>Position in business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner</td>
<td>26</td>
<td>74.3%</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
<td>24.7%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.1 shows that only 17.1 per cent of the respondents completed high school and 48.6 per cent completed diploma or degree. 62.9 per cent have been in business for less than ten years, 60 per cent of respondents are 40 and older in age and 74.3 per cent are business owners. This shows that majority of the respondents have some academic background and business owners and as a result might have the basis to understand the implementation of Customer Relationship Management.
5.2 **Section B: Competitiveness**

**Table 4.2  Results on Competitiveness**

<table>
<thead>
<tr>
<th>Questions</th>
<th>Yes</th>
<th>No</th>
<th>Yes %</th>
<th>No %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bank interest &amp; charges reasonable?</td>
<td>31</td>
<td>4</td>
<td>88.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td>2. Employees friendly &amp; knowledgeable?</td>
<td>28</td>
<td>7</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>3. Confidentiality with client information</td>
<td>34</td>
<td>1</td>
<td>97.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>4. Accounts with other banks</td>
<td>25</td>
<td>10</td>
<td>71.4%</td>
<td>28.6%</td>
</tr>
</tbody>
</table>

**Table 4.2**

**Chart diagram 1.  Competitiveness**

![Chart diagram](chart.png)

It is clear from both the table and the chart that the bank is in indeed competitive since the percentage of respondents who answered the first three questions positively ranges from 80 – 97 per cent. However the conclusion can be made that the majority of the respondents would rather have accounts with other banks as well, rather than remaining only with their current bank. This is confirmed, with the highest percentage of respondents of more than 70 per cent having accounts with other banks as well. During interviews, others argued they moved their accounts to other banks initially just to test and compare the relationships from
different banks. Some argued that they might come back while others are totally committed on relationships with other banks.

5.3 Section C

A. Customer services / Product offering

Ndlovu (2009), states that the customer is the ultimate judge of service quality. Customer service is of utmost importance especially in the service industry. Customers are spoilt for choice with lots of players in the industry. The bank that out-competes others is the one that is quality conscious and ensures that all the energies are channelled towards providing quality products to clients better than the competitors do.

Table 4.3. Results on Customer services / Product offering

Key:

5 = Strongly agree  4 = Agree  3 = Neutral
2 = Disagree  1 = Strongly disagree

<table>
<thead>
<tr>
<th>Questions</th>
<th>Likert scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td>1. I selected bank based on fees and services</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>2. My bank understands my business &amp; personal needs</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>3. My relationship depends on variety of services</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>4. Employees are always willing &amp; quick to respond</td>
<td>No.</td>
</tr>
<tr>
<td>to requests</td>
<td>%</td>
</tr>
<tr>
<td>5. Bank generally performs its service by the</td>
<td>No.</td>
</tr>
<tr>
<td>promised time</td>
<td>%</td>
</tr>
<tr>
<td>6. There is a wide variety of</td>
<td>No.</td>
</tr>
<tr>
<td>Statement</td>
<td>No.</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>-----</td>
</tr>
<tr>
<td>7. Employees are knowledgeable I don’t get tossed from pillar to post</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>8. Two employees is the max I talk to, to get needed help</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>9. The bank is a one-stop-shop in terms of products offered</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>10. I get correspondence in time regarding changes in rates</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>11. I have confidence my bank will always act in my best interest</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>12. I believe even through a phone call I will be understood</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>13. I selected my bank based on its regular client’s functions</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
<tr>
<td>14. Terminology &amp; technology is used is user-friendly</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
</tr>
</tbody>
</table>

The results depicted by the table indicate that 40 percent of respondents strongly agree while the other 40 percent also agree that their relationship with the bank depend on a wide range of services. Almost 46 percent agree that the bank understand their business and personal needs and believe that even through a phone call they will be understood. Terminology and technology are also user-friendly with more than 51 percent agreeing to that. Sixty percent of the respondents agree that the employees are knowledgeable and two people being the maximum one talks to, to get needed help. However, one may argue that there is no total commitment from the bank given that only zero per cent for both strongly agree and agree, agrees that the bank seem to be lacking in terms of
products offering resulting in the bank failing being one-stop-shop in terms of products offered.
On interviews, business clients argued that the bank fails to expand on products in order to be competitive enough and also empower employees with such product knowledge to help the bank deliver faster, be innovative, and achieve tougher goals. They added by saying the bank thus fails to understand fully each business and capitalise on certain clientele whose product needs are not catered for.

**B. Bank facilities**

Table 4.4

<table>
<thead>
<tr>
<th>Questions</th>
<th>Likert Scale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>15. My bank’s physical facilities are visually appealing</td>
<td>No.</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>5.7</td>
</tr>
<tr>
<td>16. The parking facility is a problem when visiting my bank</td>
<td>No.</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>74.2</td>
</tr>
<tr>
<td>17. There is clear visual display of departments within the bank</td>
<td>No.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>11.4</td>
</tr>
<tr>
<td>18. The bank is always clean &amp; the environment is welcoming</td>
<td>No.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>8.6</td>
</tr>
<tr>
<td>19. There is a queuing system in place for client visiting managers &amp; consultants</td>
<td>No.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>8.6</td>
</tr>
</tbody>
</table>

The above table 4.4 and the following charts 2.1 and 2.2 below reveal that the respondents have nothing against the physical appearance of the bank since the chart shows the positive response mostly on the left side of the table chart.
However, the results also indicate clearly that parking is a problem. This is not good for the bank since the respondents are business people and they definitely need parking area when visiting the bank. Such a trend is worrying in that, if the inter bank relations are not good this would frustrate the efforts and goals of Customer Relationship Management. Faster delivery, innovative service and achieving tougher goals calls for all personnel and all banking facilities to work together in terms of CRM.

Chart diagram 2.1  **Banking facilities**
C. Customer Relationship Management (CRM)

In chapter three, Buttle (2004:34) defines CRM as a core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted consumers at a profit. Gronroos (2000) argues that a relationship is by and large related to an attitude and, from the organisation’s viewpoint, a relationship can develop only when all, or at least, most important customer contacts and interactions are relationship-oriented. Literature also revealed in the previous chapters that customers are increasingly making purchase decisions based on a perception of their relationship with a particular company (Gibbons, 1999). Improving relationships with the most profitable customers will impact on a company’s bottom line.

Table 4.5

<table>
<thead>
<tr>
<th>Questions</th>
<th>Likert Scale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20. My relationship with my bank depends on whether senior managers are available for appointments</td>
<td>5  4  3  2  1</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>17 12 1 5 0</td>
<td>35</td>
</tr>
<tr>
<td>%</td>
<td>48.6 34.3 2.9 14.3 0</td>
<td>100</td>
</tr>
<tr>
<td>Question</td>
<td>No.</td>
<td>0</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>-----</td>
<td>----</td>
</tr>
<tr>
<td>21. I normally get a courtesy call from my bank manager once a term</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>2.9</td>
</tr>
<tr>
<td>22. My relationship depends on the level of knowledge displayed by</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>employees of my bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>22.8</td>
</tr>
<tr>
<td>23. I know who to talk to when my manager is not there</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>5.7</td>
</tr>
<tr>
<td>24. I am thinking of changing banks</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>22.9</td>
</tr>
<tr>
<td>25. I have changed banks already</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>31.4</td>
</tr>
<tr>
<td>26. I receive many benefits due to my relationship with my bank</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>2.9</td>
</tr>
<tr>
<td>27. I am satisfied with the overall relationship that I have with my</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>14.3</td>
</tr>
<tr>
<td>28. I have already moved some of my accounts to other banks</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>29. I have recommended my bank to two or more people</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>30. My relationship depends on my bank informing me of any changes</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>in bank’s procedure of delivering services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>31.4</td>
</tr>
<tr>
<td>31. I have high concern</td>
<td></td>
<td>7</td>
</tr>
</tbody>
</table>
As indicated in table 4.5 and chart 3 above a total positive response of 82.9 per cent from respondents with regard to the dependency of relationship to availability of senior management. It is interesting to note that this response is almost the same as one of 80 per cent positive response on relationship depending on respondents being informed of changes in bank procedures of delivering services. What is also favourable to the bank is the fact that 74.3 per cent agree that they do know who to talk to when the manager is not there.

What comes out clearly though is that there is a lot of room for improvement in the area of courtesy calls by managers to clients. Also the fact that 48.5 per cent have already changed banks is a concern for the bank, with only 40 per cent being completely committed to the bank.

There is a need to address and bring on board the other percent that is neutral, disagrees and strongly disagrees as to them receiving benefits due to relationship, not been effective in helping the bank building stronger relationship to improve CRM. There are also a number of respondents who are either neutral, disagree or strongly agree to the fact that they are not satisfied with the overall
relationship that they have with the bank while some cannot recommend the bank to two or more clients. There is a need for more engagement between top management and all the personnel to enhance the effectiveness of relationship in helping the bank deliver faster, innovative and defect free service to the clients.

As per the interview, the respondents generally confirmed that their relationship with the bank depends on senior management not only being available for meetings but to show an element of interest to some extent in the business activities so as to fully understand their businesses and provide necessary related facilities when required.

5.4 Summary

In this chapter, the researcher presented and analysed the questionnaire. The researcher also presented and analysed the views of the respondents as per interviews that were conducted. This was done to explain the views of the respondents with regards to the effectiveness of CRM on the performance of the business banking in Meeg bank East London.

The trends as per findings do confirm that the bank is indeed involved in some CRM efforts. It was also established though that there is a lot room for improvement in terms of the bank’s efforts to achieve the CRM goals. In the next chapter, the researcher will provide a summary of the research findings and conclusions based on the survey. Also to be presented in the next chapter, are the recommendations.
CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6. Introduction

In this previous Chapter, the researcher presented and explained the trend of the research findings. In this chapter, the researcher will summarise the results of the research conducted at the business banking in Meeg bank East London. In so doing the researcher will explain the extent to which the findings answer the main problem and sub problems of this research. The limitations and challenges encountered in the research will also be highlighted in this chapter as well as suggestions for improvement.

6.1 Summary of the research

The purpose of this research has been to establish:

"Assessing the perception the Business clients/ customers within a business banking environment have about relationship management by Meeg bank in East London branch town of Eastern Cape".

In order to answer the above, the following sub questions were developed,

i. What challenges are currently being faced by Businesses clients towards Meeg bank in East London?

ii. What is currently being done to assist in minimising the challenges faced by these business clients?

iii. What are current strategies available to address similar situations / are being followed by the Meeg bank to retain business clients?
iv. What needs to be done to enhance the effectiveness of the relationship maintenance on customer service at Meeg bank business unit?

In view of the main problem statement and the sub questions, this research paper has shown the following;

- What challenges are currently being faced by Businesses clients towards Meeg bank in East London?

The findings presented on Chapter 5 show that challenges are as follows:

- The bank seem to be lacking in terms of product offerings resulting in the bank failing being one-stop-shop in terms of products offered given that the table 5.3 revealed that only zero percent were scored for both strongly agree and agree;

- The results also indicated clearly that parking is a problem with 74 per cent strongly agreeing and 20 per cent agreeing; and

- Relationship management does not receive much needed attention from management since the clients do not get a courtesy call, yet the result from the chart 5.5.1 also indicated that the respondent’s relationship with the bank is based on senior management availing themselves for appointments.

Customers will remain loyal to a service organisation only if the value of what they receive is determined to be relatively greater than that expected from competitors (Zeithaml & Bitner, 1996).

According to the literature study, the goal of CRM is for organisations to build relationships with their customers where they see mutual benefit and value in continuing to do business with the particular organisation and view moving to
another company as an inconvenience. The principles of CRM allow both small and large companies to increase their bottom line and customer satisfaction.

From the previous discussion, it is clear that management’s total commitment is key to the successful management of customer relationships. All levels of managers, be they the executives, middle, general or line managers, they should be 100 percent committed to CRM if an organisation is to reap the full benefits and have its performance boosted.

- **What is currently being done to assist minimising the challenges faced by these business clients?**

The research findings have shown that the Meeg bank have done well to remain competitive in terms of interest and charges, client information treated with confidentiality and training their employees. This is evident from the table 5.5 showing a combined 77.1 percent for both strongly agree and agree on knowledge displayed by employees and client are not sent from pillar to post when making an enquiry. Also the bank physical facilities are favourable to the bank with the exception of parking only.

However, as per research findings, there is a lot of room for improvement in some areas of CRM such as management commitment.

- **What are the current strategies available to address similar situations / are being followed by the Meeg bank to retain business clients?**

Adoption of Absa’s Group Customer Experience (GCE) policy which focuses on building a customer centric culture, providing leading edge intelligence on customer experience, and enabling Absa Group to excel at customer service and recovery is one strategy.

Successful application of this policy (as per the policy document) will facilitate:

- ‘Retaining’ and ‘growing’ the customer base; and
That, employees in Meeg bank ‘walk the talk’ – changing the perception of service from an intellectual idea to concrete behaviour that influences the way customers feel;

All employees are encouraged not to only rely on internal training to provide further skills and knowledge needed but to make use of internal benefits to study further is another strategy. By encouraging the employees to utilise the benefits is a good investment for the bank which will result in longer commitment by knowledgeable employees.

What needs to be done to enhance the effectiveness of the relationship maintenance on customer service at Meeg bank business unit?

It is evident from the findings that there is still much more needed to be done by the bank. Identify (your customers), differentiate, interact and customise are the steps to follow to add value to an organisation, as revealed by the literature in previous chapters. This implies in the bank investing more on a wide range of product offering to cater for unique requirements. It is important for any organisation to understand how to evaluate customer satisfaction as failure to do so would lead to the business only realising after it has lost valuable clients.

Management has to strategise along the point of relocating the Business bank division to a more suitable area with sufficient parking space for business clients. As already alluded by the literature and above all levels of management must “buy in first” the concept of Customer Relationship Management for all employees to embrace and “walk the talk”. Customer relationship management requires committed employees who critically scrutinise the work they do and come up with innovative ways for them to work smarter.
6.2 Conclusions from the research

The researcher has drawn the following conclusion from the surveys, interviews and personal observations during the research process:

Having answered the sub problems as per section 6.2, one would conclude that Meeg bank does strive towards better Customer Relationship Management with current strategies. However, research findings show there is a lot of opportunity for improvement as it is mainly the training of employee’s strategy that is currently in place. There is need for management to engage the other employees more when it comes to rolling out the strategies so they could buy into the same. By so doing the business unit will be better placed to enjoy the full benefits of CRM efforts.

6.3 Recommendations from the research

It is evident from the research that there is room for improvement in the following areas:

- Establishing a top management steering team for CRM activities to provide the planning and direction for the continuance and commitment to CRM activities;
- Instituting a CRM strategy: the implementation must be based on the concept that an organisation's most valuable asset is the customer and the organisation must manage its customer relationships in the best possible way;
- Cultural change across all the departments of the bank. This is of utmost importance as they need to work together as one team working towards the objective of delighting customers better than competitors. Having cross selling targets is one way of helping of foster collaborative relationship management (Imai, 1986). The requirements for excellent customer service need to be built into the
performance measurements of all the employees. Such concepts as multi source feedback across employees from various departments could help;

- Regular reviews and customer feedback sessions should form the basis for the ongoing improvement that lies at the very foundation of CRM. The customer is the ultimate judge and delighting is the key to the organizational profit making goal. Constant engaging of employees would help the unit stay ahead of competition and be in a position to be proactive with regards to customer needs and expectations (Wheeler, 2008); and

- In order to maintain client relationships, a bank may provide special benefits to loyal clients, for example, lower bank charges.

6.4 Opportunities for further research

Based on the outcome of this research the following recommendations are made for further research:

- Assessing the benefits of CRM – Many organisations may benefit from assessing the benefits of CRM programs, with the lessons derived driving top management to implement CRM programs; and

- Future research regarding this topic can be extended to include other bigger banks and CRM and level of service quality, can be identified and compared to the study.
List of References:


Ndlovu, S.K. (2009), “Have the Continuous Improvement (CI) efforts at Absa Bank’s Horizon Medium Business Banking unit, in the Gauteng West region successfully addressed the key concepts of Continuous Improvement as set out by Trollip, 2008?” - (NMMU) Business School


ANNEXURE A:

AN EXAMPLE OF THE QUESTIONNAIRE

TO BANK CLIENTS
31 July 2009

QUESTIONNAIRE COVERING LETTER

Dear Respondent

Questionnaire - The perception about customer relationship management by Meeg bank in East London branch.

I hereby request your assistance in completing the attached questionnaire. The questionnaire is part of my research for the requirements of a Masters Degree in Business Administration (MBA) at the Nelson Mandela Metropolitan University (NMMU) Business School.

I am currently conducting a survey on the perception about customer relationship management of Meeg bank in the Border Region and your assistance in completing and returning the attached questionnaire by the 20th of August 2009 would be greatly appreciated. It should only take a few minutes of your time.

For further information and any queries I can be contacted on (043) 722 1251 or 082 741 6098 email: Carol.Ntsunguzi@absa.co.za

Yours faithfully

Carol N Ntsunguzi

........................
Researcher
Nelson Mandela Metropolitan University

Promoter: Dr Margie Cullen (NMMU)
RESEARCH QUESTIONNAIRE

Please read the instructions for each section and answer the questions accordingly.

There are NO right or wrong answers to these questions and this is by no means a test, it is merely a survey to obtain a better understanding of your environment with regards to Customer Relationship Management (CRM) and customer service.

CRM is a core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted consumers. CRM can be further described as a comprehensive set of activities that covers all functions of the firm interacting with and supporting a consumer. These activities ultimately build customer satisfaction by providing their needs, want and desires over the long term. The ultimate goal is to enhance customer service that would eventually translate to increased improved relationship.
SECTION A – Demographic information

Please mark the appropriate box with an X

1. What is your highest qualification?

<table>
<thead>
<tr>
<th>High School</th>
<th>Matric</th>
<th>Diploma / Degree</th>
<th>Honours</th>
<th>Masters</th>
<th>Doctorate</th>
<th>Other</th>
</tr>
</thead>
</table>

2. Which business sector are you in?

<table>
<thead>
<tr>
<th>Manufacturing</th>
<th>Transport</th>
<th>Retail</th>
<th>Construction</th>
<th>Other services</th>
</tr>
</thead>
</table>

3. Gender

Female       Male

4. How many years have you been involved in this business?


5. Age

<table>
<thead>
<tr>
<th>Below 25</th>
<th>25 - 35</th>
<th>36 - 40</th>
<th>41 - 50</th>
<th>51 and above</th>
</tr>
</thead>
</table>
6. What is your position in this organisation?

<table>
<thead>
<tr>
<th>Director / Member/ Owner</th>
<th>Manager</th>
<th>Operator</th>
<th>Other</th>
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SECTION B: **Competitiveness**

Instructions:

Please mark the appropriate box with an X. The box represents a Yes or No – abbreviated “Y” and “N”.

**With reference to Meeg bank**
1. The bank charges & interest charged are reasonable  
   
   Y  N

2. The employees are friendly and knowledgeable  
   
   Y  N

3. The client information is treated with confidentiality  
   
   Y  N

4. Do you have any accounts with any other bank?  
   
   Y  N

5. How long have you been banking with Meeg Bank?
SECTION C: Measurement of Customer Relationship management

Instructions:
Please mark the appropriate box with an X

Key
Strongly agree
Agree
Neutral
Disagree
Strongly Disagree

A. CUSTOMER SERVICES / PRODUCT OFFERING

1. I selected my bank based on its fees for services.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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</table>

2. My bank understands my business and my personal needs.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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</table>

3. My relationship with my bank depends on its variety of services.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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<tbody>
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<td>Strongly agree</td>
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</table>

4. The employees of my bank are always willing and quick to respond to my requests.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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</table>

5. Generally, my bank performs its services by the promised time.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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</table>

6. There are a wide variety of products offered in my bank.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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7. The employees are knowledgeable and I don't get tossed from pillar to post.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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8. TWO employees is the maximum I talk to, to get needed help.
<table>
<thead>
<tr>
<th>Number</th>
<th>Statement</th>
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</thead>
<tbody>
<tr>
<td>9</td>
<td>The bank is a one-stop-shop in terms of products offered.</td>
</tr>
<tr>
<td>10</td>
<td>I get correspondence regarding changes in products, services, rates timeously.</td>
</tr>
<tr>
<td>11</td>
<td>I have confidence in my bank and know that my bank will always act in my best interest.</td>
</tr>
<tr>
<td>12</td>
<td>I believe that even through a phone call, I will be understood.ECTS.</td>
</tr>
<tr>
<td>13</td>
<td>I selected my bank based on its regular client’s functions.</td>
</tr>
</tbody>
</table>
14. The terminology and technology used by my bank is user-friendly.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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B. BANK FACILITIES

15. My bank’s physical facilities are visually appealing

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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16. The parking facility is a problem when visiting my bank.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
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<th>Disagree</th>
<th>Strongly disagree</th>
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17. There is clear visual display of departments within the bank.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
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<th>Disagree</th>
<th>Strongly disagree</th>
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18. The bank is always clean and the environment is welcoming.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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19. There is a queueing system in place for those clients visiting consultants and managers.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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C. CUSTOMER RELATIONSHIP MANAGEMENT

20. My relationship with my bank depends on whether senior managers are available for appointments.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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21. I normally get a courtesy call from my bank manager at least once a term.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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22. My relationship with my bank depends on the level of knowledge displayed by the employees of my bank.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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23. I know who to talk to when my manager is not there.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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24. I am thinking of changing banks

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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25. I have changed banks already.

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<tr>
<th>Strongly agree</th>
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<th>Strongly disagree</th>
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</table>
26. I receive many benefits due to my relationship with my bank.

27. I am satisfied with the overall relationship that I have with my bank.

28. I have already moved some of my accounts to other banks.

29. I have recommended my bank to two or more people.

30. My relationship with my bank depends on my bank informing me of any changes in bank’s procedure of delivering services.
31. I have a high concern for the success of my bank.

32. I am completely committed to my bank.

Kindly return the completed questionnaires to the following address:

ATTENTION: CAROL N NTSUNGUZI
ABSA BANK
FRERE SQUARE
58 FRERE ROAD
VINCENT