



**CUSTOMER PERCEPTIONS ON COMPETITIVENESS OF ABSA
BANK IN SOUTH AFRICA**

By

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DECLARATION

I hereby declare that this dissertation, submitted for the Degree of Masters of Management Sciences specializing in Marketing, is my own work and has not been previously submitted to any other institution of higher education. I further declare that all sources cited or quoted are indicated and acknowledged in the bibliography.

.....

Anos Chitamba

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“Anytime you see a turtle up the top of a fence post, you know he had some help”
(Alex Haley).

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ABSTRACT

The purpose of this study was to determine customer perceptions of the competitiveness of Absa Bank in South Africa. To address the main research question, the study was divided into three sections which then become the objectives of the study. The first objective was to determine customer perceptions of the level of bank competition in South Africa. The second objective was to determine the factors that customers consider when they choose a bank and the last objective was to determine customer perceptions of the competitiveness in the South African banking sector.

An Absa Bank communiqué indicated that its major shareholder, Barclays Bank, is pulling out of Absa due to continued uncertainty in the African market. The market has mixed feelings over the matter. Customers and various stakeholders are sceptical whether the departure will affect the performance of the bank. The study was conducted in Durban. The branch has an estimated of 150 000 Customers who use Absa and subsequently who become the target population of the study. Four hundred walk-in customers at the branch made up the sample. They were selected using a non-probability sampling technique in the form of convenience sampling. In total, 400 questionnaires were distributed to the walk-in customers. Thirteen questionnaires were discarded because the majority of the questions were not answered. Hence a total of 387 questionnaires were returned to the researcher, giving a response rate of 96%.

Data was analysed using the latest computerised Statistical Package for Social Sciences version 24.0. Pearson's Chi-Square and Spearman's Correlation tests were conducted to determine whether there were statistically significant relationships between the variables. The findings from the study revealed that there is competition in the banking sector and banks compete for customers using pricing strategies. The study also revealed that Absa customers consider the image of the bank and the level of product knowledge by bank employees when they choose a bank. The study also revealed that the majority of customers' view Absa Bank as competitive in the market. The researcher recommended that the branch management should regularly conduct

customer surveys as a method to engage customers and to identify the factors that they want to be improved and incorporated into the branch. After the study was completed, the researcher solicited the services of the post graduate librarian to run the turnitin programme to test the entire thesis for plagiarism. A similarity index of 12% was recorded.

CHAPTER ONE INTRODUCTION

1.1 INTRODUCTION

Competition in the banking sector is inevitable due to the increasing number of banks in the South African market. The South African economy has a total of 72 banking institutions serving a market of approximately 15 million who utilize banks. It is against this background that banks contest with each other to have a competitive advantage in the market. In retail banking, the service quality dimension is extensively used to assess the competitiveness of a bank in the industry. The ability of a bank to satisfy customers' needs enhances their competitiveness in the market. The main objective of this study is to determine customer perceptions of the competitiveness of ABSA Bank in South Africa. Chapter 1 presents the background, problem statement, aim, objectives, and the research questions of the study. The rationale, scope, brief literature review and a brief overview of the research methodology of the study is also discussed. The chapter concludes by summarising the layout of the entire study.

1.2 BACKGROUND TO THE STUDY

The retail banking sector in South Africa is all-embracing in nature and serve every organisation that meets its regulations. According to the Banking Association of South Africa (2015:1) there are 17 authorised local banks; 2 mutual banks; 14 local branches; 2 co-operatives; and 43 foreign banks in the sector. Despite the industry having a number of banks, it is extremely concentrated and is at its permeation stage, with four banks dominating over 80 percent of the whole industry (Banking Association of South Africa, 2015:2). The 'big four' are Standard Bank, ABSA Bank, Nedbank, First National Bank (BuzzSouthAfrica, 2016:1). Despite only of handful of players dominating the market, the banking sector is very competitive. Marous (2014:1) postulates that to successfully outwit competition, banks need to have a thorough understanding of customers' behaviour. Due to the competitive nature of the banking sector, it is therefore the banks' responsibility to discover the perceptions of customers so that they can offer products that meet customer needs. Obtaining such information about

customers gives a bank a competitive advantage in the industry (Ernest & Young, 2010:4).

ABSA Bank was established as a result of a merger between four banks, namely Allied Building Society, Volkskas, Trust bank and United Building Society (Brands and Branding, 2016:1). The bank offers retail banking in South Africa. It is listed on the Johannesburg Stock Exchange and has grown phenomenally to become one of the big four banks in South Africa. Absa Bank is a key player in the market and its major shareholder is Barclays Bank, which has a controlling stake of 62.5% and has over a century of experience operating in Africa, giving the bank a competitive advantage over its competitors in the market (Barclays Africa Group, 2016:1). This ultimately makes ABSA Bank a key player in the market.

However, the media communique by Barclays Bank to pull out of ABSA Bank has made headlines across the globe and is of great concern in South Africa. Customers have mixed feelings over the proposal and the market is sceptical. In order to remain competitive and to establish a competitive advantage in these speculative times, ABSA Bank has to reassess their method of operation and reposition themselves in the eyes of customers.

1.3 PROBLEM STATEMENT

The South African banking sector has witnessed a period of speculative behaviour as a result of political interference and policy inconsistency (SouthAfrica.info, 2015:1). Fierce and stringent competition among ABSA Bank, Standard Bank, First National Bank, and NEDBANK, the major players, to control and retain customers has intensified. Retail banks endeavour to increase their customer base by embarking on an aggressive campaign strategy, as well as pursuing different approaches of launching modern bank loyalty (KPMG, 2014:1).

In addition, the latest entrant Capitec Bank is set to compete with the major banks as it is tapping into their customer bases. The majority of the customers switching banks appear to be from ABSA (Financial Mail, 2013:1). Contemporary media communiqués by Barclays, a major shareholder in ABSA Bank to pull out of the Africa market has made headline across the globe and has raised speculative behaviour amongst current ABSA customers. The market has become sceptical. ABSA customers, as

major stakeholders, have mixed feelings over the matter, suggesting that they may consider switching to other banks. It is against this backdrop that this study seeks to investigate customer perceptions regarding ABSA's competitiveness.

1.4 AIM OF THE STUDY

The main objective of the study is to investigate customer perceptions of the competitiveness of ABSA Bank Durban Central branch.

1.5 OBJECTIVES OF THE STUDY

To answer the main aim of the study, the key objectives of this study are:

- a) To determine ABSA customer perceptions of the level of bank competition in South Africa;
- b) To identify the factors considered by ABSA customers when choosing a bank;
- c) To assess customer perceptions of ABSA competitiveness in the South African market; and
- d) To generate recommendations, based on customer perceptions, on how ABSA management could enhance competitiveness in the South African market.

1.6 RESEARCH QUESTIONS

The following research questions were addressed in support of the stated research objectives:

- a) What are ABSA customer perceptions of the level of bank competition?
- b) What are the factors considered by ABSA customers when choosing a bank?
- c) What are customer perceptions of ABSA bank competitiveness in the South African market?
- d) What should ABSA management do to further enhance ABSA's competitiveness in the market?

1.7 RATIONALE OF THE STUDY

According to Simbanegavi, Greenburg and Gwatidzo (2012:1), a competitive banking industry is fundamental to the operations of an economy. ING (2016:1) postulates that one of the substantial role of banks is that they offer financial products and services to customers. Leuvensteijn, Sorensen, Bikker and Rixtel (2008:6) advocate that retail banks act as principal agents of the central bank in administering monetary policy. Resultantly a competitive banking sector ensure effective implementation of the monetary policy.

The banking sector has from time immemorial been reckoned to be the vital sector that permits effective operation of the economy. As a result of the integral significance of financial institutions to any economy, the level of competition will be of great concern to both regulators and customers (Bowdery, 2015:1). Bank competition plays a crucial role because, firstly, just like any other, sector the absence of competition stifles innovation and efficiency levels. Secondly, and particularly in the banking sector, the absence of completion can result to non-competitive practices like charging high transaction costs (Simatele, 2015:826). Absa Bank is among the big four banks in South Africa. Given the importance of competition in banking, this study seeks to determine the competitiveness of Absa bank in South Africa. The findings from the study will help researchers identify factors considered by Absa customers when choosing a bank, as well as the way they view the extent of competition in the market. The study will also add to the scholarship of knowledge on bank competition.

1.8 SCOPE OF THE STUDY

The scope of the study was confined to walk-in customers at ABSA Bank, Durban Central branch. The branch was intentionally selected because it is the regional headquarters in KwaZulu Natal. The purpose of the study is to investigate customer perceptions on the competitiveness of ABSA Bank in South Africa.

1.9 THEORETICAL BACKGROUND

1.9.1 CUSTOMER PERCEPTIONS

Customer perceptions are a frame of mind which is an outcome of customers' analogy between post purchase experience and the customer's previous experience (CIMA Enterprise Management, 2015). Bank functions are centred on the customer, which makes customer perceptions an integral aspect which banks should closely monitor. The capacity of a bank to provide customers with an array of financial facilities enables it to wield competitive advantage in the market. Consequently, it is imperative that the management of banks be well acquainted with information regarding customers. This will help them to devise strategies aimed at keeping customers satisfied, as well as to increase customer loyalty, which will translate in to the overall competitiveness of the bank.

1.9.2 THE STATE OF COMPETITION

Competition law and policy (OECD, 2010:1) insinuate that assessing competition levels in the banking industry is puzzling as a result of distinctive characteristics in the sector, such as the cost of switching. The Financial Conduct Authority (2016:5) argues that competition in the business sector means organisations are fighting to win customers, where pioneers in creating new products and services, and successful companies thrive. However, those that are not performing well exit the market. Competition law and policy (OECD, 2010:1) proposes that concentration, together with other structural indicators is not a sufficient proxy for competition.

The industry currently comprises 17 authorised banks; 14 branches of international banks operating in South Africa, 2 co-operative banks; and 43 overseas banks with authorised South African representatives (Banking Association of South Africa, 2014:1). According to Simbanegavi, Greenburg and Gwatidzo (2014:303) a competitive banking industry is fundamental for the efficient and effective functioning of an economy. ING (2016:1) advocate that banks are the bedrock or the central engine of most economies. One of the substantial roles of retail banks is that they offer financial products and services to customers. As a result, the presence of competition in the financial markets ensures that products will be of high quality and at affordable prices.

1.9.3 MEASURING COMPETITION IN THE BANKING SECTOR

According to the OECD (2010:19), competition in the banking sector is measured using the following three approaches:

- Structural measures of competition;
- Measures of market contestability; and
- Direct measures of competition: The H-statistic

1.9.3.1 STRUCTURAL MEASURES OF COMPETITION

Frequent measures of market structure, like concentration ratios; the Herfindahl Hirschman index, and the number of banks are the most used methods in research studies (OECD, 2010:19). The measures are derived from the structural-conduct performance (SCP) paradigm, connecting the set-up of the market to effects of organisational behaviour and thus overall sector performance (Bikker and Spierdijk, 2009:2).

One major conjecture of the structure-conduct-performance approach is that higher concentration promotes collusion and lower productivity. Hence, the (SCP) paradigm has been widely criticised (Claessens, 2009:9). The market set up could not be exogenic, but could be due to enterprises' conduct. As a result, researchers have not reached agreement on the suitable variable for measuring market structure in banking (OECD, 2010:19).

1.9.3.2 MEASURES OF MARKET CONTESTABILITY

This approach measures the competitive state in the form of contestability. Indicators such as availability of foreign ownership; stipulated regulatory entry requirements; and both formal and informal barriers to entry assess the threats of entry into the industry and therefore its contestability through the extent of entry or exit (OECD, 2010:19).

1.9.3.3 DIRECT MEASURES OF COMPETITION: THE H-STATISTIC

According to the OECD (2010:19), the last approach assesses the potency of competition directly on how prices or outputs react to costs. Previous studies on bank

competition use the H-Statistic, based on the Panzar and Rosse model (Leon, 2014:24).

1.10 THE CONCEPT OF COMPETITIVENESS

Ketels (2006) cited in Listra (2015:27), defines Competitiveness as the output per unit at which a country makes use of its natural, capital and human resources. On the other hand, the European Union (2011:1) views competitiveness as the capability of an organization, region or nation to trade merchandise and offer utility in a specific market with regard to the capabilities of other organizations, region or nation.

In line with the definitions above, Ivancevich and Konopaske (2006) cited in Ssewankambo and Pule (2015:125), defined organizational competitiveness as the extent a firm under perfect market conditions produces goods and services that satisfy global markets while at the same time upholding and broadening the real incomes of investors and employees. Using the same lens, bank competitiveness can be loosely viewed as the capability of the bank to supply products and services to clients in a specific marketplace while at the same time affirming the strengths and multiplying the incomes of the owners. Bank competitiveness refers to the capacity of the bank to offer customers services and at the same time preserve the soundness of the bank and widen its income revenues (Vukovic, Jovanovic and Dukic, 2012:50).

Numerous studies in retail banking have used the SERVQUAL model to assess the competitiveness of a bank in an industry.

1.11 THE SERVQUAL MODEL

The SERVQUAL model was designed by Zeithaml, Parasuraman and Berry, Gibson (2009:1225). The model is used as a yardstick to determine customer perceptions of service quality interpreted, as the imbalance between what customers expected from a service and what they actually experienced using the service (Parasuraman et al, 1985 cited in Lau, Cheung, Lam and Chu, 2013:266). The SERVQUAL model has gained acceptance in the retail banking industry as a useful model for ascertaining customer perceptions.

1.12 BRIEF OVERVIEW OF THE RESEARCH METHODOLOGY

This sub-section addresses the manner the research is going to be conducted and data collected and analysed.

1.12.1 RESEARCH DESIGN

Babbie and Mouton (2001), cited in Wagner, Kawulieh and Garner (2012) define research design as a planning model observed in establishing a construction. It is the overall blueprint that will be adopted to merge divergent sections of research into a comprehensible and articulate manner, thereby ensuring that the research problem is addressed.

1.12.2 SECONDARY DATA

According to Sekaran and Roger (2013:36), secondary data involves collecting information from sources that are already published for other studies. In this study secondary data is sourced from journals, government publications, internet sources, theses and dissertations.

1.12.3 PRIMARY DATA

Saunders, Lewis and Thornhill (2009:361) define primary data as first the occurrence of a piece of work. For the purposes of this study, a closed-ended structured questionnaire will be used as a data gathering instrument.

1.12.4 MEASURING INSTRUMENT

A structured questionnaire is to be used for the purpose of this study. Sekaran and Bougie (2013:147) define a questionnaire as a set of thoughtfully and exhaustively planned questions that are administered to a group of people in exactly the same way to enable data collected by the researcher to be valid. The questions will be based on a five point Likert scale, indicating the extent to which respondents agree or disagree with the questions posed (Gray, 2014). To ensure that questions are clear and tailor made to meet the objective of the study, a pilot study will be conducted.

1.12.5 PRE-TESTING

A thorough pre-test of the questionnaire will be conducted before the actual case study in order to obtain a picture of any errors made in designing the questionnaire. Welman, Kruger and Mitchell (2008:145) posit that during a pilot study, the survey is administered to a group of respondents ranging from 10-100 who resemble the individuals in the actual sample. For the purpose of this study ten respondents will be used for pretesting under field conditions.

1.12.6 DATA ANALYSIS

Data analysis is the technique of establishing harmony, formation and sense to mass data gathered (De Vos, Strydom, Fouche and Delport, 2007:169). The data will be coded and the Statistical Package for Social Sciences (SPSS) software will be used to examine the data. In addition to that, Microsoft Excel will also be used in drawing up pie charts, bar graphs and cylinder charts. This is imperative for representation and will assist in inferring meaningful information for decision-making.

1.12.7 POPULATION

The population is a set of elements or similar items from which a sample is drawn. Teddlie and Tashakkori (2009:341) expound that the population is a class that appeals to the researcher and from whom the researcher would like the outcomes of the research to be discovered. The study will be carried out at ABSA Bank Durban Central branch. The branch has an estimated 150 000 customers.

1.12.8 SAMPLE POPULATION

A sample population is the group that will be chosen from the whole population and must represent the whole population to ensure validity. According to Sekaran (2003), a sample is a subgroup of the total population that represent all the members of the total population. A sample population shall be an extracted from the total population for the purposes of conducting this research. Such a group must be a representation of the total population for the study results to be valid since it is not feasible to collect

data from the entire population. According to Sekaran (2003), a population of 1 000 000 can have a sample of 384 participants. Four hundred participants will constitute the sample for this study. The participants will be chosen using the convenience sampling method.

1.12.9 SAMPLING METHOD

Saunders, et al (2009) postulate Sampling methods are grouped into two classifications, namely probability sampling and non-probability sampling. Nonprobability sampling in the form of convenience sampling will be used for the purposes of this study. According to Blair, Czaja and Blair (2014:95), convenience sampling is a sampling method that depends on data gathered from a population that is easily accessible. This method is suitable for this study because it is easy to carry out and it is cost effective. Participants will be walk-in customers at ABSA Bank Durban Central branch who will be willing to participate in the study.

1.12.10 RELIABILITY

According to Welman, Kruger and Mitchell (2008:145), reliability involves the effectiveness of the questionnaire in taking accurate and consistent measurements. The questionnaire will ensure error limitation and consistency through pilot testing. Cooper and Schindler (2014:84) share the same sentiments that reliability necessitates uniformity of a measure. Denscombe (2010) confirms that reliability means consistence of outcomes when a method is used to measure something on different occasions.

1.12.11 VALIDITY

According to Dhingra and Dhingra (2012), validity is the extent to which a study precisely appraises the construct which is being studied. The questionnaire as a research instrument must be dependable and envelop all-inclusive facets of the concept to be studied. To ensure the instrument measures what it is intended to measure, the instrument will be perused until it is accepted by the promoter.

1.13 DELIMITATION OF THE STUDY

The study is limited to ABSA Bank Durban Central branch. This is because:

- a) The whole country is too big for the researcher to collect data;
- b) Durban is an economic hub in KwaZulu Natal and South Africa; and
- c) The targeted participants of this study are walk-in clients of the bank, so getting them to fill in the questionnaire can be done with minimal difficulty.

1.14 OUTLINE OF THE STUDY

CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE PROBLEM

The chapter comprises 13 sub-sections, namely introduction, background, problem statement, aim, objectives, research questions, rationale, scope, brief overview of literature review, brief overview of research methodology, delimitation, outline of the study and conclusion.

CHAPTER 2 – LITERATURE REVIEW

This chapter provides the literature review of published material related to the study. The chapter is organised into sub-sections that cover bank competition; factors considered by customers when choosing a bank; and customer perceptions on bank competitiveness using the SERVQUAL model.

CHAPTER 3 – RESEARCH METHODOLOGY

The aim of this chapter is to describe the nature of the study type, research design, research approach, target population and selection, measuring instrument and the methods of data collection used in the study.

CHAPTER 4 – DATA ANALYSIS AND INTERPRETATION

The chapter presents and analyses the research findings of the study using different statistical methods. The researcher will also provide an analysis and interpretation of the research findings.

CHAPTER 5–CONCLUSION, DISCUSSIONS AND RECOMMENDATIONS

The conclusion of the research based on results is presented, aspects of the topic requiring further discussion are highlighted and recommendations are made.

1.15 CONCLUSION

Chapter one provided an insight into the research study. The aim of the study, background to the study, statement of the problem, objectives of the study, research questions and the significance of the study were discussed. A brief overview of the literature review and the research methodology were presented. The chapter ended with a summary of the thesis structure. The following chapter provides a review of the literature that forms the basis of this study.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

The preceding chapter presented the background and introduction to the study. A comprehensive theoretical framework on bank competition, factors considered by customers when choosing a bank and customer perceptions on bank competitiveness are presented in this chapter.

2.2 DEFINITION OF A BANK

A considerable amount of literature has been published on banking. According to the United States Board of Governors' Federal Reserve System V. dimension (1998), cited in Ferreira (2015:10), a bank is a financial organisation providing a facility for deposits which are subject to request for withdrawals and provides credit to customers for economic nature. On the other hand, Ngandu (2012:15) points out that a bank is a financial institution that accepts deposits and transfers them to debtors.

Scholars Rose and Hudgins (2013:11) define a bank in accordance to the numerous roles banks contribute to an economy, that is the customised products and services they provide to customers. In the same vein, Asmundson (2012:1) is of the opinion that banks are defined in line with the products and services that they offer to customers. The fundamental role of banks is that they gather customers' savings and offer credit to debtors from the savings at a higher interest. This, according to Ferreira (2015:10), permits the flow of money in the economy.

Due to this strategic involvement, banks in most economies are intensively regulated. The majority of banks use the fractional reserve system as their method of operation. That is, they keep a small percentage of the deposits and they lend out the rest to clients for profit.

2.2.1 EVOLUTION OF BANKING

The banking industry can be traced back to ancient history. The only difference is that the banking practices from the era are different to modern banking practices. Prior

research on banking suggests that the majority of European countries experienced the beginning of banking at about the same time.

The notion of banking back dates to 1800 BC in Babylon. The emergence of banking was established in ancient history, periods before the creation of money, when theological set ups such as temples were used as stalls for goods (Gomez, 2008). According to the Bible, Jesus chased out money changers in the temple in Jerusalem (Matthew 21:12). During that period, moneylenders gave people money for trade purposes. The first bank was instituted in Venice in Italy to fund war. During that period the Lombard bankers were famous in England. It is in England that modern banking began to flourish through the Goldsmith (Fohlin, 2014). In Rome, banks started giving loans and accepted deposits from traders. The collapse of the Roman empire was a major slump for trade and banks momentarily disappeared. However, banks emerged again in the 12th and 13th centuries in Italia. During that period, a German household named the Fuggers became prominent bankers (Steinmetz and Schuster, 2015:1).

2.2.2 THE BEGINNING OF BANKS IN ENGLAND

The idea of banking was established in England in the 17th century. It began when people made pre-payments to Goldsmiths to enable customers' payments to third parties. In turn, the Goldsmith provided a recorded undertaking to reimburse the sum on demand to the customers who gave them gold. As time passed, the Goldsmith then started giving loans on the money that was deposited, charging a higher interest rate. They also paid interest to people who deposited money for them to attract savings. As a result of the world war, the bank of England was established to give loans to the state (Goodman, 2009:20).

Modern banks came into existence when the of The Bank Charter Act of 1844 was effected. The Act divided the Bank of England into two separate divisions, that is the banking department and the issuing department. This gave the Bank of England the sole right to issue notes and other banks lost the right to issue notes (Barnes and Newton, 2014).

In the process, many banks in England merged, until the 20th century where banking was mainly dominated by Barclays Bank, Lloyds Bank, Midlands Bank and National Westminster. In 1967 Barclays Bank set up the first money issuing machine in Britain (Barclays, 2014:1).

2.2.3 WORLD BANK

According to Surbhi (2015:1), the World Bank is a global bank founded in 1944 to assist member nations to rebuild their economies after the world war and also grow through issuing them loans that they will repay when their economies stabilised. Clemens and Kremer (2015:53) postulate that the World Bank was instituted with the underpinning notion to tackle the international market imperfections. The founders' idea was that countries would seek short-term loans from the bank, which they will pay back when they grew economically (World Bank, 2016:1).

2.2.4 TYPES OF BANKS

Banking is at the heart of modern economies. However, the characteristics and operations of banks have changed over time. The catalyst for the change is mainly attributed to the use of money. As a result, banking is highly associated with the lending and borrowing of money.

According to Ngandu (2012:15) bank operations can be categorized into retail banking (is service to individual customers and small-to-medium enterprises); business (focus on business-to-business); corporate banking (involving big organisations); private banking (offers financial management services to individual customers and families); and investment banking (relate to asset management).

However, not all banks are privately owned as a portion is owned by non-profit institutions and government. Reserve banks are controlled by governments and they are responsible for monetary policy and regulation of other banks. Boland and Vincent (2009:5) posit that Islamic banks religiously follow the beliefs of Islamic laws. Islamic banking is centred on the foundations of and principles of Islamic ideology. Islamic

banking operations circumvent the payment of interest because it is against Islamic law. The different types of banks are illustrated in Table 2.1 below.

Table 2-1: Types of banks

Commercial banks	provide lines of credit to individual customers and businesses
Money centre banks	Commercial banks for financial centres
Community banks	Banks which focus in the local area they operate in
Savings banks	Accepts deposits from customers and issue credit to individuals and families
Co-operative banks	Help farmers, ranchers and consumers acquire goods and services
Mortgage banks	Provide mortgage loans on new homes but do not sell deposits
Investment banks	Underwrite issues of new securities by their corporate customers
Merchant banks	Supply both debt and equity capital to businesses

Industrial banks	State-chartered loan companies owned by financial or non-financial corporations
International banks	Commercial banks that are present in more than one nation
Wholesale banks	Larger commercial banks serving corporations and governments
Retail banks	Smaller banks serving primarily households and small business
Limited-purpose banks	Offer a narrow menu of services, such as credit card companies and sub-prime lenders
Bankers` banks	Supply services (e.g. check clearing and security trading) to banks
Minority banks	Focus primarily on customers belonging to minority groups

National banks	Function under a federal charter through the Comptroller or the Currency
State banks	Function under charters issued by banking commissions in various states
Insured banks	Maintain deposits backed by federal deposit insurance plans (e.g. the FDIC)
Member banks	Belong to the Federal Reserve System
Affiliated banks	Are wholly or partially owned by a holding company
Virtual banks	Offer their services only over the internet
Fringe banks	Offer payday and title loans; cash checks or operate as pawn shops and rent-toown firms
Universal banks	Offer virtually all financial services available in today`s marketplace

Source: Adapted from Peter and Sylvia (2008)

2.2.5 FUNCTIONS OF BANKS

Banking is an indispensable industry in the contemporary business world. Banking has played an instrumental role in the economic advancement of all countries. In today's world banking, is regarded as a lucrative business. Hence, just like any other organisations, they seek to make a profit. According to Matei and Geambasu (2010:93), central to the entire discipline of banking is the concept of borrowing and lending. The two are the functions that generate most profit for banks. As time progressed, banks began providing other services. According to Sangele, Salve and Mulane (2013:34), services can be classified into primary and secondary functions.

Primary functions

Accepting deposits

- Demand deposits- current and savings
- No frills account
- Time deposits recurring
- Fixed deposits

granting loans and advances

term loan
short term credit
overdraft
cash credit

Discounting of bills

Secondary functions

Agency functions

- Payment and collection of cheques
 - Bills and promissory notes
 - Execution of standing instructions
 - Trustee dealer
- executor

general utility functions

safe deposit
safe custody
pension payments
foreign exchange

2.2.6 THE SOUTH AFRICAN RESERVE BANK

The Reserve Bank of South Africa acts as the central bank of the government. Due to its distinctive role as the central bank, most people are of the impression that the Reserve Bank was the first financial institution to open its doors in South Africa. However, that is not the scenario. The first bank to be instituted in South Africa was the Lombard bank in Cape Town. The bank was officially opened for business on the 23rd of April 1793 (SARB, 2016:1).

The first calls to establish a central bank in South Africa were initiated in 1879. After continuous calls, the South African Reserve Bank was officially opened for business on the 30th of June 1920 (SARB, 2016:1). The pre-eminent role of the South African Reserve Bank is to safe-guard the price of the (Rand) South African currency.

2.2.7 FUNCTIONS OF THE SOUTH AFRICA RESERVE BANK

According to the SARB (2017:1), the main objective of the SARB is to safeguard the value of the Rand.

To successfully conduct this duty, the SARB has the responsibility for:

- Ensuring that the Rand SA currency and the financial sector is sound;
- Assisting the South African government and SADC community with data formulation and implementation of macro-economic policies; and
- Announcing to all South African citizens and relevant stakeholders overseas about the monetary policy and South African economic situation.

2.2.8 OVERVIEW OF THE BIG FOUR BANKS

The section below provides a brief overview of the major banks.

2.2.9 STANDARD BANK

Standard Bank is a South African-based financial institution registered on the Johannesburg Stock Exchange (SARB, 2016:1). The bank has a global footprint with operations in 17 African nations and 21 countries in other continents (Standard Bank,

2016). Standard Bank has traditionally been one of the big four banks in South Africa (Financial Mail, 2013:1).

According to Standard Bank (2016:1), the group has 746 branches across South Africa. In 2012, Standard Bank was ranked the largest banking group in South Africa, ranked by assets and earnings (Standard Bank, 2016:1). In 2015, it had the largest customer base in South Africa (BusinessTech, 2015:1).

2.2.10 FIRST NATIONAL BANK

First National Bank was founded in 1838 in Grahamstown. First National Bank operates as a subsidiary of the First Rand Group and is listed on the Johannesburg Stock Exchange (FNB, 2016:1). Operating as a normal banking group, FNB offers numerous banking products including insurance products and individual banking guides to personal, commercial and corporate businesses. The bank had an estimated customer base of 7.3 million in 2014/2015 financial year (BusinessTech, 2015:1).

2.2.11 NEDBANK

Nedbank was first established in South Africa as the Cape of Good Hope in the 19th century (Nedbank, 2016:1). According to South Africa Reserve Bank, (2016:1). Nedbank was ranked the fourth largest bank in South Africa in 2012 ranked by asset sizes. In 2015, the bank had an estimated customer base of 7.1 million (BusinessTech, 2015:1). The bank offers a comprehensive list of products and services through Nedbank retail, Nedbank capital and Nedbank corporate divisions (Nedbank, 2016:1). The bank has listed on the Johannesburg Stock Exchange since 1969 (South Africa Reserve Bank, 2016:1).

2.2.12 CAPITEC BANK

Capitec Banking Group was originally found for retail banking services and has emerged to be amongst South Africa's biggest banks. The bank was founded in 2001 and was listed on the Johannesburg Stock Exchange in 2002 (Capitec, 2016:1). Capitec has an estimated customer base of over 7.3 million in South Africa (Capitec, 2016:1).

2.3 COMPETITION

Parker (1998:347), cited in Motelli (2013:51), defines competition as an active process amongst organisations in which the strongest survives. Every organisation seeks to obtain a considerable market share in the industry which will enable it to increase its profitability.

2.3.1 COMPETITIVE ADVANTAGE

Awuah (2011:37) insinuates that there is no consensus on the exact definition of competitive advantage in marketing. However, he indicated that the term is often substituted with the term 'distinctive competences' to signify superior resources and skills. Wang (2014:1) argues that competitive advantage is acquired when a firm generates a combination of competences that gives it the opportunity to outdo competitors. Porter (1980), cited in Kaman (2013:6), posits that competitive strategy is the exploration of viable strategies that give an edge over competitors in the market. The organisation's ability to maintain its position in the industry enhances its competitiveness.

2.4 SUSTAINING COMPETITIVE ADVANTAGE

In order for organisation to continue enjoying their competitive position, Srivastava, Franklin and Martinette (2013:48) advocate that firms have to frequently concentrate on identifying differential product strategies; revamp competencies; obtain superior technology; and invest in research and development.

Bharadwaj, Varadarajan and Faly (1993), cited in Aweah (2011:38), proposed that the realization of competitive advantage in the industry is not an end in itself but a means to an end. Organisations should endeavour to continuously invest in activities that enable them to continue enjoying a competitive position.

It is apparent that an organisation cannot enjoy competitive their position for ever. The nature of competition in the industry erodes the situation. The rate of competition through innovation in the industry usually determines how long a company enjoys their comparative advantage.

2.5 SOURCES OF COMPETITIVE ADVANTAGE

For organisations to survive and remain profitability in the industry, they have to continually improve their competitive advantage over competitors. Awuah (2011:38) postulates that superior skill and positional advantage are key sources of competitive advantage addressed by many scholars.

2.5.1. SUPERIOR SKILLS

This refers to organisation's capability to produce goods and services that are superior than their competitors, which also involves having superior resources, operational capacity, distribution channels and brand name. Superior skills and superior resources translate to positional advantage.

2.5.2 POSITIONAL ADVANTAGE

Positional advantage is a stage where the firm has competitive strength that prevents other organisations from giving it tough competition in the market.

2.6 COMPETITION WITHIN SOUTH AFRICA'S BANKING SECTOR

One of the substantial roles of retail banks is that they offer financial products and services to customers. As a result, the presence of competition in the financial markets ensures that their products produced will be of high quality and at affordable prices.

A non-competitive banking sector suggests that banks will have monopoly power in the market and the market inefficiencies of a monopoly market structure imply that customers will be charged high prices (Slate, 2016). As a result of high prices, customers will not be motivated to borrow from banks, which will subsequently have a negative impact on the overall competitiveness of a country (Kjosevski and Petkovski, 2014: 64). Another crucial role, of retail banks according to Leuvensteijn, Sorensen, Bikker and Rixtel (2008:6), is that they act as the principal administrators of a country's monetary policy. Consequently, the availability of competition in the industry ensures

that there is effective implementation of the monetary policy (Fungacova, Solanko and Weill, 2013:5).

As a result of the importance of bank competition to an economy, there has been an upsurge amongst researchers in the study of bank competition at the global level among researchers. Despite the significance of the subject, there is a shortage of scholarship on bank competition in South Africa.

A commission of inquiry into competition led by Jali et al (2008: 495) they reached a conclusion that the South African banking sector acts as a cartel. However, the panel cited that the struggle and cost associated with switching banks reduced the competitive effect in the industry. On the contrary, Simbanegavi et al (2012:306) acknowledges the existence of competition in the market and further postulates that there is need for state intervention to ensure that the play field is even for all players.

Wu, Wang and Chan (2011:2) state that the entrance of foreign banks in developing economies has intensified the level of bank competition. This environment enables competition in the banking industry. Wu et al. (2011:2) postulate that there is a direct connection between the number of foreign banks and bank competition in the host competition country. The entrance of Capitec into the South African market intensified the levels of competition in the market (KPMG, 2014:1). Crystal, Dages and Goldberg (2002:1) assert that there has been an expansion in the number of foreign banks in developing nations. This is mainly attributed to the global relaxation of financial markets. Gontarczy and Wrobel (2015:1) propound that customers benefit from the presence of competition. Some of the benefits include high quality products and services and lower priced goods, amongst others (Crystal et al., 2002:1).

According to the research by Gontarczy and Wrobel (2015:2), literature on bank competition is two-fold: the consolidation process and then the phase after wards. The consolidation phase was witnessed around the whole world. Bikker and Spierdijk (2009:20) advocate that the consolidation phase placed the domination of the market in the hands of a few players. In the context of South Africa, the phase ushered in the domination of the big four banks that is, ABSA Bank, Standard Bank, First National Bank and Nedbank. Vilys and Rimaviciute (2014:56) are of the opinion that competition in the banking sector is quite different from other sectors. The duo assert that retail banks only compete on services being offered and that bank services are intertwined

such that they are dependent on each other. The role played by banks in an economy is indispensable. Competition results in efficient services being offered by banks. This section seeks to answer research question one.

2.7 FORMS OF COMPETITION

Competition in the retail banking sector occurs in two forms, namely price and nonprice factors. Retail banks compete to attract new customers and retain old ones through price and product features like branding (Deloitte, 2014).

2.7.1 PRICE COMPETITION

Amongst the big four banks, prices in the form of bank charges and interest rates have over the years been set to match competition, where a significant change in prices by a bank stimulates others to swiftly adjust their prices to match the competition (Bizcommunity, 2016:1). This is a clear indication that banks pay attention to price strategies of other banks. One of the major reasons that banks compete on prices is that prices are straight forward and customers can easily compare them in the market (The Economist, 2015:1). In markets where competition is very stiff, prices are usually based on marginal cost principle (ENS Economic Bureau, 2016:1). The period of time taken by competitors to adjust their prices to match competition determine the level of price competition in the sector or industry. One can deduce that price is a factor that plays a significant role in determining the level of competition the market.

2.7.2 NON-PRICE COMPETITION

According to Deloitte (2010), retail banks also compete on various non-price factors. These factors include:

- product features;
- quality and access to services; □ innovative product offerings; and
- branding.

2.7.2.1 PRODUCT FEATURES

Product features refer to the totality in features of products or sets of products being offered to customers to gain their loyalty. According to Deloitte (2014), product features can also act as a differentiation tool that can be used by banks to price their products at a premium. Over the years, banks have differentiated their products from those of competitors through product bundling. Product bundling creates value for customers in that duplication of costs is reduced (Bain and Company, 2013:1).

2.7.2.2 QUALITY AND ACCESS TO SERVICES

Retail banks compete on the nature of services that they offer to customers. This is particularly the case with new entrants into the market who may not be able to compete with already established banks on prices (Carbo, Guevara, Humphrey and Maudos, 2009:2). Customers value convenient banking and the ability to offer services that are of quality and easily accessible increases customer preferences for the bank (Accenture, 2015:11). Accessibility can be in the form of face-to-face encounters at bank branches or mobile applications. Thus, service providers can compete for customers through various options. According to the Senate (2009:7), customers prefer a bank's physical presence, which includes the availability of ATMs. Banks can increase their market visibility and increase access to banking services to customers through offering ATMs.

Figure 2.1 below shows the number of ATMs owned by the big five banks in South Africa

Bank	No. of branches	No. of ATMs
ABSA Bank	892	10 000
Capitec Bank	500	2 168
First National Bank	775	4 969
Nedbank	2 272	2 716
Standard Bank	705	8 100
Total	5 144	27 953

Figure 2-1: Total number of ATMs Source: Banking Association of South Africa (2014)

2.7.2.3 BRANDING

One significant non-price method used by banks to fight competition in the market is through branding. Branding is the process of differentiating a bank product from those of competitors' (Aleksic, 2011:395). Branding has proved over time to be an important factor in the retail banking sector, which can be used to attract and retain customers (Kalliala, 2012:26). Deloitte (2014) advocates that the ability of banks to instil a good name in the minds of customers gives a bank a competitive advantage in the market as customers prefer to be associated with reputable banks.

2.8 METHODS OF MEASURING COMPETITION

According to Simbanegavi et al. (2012:3), there are two methods ascertaining the level of bank competition. These are structural and non-structural methods. Mirzai and Moore (2014:38) reveal that there are numerous indicators to assess competition in a banking sector. These can be grouped into structural measures and non- structural measures.

2.8.1 STRUCTURAL-CONDUCT-PERFORMANCE

The first studies in bank competition are derived from the structure-conduct-paradigm (Leon, 2015:3). This paradigm points out that a higher concentration in the market results in less competitive bank conducts. This implies that is higher interest rates and

lower supply of funds in the market results in high profits for the bank. However, this is detrimental from a customer perspective, as access to finance will be expensive and they will pay more money to access banking services.

2.8.2 NON-STRUCTURAL

Pisanie (2013:2) argues that the structure-conduct-performance paradigm alone cannot give a true picture of the level of competition in an industry. As a result, the imperfections of the structural-conduct-paradigm resulted in the formation of nonstructural methods. These are Learner Index, the Panzer-Rosse Statistic, and the Boone indicator.

2.8.2.1 THE LEARNER INDEX

Measures the individual market power of an organisation. A bank's market power is recognised by the differences between the banks' price and marginal costs. A higher value of market power as indicated by higher values of Learner Index (Leon, 2015:17). The OECD (2010:20) indicates that the Learner Index is a superior method to distinguish competition. Its major drawback is that it requires data on prices and marginal cost, which is very difficult to put together.

2.8.2.2 THE PANZER-ROSSE-MODEL

According to Mirzaei and Moore (2014:41), the Panzer-Rosse model is a nonstructural yardstick to examine the level of competition in the banking sector. Panzer and Rosse designed an alternative model that measures competition based on the impact of transferring prices on firms' revenue. Following the model, the transferring of input price variation will be at variance to the competition levels in the market, *ceteris paribus*. The level of competition will be obtained by regressing the input prices of the bank's revenue. High values indicate more competition. On the other hand, weak or low transmission of input prices to banks revenue are interpreted as less competition (Leon, 2015:29).

2.8.2.3 THE BOONE INDICATOR

According to Leon (2015:29), Boone recently developed a relevant indicator of competition in an industry. The reasoning behind the indicator is that the more efficiently banks attain high quality service, provision increases their market share and intensifies competition in the industry eventually. Mirzaei and Moore (2014:42) indicate that the notion which underpins the Boone indicator is that competition improves how banks perform in the market.

2.9 COMPETITION FACTORS

Bikker and Spierdijk (2009) points out that there are five factors that can be used to interpret competition. In order to come up with conclusive information regarding bank competition, one has to understand competition factors. These factors are tabulated in Table 2.2 below:

Table 2-2: Competition factors

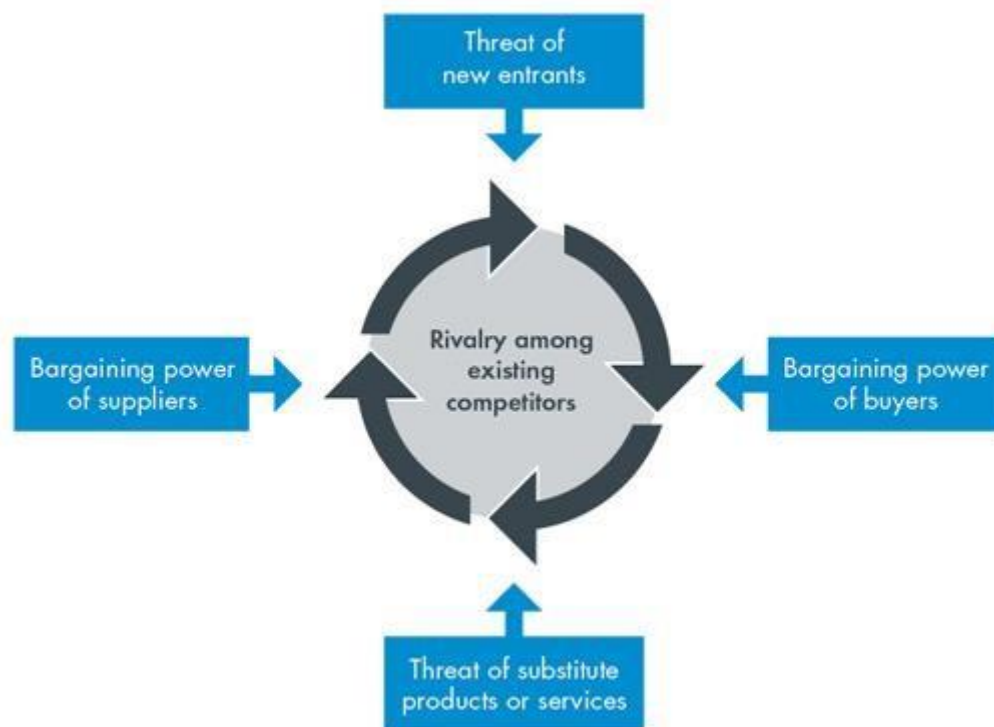
Market structure variables		<input type="checkbox"/> Bank concentration ratio <input type="checkbox"/> Total number of banks <input type="checkbox"/> Banks owned by foreigners
Competitiveness variable		<input type="checkbox"/> Limitation on the activities in the banking sector <input type="checkbox"/> Restrictions on foreign investment
Competition among branches		<input type="checkbox"/> Capital markets
3 indices		<input type="checkbox"/> The banking liberty <input type="checkbox"/> Regulatory code <input type="checkbox"/> Property right index
Conditions in the macro economy		<input type="checkbox"/> Inflation <input type="checkbox"/> GDP <input type="checkbox"/> Interest rates

Source: Bikker and Spierdijk (2009)

2.10 PORTER'S FIVE FORCES OF COMPETITION

Porter highlighted five forces that are at play in every industry and market (Dalken, 2014:2). The extent of competition in an industry is greatly influenced by the strategy of organisations in the industry, as well and the underlying economics. According to Porter (1980), cited in Dulcic, Gnjidic and Alfirevic (2012:108), these five forces help to ascertain the level of competition in the industry. Porter's five forces are illustrated by Figure 2.4 below.

Figure 2-2 Porters Five Forces



SOURCE: Dulcic, Gnjidic and Alfirevic (2012:108)

2.10.1 POTENTIAL ENTRY OF NEW COMPETITORS

The level of barriers to enter and exit the industry is a prime determinant that has an impact on the overall level of competition in the industry. When a new retail bank enters the market, it will increase the level of competition in the market. According to Deloitte (2012), when there is a new entrant in the market, the existing service providers are limited to exercise their market power. The existence of barriers to entry discourages potential entrants into the market. In the same way when potential entrants perceive that it will be difficult to exit the market, they are discouraged from entering the market as well. However, in the South African banking sector, the Reserve Bank has instituted regulatory barriers that govern and monitor all banks. The South African government is supportive of the establishment of local financial institutions (SARB, 2016:1).

2.10.2 AVAILABILITY OF SUBSTITUTES

According to Stevens et al. (2006) cited in Masocha, Chiliya and Zindiye (2011:71), competition in an industry tends to increase when substitutes of high quality are

available at comparable prices. Easy access to substitute products plays a significant role in the nature of competition in the banking sector. The products offered in the South African retail banking sector are quite similar. Therefore, customers switch more easily to competitors if they are not happy with their current service provider. If customers are of the opinion that they will experience significant switching costs, they are less likely to switch banks.

2.10.3 BARGAINING POWER OF SUPPLIERS

The South African Reserve Bank controls the banking industry in South Africa. It has a direct effect on the amount of money in circulation within South Africa through its monetary policy (SARB, 2016:1). The suppliers of retail banks are depositors. Depositors are individuals who have over and above enough money for their upkeep and they prefer to invest it for regular income. In retail banking suppliers, have less bargaining power as individual depositors (Samreen, 2014:32).

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2.10.4 RIVALRY AMONG COMPETING FIRMS

Masocha et al. (2011:70) postulate that when the industry has organisations that are of the same size, the level of competition tends to be high. Rivalry between retail bank players is fierce in South Africa (Financial Mail, 2013:1). The services provided by retail banks are similar, which makes it easier for competitors to copy them and offer them at a lower price. This similarity of products offered causes customers to easily switch to competitors. Consequently, this the level of competition in the market will be intense. Some of the reasons for high competition are that retail banks offer homogeneous products and it is easy for customers to switch to competitors (Deloitte, 2014).

2.10.5 BARGAINING POWER OF CUSTOMERS

The contemporary business environment makes the customer a king. Banks provide various services to customers which are tailored to their needs. Customers are the individuals that borrow loans from the bank. The degree to which customers have power in the industry have an impact on the overall competitiveness of the industry. If a banking industry is dominated by few a customer, competition for customers will be

high (Masocha et al., 2011:71). Customers have high bargaining power due to the fact that there are numerous alternatives or substitutes in the market and low switching costs.

2.11 ADVANTAGES OF COMPETITION TO CUSTOMERS

2.11.1 CONSUMER WELFARE

Competition amongst retail banks is of paramount importance. Deloitte (2014:3) advocates that the presence of competition in the market ensures that retail banks offer quality products to customers. The Senate (2012) is of the view that competition ensures resources are channelled to where customers can effectively use them. According to the Senate (2012), from an economic perspective, the presence of competition in a sector is beneficial to customers through low prices. In addition, customers benefit through the high variety of products being produced; quality products; and innovation which will raise the standards of living of customers.

2.11.2 LOWER PRICES

One of the frequently used methods by retail banks to capture the attention of customers in a competitive market is through offering low prices. Retail banks offer similar products to customers. As a result, they normally compete for customers on prices (Wruuck, 2016:1). According to HM Treasury (2015) cited in the Financial Conduct Authority (2016:9), as more competitors enter the market the price will go down. Individual customers will benefit as low prices are offered.

2.11.3 MORE SERVICES

Deloitte (2014) is of the view that a competitive banking sector offers a variety of services to customers. Competition in the retail banking sector forces banks to package their products in a way that is most suitable for customers (Nelson and Chadha, 2008). As a result, bank products are available on several platforms to cater

for customers' different preferences. These platforms enable customers to choose a product they would prefer (Lam and Sengupta, 2013:35).

2.11.4 INNOVATION

The availability of competition in a sector stimulates the innovation of new products and services (Deloitte, 2014). The South African banking sector is very competitive and banks need to be innovative to attract new customers and retain old customers (PwC,2016:1). Innovative products have in most cases proven to be cheaper, more convenient and user-friendly (Ganda, 2014). Some of the recent innovations in the South African banking industry include eWallet and cell phone banking.

2.11.5 ACCESS TO FINANCE

In South Africa, as a result of competition in the banking sector, the majority of financially excluded people now have ease of access to finance (KPMG, 2016:1). In this present day economy, access to finance is of paramount importance. It has an effect on the customers' potential to access credit. Due to the risks associated with certain bank products, banks may not offer these services to every customer of the bank. The people who will be disadvantaged are those who do not meet or qualify for the bank criteria.

2.12 CONSUMER BEHAVIOUR

According to Jain (2014:12), consumer behaviour is the process customers go through when acquiring, taking and discarding a product or service. In marketing literature, consumer behaviour is loosely referred to the study of the reasons behind customer purchase, so that the organisation can be in a better position to offer products and services that meet customers at their points of need.

2.12.1 THE CONSUMER DECISION-MAKING PROCESS

When purchasing a product, customers follow a certain process. Scholars in marketing have termed the process the consumer decision-making process. According to Lautiainen (2015:13), a consumer decision-making process consists of five stages. As

a customer decides to purchase a product or service, the process begins. Firstly, they recognise that there is a need; conduct an information search; evaluate alternatives; and then make a purchase decision. After the actual purchase, customers then do post-purchase evaluation to determine satisfaction levels. Kotler and Armstrong (2010:177) insinuate that in some instances customers may skip some stages of the customer decision-making process when making a purchase. However, when a purchase decision is complex, all the five stages indicated in Figure 2.3 below should be made.

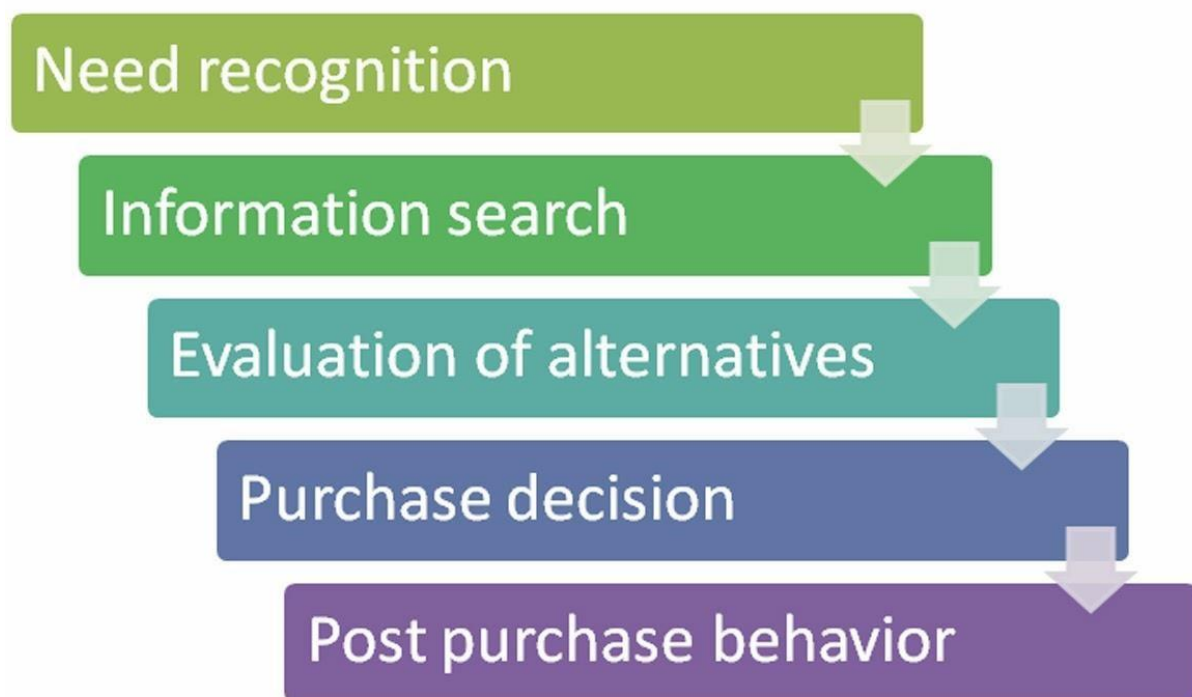


Figure 2-3 Consumer decision making process

Source: Richard, Olshavsky and Granbois (2008: 94)

2.12.2.1 NEED RECOGNITION

A decision-making process begins with the identification of a need. Mihart (2012:122) posits that need recognition arises when a customer is aware that they are not satisfied by the current state of affairs. Kotler and Armstrong (2010:177) indicate that at this stage, there is a huge discrepancy between the current state and the desired state.

2.12.2.2 INFORMATION SEARCH

Wang (2010:33) points out that search is the stage where customers assess their memory and carry out environmental scanning to look for substitute service providers. The information search helps customers to drop certain brands when they make a decision. There are many sources that customers may expose themselves to before they make a purchase decision, namely referrals, media and the internet.

2.12.2.3 EVALUATION OF ALTERNATIVES

The evaluation of alternatives is subjective and is dependent on individual customers. Kim, Ferreira and Rao (2007:544) suggest that at this stage, customers eliminate certain choices and choose the best choice. In addition, customers may also assign certain weighting to choices in order for them to make the best choices.

2.12.2.4 PURCHASE

The decision by customers to purchase a product follows the evaluation of alternatives. That is, if the option that was selected is not available, customers may then move to the next option on the list of alternatives. Hollensen (2010:117) indicates that it is at this stage that the customer chooses to purchase the product or end the decision-making process.

2.12.2.5 POST-PURCHASE

According to Lysonski and Durvasula (2013:76) the ultimate step in the decision making process is post-purchase. The post purchase stage involves customers evaluating the exact product or service experience as to whether customers' expectations were met.

In retail banking, customers face a similar process when they consider choosing a bank. Retail bankers should ensure that they provide all the necessary factors that are regarded as important by customers. Once customers have chosen a bank, banks should ensure that they provide customers with post-purchase loyalty programmes in order to foster mutual relations with customers.

2.13 PERCEPTION

Ivens and Valta (2012:1091) indicate that perception is the manner in which consumers make decisions and interpret input from the world. Lysonski and Durvasula (2013:76) state that information input refers to all the stimuli received by the human senses. Consumers develop perceptions through touch, smell, feel, taste and hearing.

2.13.1 CUSTOMER PERCEPTIONS OF BANKING IN SA

Customer perception is the process through which customers select and perceive with their five sensory perceptions, namely taste, sight, touch, sound and smell. It can be seen as the manner in which customers understand and appreciate the context of retail banking. Perner (2010:1) defined perception as an estimate of real life. On the other hand, Du Plessis, Strydom and Jooste (2012:525) define perception as the system of collecting, arranging and allocating sense to the information or stimuli discerned by the five senses. Customers respond to stimuli subjectively. Customers' previous experiences shape their perceptions.

The subject of customer perception and the recurrence of purchase has its origins in consumer behaviour. The purpose of this section is to provide an overview of customers' perceptions and behaviour regarding the competitiveness of ABSA Bank. Consumer behaviour is the logical conduct of customers when purchasing a particular service.

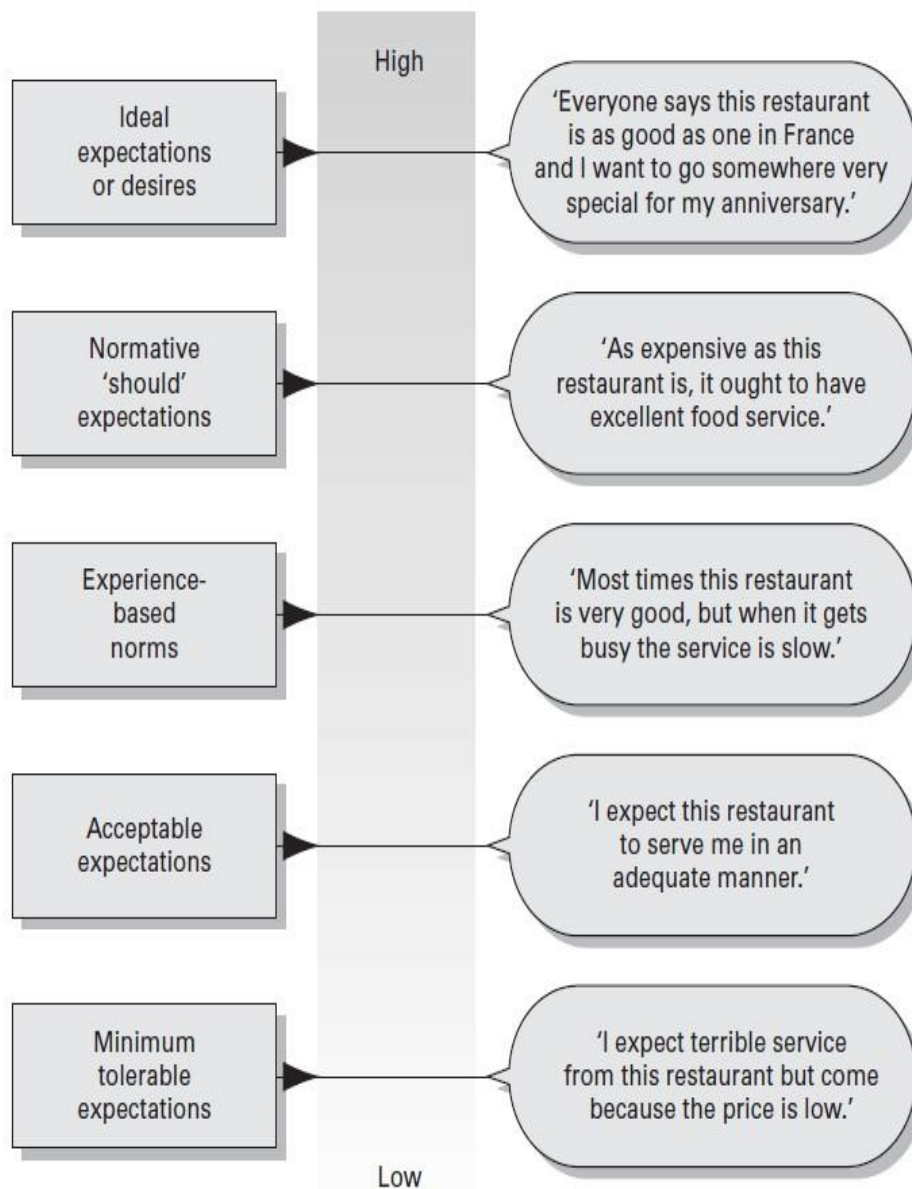
Perception is the manner in which humans acknowledge and respond to stimuli. Munnukka (2008:189) is of the view that perception is the initial feeling by which an individual has drawn conclusions of the overall concept. Perception is generally a system that chronicles the individual's opinion of what they expect from a service. As a result, it is suspected that customer perception has an impact on the level of the organisation's competitiveness in the market.

2.14 CUSTOMER EXPECTATION

Customer expectations is the confidence that customers have about an organisation or product that they use. It is a benchmark on all other services that they will receive

(Wilson, Zeithaml, Bitner and Gremler, 2012:608). Customers may compare their observations of organisational discharge from prior experiences. It is vital in retail banking to have a thorough understanding of customers' pre-purchase opinions about a service, which acts as reference point. The degree of expectation is subject to the reference point hold by the customer. Figure 2.4 below highlights the sequence of distinct potential categories of service expectations arranged from high to low.

Figure 2-4: Possible levels of customer expectations



Source Wilson et al. (2012)

2.14.1 TYPES OF CUSTOMER EXPECTATIONS

In order for retail banks to effectively deal with customer expectations, they ought to have a thorough understanding of different types of expectations. William, Appiah and Botchway (2012:5) identified the following:

2.14.2.1 ADEQUATE SERVICE

This is the least acceptable level of expectation which customers may be ready to receive from a service provider.

2.14.2.2 PREDICTED SERVICE

Banking is an event that recurs over a period of time. As a result, customers engage bank employees often, which makes them expect the level of service that they will receive.

2.14.2.3 DESIRED SERVICE

This is the level of service which customers desire to receive from retail banks. It is the absolute expectation that reveals what customers really want.

2.15 THE SIGNIFICANCE OF THE CUSTOMER

Retail banking is about serving the financial needs of the customer. Owing to this, retail banks have to have a thorough understanding of what customers expect from them so that they can provide those services (Zungu, 2012:28).

Zungu (2012:28) highlight that customers are the most significant stakeholders of retail banks due to the following:

- Customers' transactions create revenue for the bank;
- Once satisfied, they become loyal to the bank;
- Customers can increase banks' customers through hearsay and referrals; and
- The prosperity of the bank depends on the manner which the banks' employees assist customers.

In consideration of the fact that retail banks interact with customers on a daily basis, their energies should be directed to offer services to customers. This increases the profitability of the bank. Stone (2011), cited in Zungu (2012:28), proposes that customers can doubtlessly share their experiences with their associates and relatives

if they are satisfied by a service. On the other hand, a dissatisfied customer can do exactly the same. Therefore, customers should be treated as of utmost importance. Tripp and Gregore (2011:1) profess that once customers perceive that they have been mistreated by a bank, they make it known to others through hearsay. Due to rapid technological advancement on social media, it is in the best of the company to keep customers satisfied as any mistreatment could be flooded on social media (Mogaji, Farinloye and Aririguzoh, 2016:3).

If customers are not happy with the service they are being offered, they can easily switch to competitors. This will reduce the profitability of the retail bank and eventually the competitiveness in the industry.

2.16 BASIC NEEDS OF CUSTOMERS

According to Dinutek (2011) cited in Zungu (2012:32) a customer has five basic needs, namely:

2.16.1 FRIENDLINESS

Bank employees should aspire to be friendly all the time when interacting with customers. Customers are delighted when they are served by someone who is friendly. If customers perceive that employees are friendly it will be easy for them to make inquiries.

2.16.2 FAIRNESS

Customers view themselves as important stakeholders. Any suspicion that suggest they are being treated unfairly or are subject to any form of discrimination will result in them being unsatisfied, which might lead them to switch to other banks.

2.16.3 INFORMATION

Bank customers feel that they are connected stakeholders of the organisation. Thus, they should be updated on the events that relate to their transactions, as well as the overall performance of the organisation.

2.16.4 UNDERSTANDING AND EMPATHY

Customers yearn to be understood and bank employees should exhibit compassion when dealing with customers. This gives them confidence and assurance about the bank.

2.18.5 CONTROL

This relates in the way in which customers feel they have considerable impact on the outcome or results of any event or transaction transpiring.

2.17 CHARACTERISTICS OF A SERVICE

Services are endowed with peculiar features that distinguish them from goods and these have an impact in the way that they are marketed. The features are often described as: intangibility, perishability, inseparability, variability and the inability of customer to possess the service (Palmer, 2014).

2.17.1 INTANGIBILITY

Zeithaml, Bitner and Gremler (2012:15) contend that the most distinctive feature of a service is intangibility. Palmer (2014) propounds that intangibility is a concept that is difficult to examine before the service is purchased. Many advertising campaigns assure customers of the quality of goods through affording customers the opportunity to inspect them before they purchase the good. However, this is in contrast with service provision where services do not possess physical tangibles before purchase (Palmer, 2014). As a result of service provision being gestures and performances and not tangible objects, one cannot touch, see or feel a service.

2.17.2 PERISHABILITY

Services are different from goods in that you cannot store them (Palmer, 2014). According to Zeithaml et al. (2012:16), perishability denotes the feature that a service

cannot be stored, saved, returned or resold. Services, unlike goods, cannot be kept as inventory or returned to the service provider because the customer was not satisfied.

2.17.3 VARIABILITY

According to Palmer (2014), two characteristics of variability that have an impact on services are:

- The degree to which service providing potential differs unexpectedly from the standard with regard to processes and end results; and
- The degree to which a service can be intentionally altered to satisfy customer needs.

2.17.4 INSEPARABILITY

Palmer (2014) underscores that use of a service is inseparable from the actual service providing. As a result, when consuming a service, both the consumer and the producer have to interact. Zeithaml et al. (2012:16) point out that services are consumed simultaneously when they are being produced. As a result of this, customer satisfaction largely depends on the interactions between the customer and the service provider.

2.17.5 HETEROGENEITY

According Zeithaml et al. (2012:17) heterogeneity is a result of the different needs and expectations of customers. As a result of services being performances that are served by people, there are high chances that no two services will be similar. Hence, the heterogeneity factor is largely dependent on human subjectivity.

2.18 MODEL OF A STATE OF THE ART RETAIL BANK

The Council on Financial Competition (2005), cited in Drotskie (2009:51), crafted modus operandi that represent what a world class retail bank should look like. It is a model that can be used by retail banks to gauge their productiveness against the

standard set. The model is made up of twenty features of retail banks and the competences that the bank has to possess in order to meet those attributes.

i) Product development

Competence: Include customer input when designing products and services.

ii) Customer profitability

Competence: Identify feasible expectations that generate profit for customers.

iii) Branch blue-print

Competence: Branches should be equipped and possess a competitive advantage to lure customers.

iv) Customer partitioning

Competence: Pin-point significant customer's sectors and develop a unique value concept in each sector for customers.

v) Customer relationship management

Competence: Establish a mutual association between employees and customers that enable smooth transitions from one service to another by customers.

vi) Brand transparency

Competence: It should be easy for both customers and employees to identify and explain the brand.

vii) Optimum resource allocation

Competence: Resources should be effectively distributed in areas that increase customer value.

viii) Customer encounter

Competence: A memorable customer-employee encounter permits the bank to charge high prices.

ix) Two-way communication with customers

Competence: Identify and communicate with customers about the factors that contribute in customers purchase certain products.

x) Product purchase

Competence: Products offered should be affordable, user friendly and economical.

xi) Problem explanation

Competence: Problems that are encountered by customers should be resolved promptly.

xii) Channel of plans

Competence: Transaction conduct should be recorded at customer level and should be used for channel planning.

xiii) Multichannel distribution

Competence: Information to customers is transmitted across the organisation in different channels, providing customers and employees time to complete transactions on time.

xiv) Customer-centred sales

Competence: Staff should be well-acquainted with the products of the organisation so that they can make sound decisions on behalf of customers.

xv) Customer-centric service

Competence: The entire organisation should focus its strategic intent on customer needs and expectations.

xvi) Continuous improvement

Competence: Customers' expectations and loyalty constantly change. Hence, services should from time to time be improved to meet customer expectations.

xvii) Customer administration

Competence: Forward looking assessment of customer needs assist to align any changes and should be brought forward and discussed with customers.

xviii) Relationship banking

Competence: Mutual associations with customers should be established, which will bring valuable business to the bank.

xix) Sales resources management competence: The bank should possess an organisational sales process that can be matched with customer needs.

xx) Customer-driven sales

Competence: The sales of the organisation should be aligned to provide customers with solutions that improve their standards of living.

2.19 FACTORS CONSIDERED BY CUSTOMERS WHEN CHOOSING A RETAIL BANK

According to Randiwela (2015), retail banks offer homogenous products. Hence, there are limitless substitution choices. The level of competition has increased in the last decade in South Africa due to liberalised economic policies which attracted new players into the market (SARB, 2014:1). As a consequence, retail banks have to offer products and services that satisfy customers' needs. Due to the similarity of services offered by banks, it is prudent that retail banks identify the factors that customers consider when choosing a financial institution.

There is a growing body of knowledge on bank selection. As a result of this, research on bank selection remains inconclusive and needs further investigation. Almost every country has conducted research on bank selection criteria but none was done in Durban, particularly after the announcement of Barclays Bank (a major shareholder ABSA Bank) to move out of the African market. This section seeks to add to the body of knowledge on bank selection criteria.

In order for retail banks to lure potential customers, they need to be well acquainted with the reason behind customers' preference of a particular bank. The preferred factors can be used by the retail bank as a take-off point to devise marketing strategies that meet customer expectations, as well as attract new customers. If a retail bank is in a position to pinpoint the basis on which customers choose a bank, they are in a better position to develop products and services that will meet customers' needs.

2.19.1 SECURE FEELING

According to Mokhlis, Mat and Salleh (2009:98), customers aspire to store their money in a well maintained bank. This translates to security inside the bank; when using ATMs; using internet banking; and so forth. The marketing team should devise a marketing plan that instils security to customers, highlighting the banks safety. Sharma and Rao (2010) cited in Chigamba and Fatoki (2011:66), enunciate that banks should

develop a strong brand that ensures safety because customers favour to transact with banks that have stringent safety systems.

2.19.2 CONVENIENCE

Rehman and Ahmed (2008:150) divulge that convenience is a key determinant variable considered by customers when selecting a bank. On this aspect, according to Mokhlis et al. (2009:98), customers give attention to electronic services, including internet banking, offered by the bank as these allow them easy access to the bank. Following the research of Saleh, Rosman and Nani (2013:16) a significant criterion for customers' bank selection choices are convenient location to home or place of business. Gerrard and Cunningham (2001) cited in Saleh et al (2013:19), conclude that convenience factors are of supreme importance in bank selection criteria.

2.19.3 ASSURANCE

According to the research of Beckett and Hower (2000) cited in Saleh et al. (2013:16), customers align their preferences to banks that foster long-term mutual relationships in order to avoid switching costs. As a result, customers prefer retail banks that are dependable, transparent and easy to access amongst other things. Caratelli (2013) asserts that customers consider the reputation of the bank as a way to ascertain their assurance on whether the bank can satisfy their needs. Aregbeyen (2011:278) posits an environment that fosters mutual relationship creates customer assurance.

2.19.4 ACCESSIBILITY

Rahman and Ahmed (2008:150) propose that ease of access to banking facilities is a key determinant for customers when choosing a bank. Saleh et al (2013:16) support the notion that easy access to banking facilities are of paramount importance to customers when they choose a bank. Maiyaki (2011) cited in Khatbaeva, Al-Subaicy and Enyonda (2014:4) indicates that the closeness of the bank to the office or to a customer's residence accounts for high preference due to easy accessibility. However, Saleh et al (2013:99) postulate that regardless of the facilities that enable ATM

cardholders to withdraw from any ATM facility, there is need to go to the bank to conclude some transactions and clarifications.

2.19.5 RESPONSIVENESS

Responsiveness is one of the crucial determinants that customers consider when selecting a bank. Mokhlis et al (2009:99) cite that customers prefer banks that offer quick, prompt and well-organised services. Laukas (2012) cited in Khaitbaeva et al. (2014:4) is of the opinion that when customers choose a bank, they consider how accommodating the bank employees are. Selah et al (2013:17) concur with this opinion.

2.20 OVERVIEW OF ORGANISATIONAL COMPETITIVENESS

The subject of competitiveness has been immensely debated by scholars and researchers. Due to globalisation and the dynamic market environment the nature of competition and customers' preferences continually change. The rapid changing of markets suggests that organisations should provide services that meet customers' expectations.

According to Chikan (2008:21), the main reason why the concept of competitiveness is rapidly advancing is in two-fold. On one account, it is due to global competition which has become fierce. On the other hand, it is due to the influence of state interventions. Chikan (2008:24) defines firm competitiveness as the ability of the organisation to adequately satisfy customer needs profitably. This is attainable through offering goods and services that customers perceive as being of higher value as compared to those of competitors. Chikan (2008:24) advocates that achieving competitiveness necessitates that the organisation should periodically adjust to changing social and economic customer expectations.

In light of a consolidated review of literature, an organisation's competitive process is closely linked to its competitive advantages. The concept of competitive advantage is fundamental in the strategic management of organisations (Raduan, Jegak, Haslinda and Alimin, 2009:412). Competitiveness is centred on the notion of rivalry and

comparison. It can be viewed as the position of offering better quality services as compared to competitors. According to Porter (1990) cited in Selcuk (2016:1) a firm's level of competitiveness is the ability of an organisation to develop and offer products and services regarded by customers as of higher quality compared to those of competitors. In the minds of customers, competitiveness is often attributed to success. As a result, customers' perceptions of the competitiveness of an organisation is of paramount importance for managerial action. Consistent with the definitions above, this section seeks to assess customer perceptions of ABSA Bank's competitiveness in South Africa.

2.21 RETAIL BANK SERVICE QUALITY

In retail banking, service quality has been an instrumental factor considered to assess the competitiveness of a bank. Retail banks should continually look for methods to add value to their services. Various methods have been designed to ascertain customer perceptions of the service quality of a bank (Duric and Mihjlovic, 2015:5).

Retail banks are service providers. By their nature, services are intangible. As a result, the experience that the customers go through to get a service determines the quality of the service. Duric and Mihjlovic (2015:6) signify that in retail banking, the quality of the service determines the competitiveness of the organisation. Due to this, banks are under pressure to continually improve their services to match them with customer needs.

CIMA Operations Management (2015) stipulates that customers are connected stakeholders of an enterprise. They are attracted to the organisation through their perceptions. Accordingly, it is evident that an organisation can enhance its competitiveness by understanding the perceptions of customer of their service quality. A constant assessment of customer perceptions on organisational service quality is important. Financial markets across the globe are changing rapidly (Duric and Mihjlovic, 2010:1). The bank's ability to offer products and services regarded as high quality by customers creates customer loyalty. According to Mansori, Safari and Bilika (2016:1), service quality strengthens organisational performance and increases customers level of confidence in the organisation's products and services.

Service quality has been a topical subject amongst researchers (Marimuthu and Hong, 2014:54). Lovelock and Wirtz (2011:379) suggest that the rationale for the interest is that poor service quality reduces the competitiveness of an organisation in the industry. Baron, Harris and Hilton (2009) postulate that organisations contest for customers through service quality. If effectively implemented, service quality can give an organisation high profits. Prakash and Mohanty (2013:1) infer that the superior service quality results in customer satisfaction, which in turn leads to repeated purchases.

On the other hand, Kapoor, Paul and Halder (2011) allude to the fact that service quality as an estimation of the measure of the services being offered. Jayaraman, Chelliah and Hor (2010:399) are of the view that service quality is the customers' inclusive perceptions of the competitiveness of an organisation's services or the unevenness of the customers' predictions of a service and their realisation of the service that they receive.

Bosshoff, and Du Plessis' (2009) viewpoint is that service quality has three vital determinants, namely functional quality, technical quality and quality image.

- **Functional quality** outlines the way the service is administered. For example, processing is fast.
- **Technical quality** sets out or describes the service being offered by the organisation. For example, opening an account.
- **Quality image** makes reference to both technical and functional quality. That is, customers experience a service and then they have a picture of the strength of service quality of an organisation.

The attestation from the previous research discussed above subscribes to the notion that different people and organisations have different opinions of what they regard as superior service quality. Every individual has different priorities. However, taking a symposium of prior research, it is evident that service's ultimate goal is for an organisation to effectively meet customer needs and expectations.

2.22 THE SERVQUAL MODEL

The SERVQUAL model was designed by Parasuraman, (Zeithaml, Berry and Gibson, 2009:47). The model is used as a yardstick to determine customer perceptions of

service quality, interpreted as the imbalance between what customers expected from a service and what they actually experienced using the service (Parasuraman et al., 1985 cited in Lau, Cheung, Lam and Chu, 2013:266). The difference can be used by customers to assess the competitiveness of the organisation in a sector. Initially, the SERVQUAL Model assessed 10 customer perceptions of a service quality: reliability; access; credibility; responsiveness; competence; courtesy; security; communication; tangibles; and knowing customers (CIMA Operations Management, 2015).

The model was then refined to RATER, acronym for reliability, assurance, tangibles, empathy and responsiveness (Rodrigues, Hussain, Aktharsha, and Nair, 2013:6). The SERVQUAL instrument has been accepted as the measurement for service quality in retail banking (Jayaraman, Chelliah and Hor, 2010:400).

The SERVQUAL model has gained acceptance in the retail banking industry as a useful model for ascertaining customer perceptions. Retail banks can use the outcomes to enhance their competitiveness in the market (Markovic, Dorcic and Katusic, 2015:211).

2.22.1TANGIBLES

Parasuraman et al. (1991) cited in Mansori et al. (2016:20) defined tangibility as the manifestation of palpable equipment, human resources and communication material. In the banking sector, tangibility refers to the touchable physical conditions of amenities; appliances that are installed; and the arrangement of front desk employees, among other things that can be used by the bank to communicate with customers.

These are fundamental physical features that customers are exposed to when they enter the bank (Culiberg and Rojsek, 2010:152). When customers are not happy with the service or they perceive that the tangibles are of insufficient quality, they are likely to switch to competitors (Dahari, Abduh and Fam, 2015:18). The loss of customers will resultantly reduce the competitiveness of the bank.

According to Strinivasan (2012), in retail banking, customers depend on the material evidence that complements the service to develop their own perceptions about the service. Zaim, Bayyart and Zaim (2010:54) discovered that tangibility is a significant factor to enhance organisational competitiveness.

2.22.2 RELIABILITY

According to Bateson and Hoffman (2011:368), reliability is the repeatability and constant assurance of an organisation's performance in offering quality services to customers that met and exceed their expectations. In the banking sector, reliability is the capacity of banks to provide customers with dependable services all the time (Ibrahim, Mohd, Mohd and Saharuddin, 2016:15). Following the research of Zeithaml, Bitner and Gremler (2013:80), reliability is an integral feature in retail banking. Bilika et al (2016:6) are of the view that inadequacy or insufficiency of reliability results in customer dissatisfaction. Dissatisfied customers end up banking with competitors, leading to the reduction of organisational competitiveness. On the other hand, reputable reliable service provision increases the organisation's competitive advantage (Kenyon and Sen, 2015).

George and Kumar (2014) established that reliability encourages customers to continue doing business with an organisation. Siddiqi (2011:14) propounds that reliability is the degree to which a service is administered in a manner anticipated and pledged or it depicts customers receiving services that they perceive they paid for. Mohammad and Alhamadani (2011:69) concluded that reliability is a pivotal factor considered by customers.

2.22.3 RESPONSIVENESS

According to Zeithaml et al (2013:363) responsiveness is imagined as the organisation's devotion and the keenness of employees to assist and offer prompt service delivery to customers. In the banking sector, responsiveness symbolizes the ease with which organisations adjust to customers' needs and expectations (Kenyon and Sen, 2015:217). According to Bilika et al. (2016:6) the period of time customers have to wait for them to receive help to a greater extent helps to formulate customer perceptions of the competitiveness of a bank. Zeithaml et al. (2013:363) postulate that responsiveness highlights the significance of being attentive and being ready to address customers' requests and needs. Bilika et al. (2016:6) are of the opinion that the ability to quickly respond to customers is a significant attribute in retail banking.

Leong et al. (2015) found that there is a linear relationship between organisational competitiveness and prompt service providing.

Marimuthu and Hong (2014) point out that the responsiveness aspect takes in to account customers wishes and petitions quickly. It is the onus of retail banks to inform customers how long it will take to provide them with feedback. Zeithaml et al.

(2013:364) found that prompt responses to customers' queries enhances organisational competitiveness. Similarly, Mengi (2009) discovered that there is a positive correlation between customer satisfaction and competitive advantage.

2.22.4 EMPATHY

Zeithaml et al. (2013:363) describe empathy as the compassion and attention that an organisation gives to customers. In retail banking, empathy can be seen as the ability of a bank to serve customers in the manner that they feel valued. Leong et al (2015:1176) and Bilika et al. (2016:21) highlight that empathy is an important feature regarded by customers. The bank's employees' ability to appreciate the needs and expectations of their clients enhances organisational competitiveness. Ladhari (2008) cited in Marimuthu and Hong (2014:101) found that empathy is of paramount importance to customers. Empathy is the ability of a service provider to offer services that customers regard as special and unique (Srinivasan, 2012).

2.22.5 ASSURANCE

Shanka and Dabnathe (2012:388) postulate that assurance has a significant impact on the perceptions of customers to ascertain the competitiveness of the organisation. Bateson and Hoffman (2011:391) indicated that assurance involve instilling a sense of trustworthiness in the mind of customers by a service provider. In order to gain the assurance of customers, bank employees should be able to do their work confidently. Kenyon and Sen (2015:217) propound that bank employees should guarantee customers of the security of their personal information.

Ravichandran, Mani, Kumar and Prabhakaran (2010:117) indicate that assurance is a significant factor considered by customers in retail banking. Siddiqi (2011:14) defines

assurance as the extent of conviction and confidence that customers develop that service providers are capable of providing a service as they expect.

2.23 ABSA'S SERVICE QUALITY STRATEGY

This section takes a detailed look at the purpose, mission and vision of Absa Bank. It also covers the service quality strategy currently used by Absa Bank.

Absa Bank came into existence as a result of a merger of four banks, namely Allied Building Society; Volkskas; Trust Bank; and United Building Society (Brands and Branding, 2016:1). The bank offers retail banking products in the South African market. It is listed on the Johannesburg Stock Exchange and it is owned by the Barclays Africa group (SARB, 2016). The bank is founded on three fundamental pillars which form the reason for ABSA's existence. These are its vision, mission and purpose.

"ABSA's purpose is to help partners i/n prosperity in the right way"

"ABSA's mission statement is to be partners in growing South Africa's prosperity by being South Africa's leading financial services group, serving all stakeholders".

"ABSA's vision statement is to be a customer-focused financial services group in target market segments".

These fundamental beliefs help ABSA to become a Go-To bank by building a reputable and reliable business which customers will regard as their preferred bank.

2.24 ABSA'S 5 VALUES

RESPECT

- The bank respects and prizes the stakeholders they do business with.

INTEGRITY

- The bank has an open door work ethic and acts fairly in all business transactions.

SERVICE

- Absa places customers at the forefront of everything they do.

EXCELLENCE

- The bank endeavours to provide excellent service provision and results to all its stakeholders.

STEWARDSHIP

- Absa is compassionate and strives to add value to the community it operates in.

2.25 CONCLUSION

Chapter 2 reviewed literature on bank competition; the factors considered by customers in choosing a bank; and bank competitiveness. The review demonstrates that customer perceptions of organisational competitiveness impact the profitability of an organisation and its competitive advantage in the industry. The research methodology of this study will be described in the next chapter.

CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN

3.1 INTRODUCTION

Chapter two provided the literature review of the study. This chapter presents the methodology and research design for the study. According to Hall and Hall (2010:29), research methodology is an ideology of general principles behind research which includes the research methods, strategies and techniques. The chapter outlines the research design; types of research designs; primary data; secondary data; target population; sampling techniques; sample; measuring instrument; pilot; reliability; data collection methods; and the ethical consideration for the study. This chapter further explains the methods and the Statistical Package for the Social Sciences (SPSS) version 24.0 for Windows that were used to analyse the data.

3.2 RESEARCH DESIGN

Blumberg, Cooper and Schindler (2011:45) state that the research design is a blueprint that specifies the techniques and processes for gathering and analyzing the data collected. In support, Grays (2014:128) concurs that a research design is an enveloping strategy for collecting, measuring and analyzing data. Singh (2006:77) explains that a research design is a mapping strategy. In addition, a research design is the plan on how the data for the study will be collected and analyzed to fulfil the objectives of the research in an economical way. The research design is a theoretical layout in which a research study is done (Singh, 2006:77). The choice of the research plan is determined by the nature of the research and type of the data to be collected, as well as the choice of the researcher. In this study a quantitative design was used.

3.3 TYPES OF RESEARCH DESIGN

There are three research designs from which the researcher can choose, namely, qualitative research design, quantitative research design and mixed method research design (Blumberg, Cooper & Schindler, 2011:45).

3.3.1 QUANTITATIVE RESEARCH DESIGN

For the purpose of this study, the researcher selected the quantitative research design. According to Teddlie and Tashakkori (2009:182), the quantitative research design requires numerically outlined techniques that permit the researcher to approximate the attributes of the total population on a small scale. Creswell (2009:175) concurs that when using the quantitative research design, the researcher should focus on the quantitative details or data associated with the research objectives and construct statistical expressions that explain the objectives, constraints and hypotheses formulated. Babin and Harris (2013:17) postulate that quantitative research addresses questions regarding phenomena, using numerical measurement and analysis tools. The measurement instrument (Annexure B) used to gather data for this research was structured and had a quantitative scale. The questionnaire used the following pre-coded quantitative anchors in the form of a Likert scale:

- 1 Strongly agree;
- 2 Agree;
- 3 Neutral;
- 4 Disagree; and
- 5 Strongly disagree.

3.3.2 QUALITATIVE RESEARCH DESIGN

According to Grays (2014:160), the role of the researcher in qualitative research is to have a deeper, more intense and holistic overview of the context of the study, which involves interacting within the everyday lives of people, groups, societies and organizations. Braithwaite and Patterson (2011:436) state that there are three main aspects in qualitative research design, namely a discussion which could be face to face or telephonic; focused listening; and meeting of minds whereby deep insights arise from the interview process. According to Qu and Dumay (2011:238), structured interviews are the most popular method utilized in qualitative research due to face-to face-contact.

3.3.3 MIXED METHODS RESEARCH DESIGN

According to Gray (2014:195), a mixed methods research design is the compilation or combination of both quantitative or qualitative research data in a particular study where the data will be gathered simultaneously and incorporates combining the stages in the research process. The use of multiple research methods in a single study ensures that the inherent bias of one measure is countable by the strength of the other method. Cameron and Azorin (2011:256) state that the mixed methods research design is now recognized as a real practical choice and is being adopted by many scholars from various fields.

3.4 PRIMARY DATA

According to Gray (2009:71), primary data is data that is gathered directly by the researcher on variables of interest for the specific purpose of the research study. Driscoll (2011:153) states that primary data is the data that is collected by the researcher and usually with the use of interviews, observation and structured questionnaires. For the purpose of this study, the researcher administered structured closed-ended questionnaires to collect the primary data from the research participants. The responses to the questionnaires were coded and used as the primary data for this study.

3.5 SECONDARY DATA

Sekaran and Bougie (2010:181), posit that secondary data is data that is collected from sources that already exist. Best (2012:40) states that the secondary data for research is information compiled by other researchers and scholars, which include journals, textbooks, reports and research articles. Blaxter, Hughes and Tight (2006:170) explain that secondary data is data that which already exists and was possibly analysed by another researcher. In addition, secondary data should be carefully selected and reviewed to suit the research needs (Best, 2012:40). The secondary data for this study was obtained from sources such as journals from

different libraries, the internet, media articles, government publications and reports, as well as other dissertations related to the topic.

3.6 TARGET POPULATION

According to Davies (2007:55), the population refers to the category of people or objects about whom the researcher intends to write the report and from which the researcher intends to draw the sample. Gomm (2009:247) states that 'target population' often refers to the population from which the samples are taken, to which the sample should be representative. For the purposes of this study, the target population comprised walk-in customers from Absa Bank, Durban Central branch. Teddlie and Tashakkori (2009:341) postulate that the target population is the entirety of all units, individuals or entities with an identifiable boundary consisting of specific well-defined characteristics. The Absa Bank Durban Central branch has an estimated number 150 000 customers. This formed the target population for this study.

3.7 SAMPLING TECHNIQUES

Bhattacharjee (2012:65) defines sampling as the statistical procedure of selecting a subgroup from a population of concern in order to make generalizations and demographical conclusions about that group. According to Fox (2007:54), the researcher must have a clear understanding of the population before selecting a sample. This requires knowledge of the sampling frame. Gomm (2009:316) states that a sampling frame is any list or any resources at all that are used as a basis for selecting a sample. According to Blaxter, Hughes and Tight (2006:164), sampling is divided into two main groups, namely probability and non-probability sampling. The sampling approach to be used by the researcher is determined by the researcher's knowledge of the population and the resources available.

3.7.1 PROBABILITY SAMPLING

Davies (2007:61) states that probability sampling allows the researcher to select a sample that is typical of the entire population from where it is selected. Every component stands a proportionate possibility of being included in the sample in

probability sampling. In addition, in probability sampling, the samples are chosen on the basis that they are representative of the population as a whole, selected on account that they are the main representatives of the entire population (Gray, 2014:208). Briggs and Collman (2007:206) postulate that probability sampling procedures make it probable to approximate the sum of sampling errors that can be expected in a given sample. Blaxter, Hughes and Tight (2006:163) state that there are several probability sampling techniques, the most common being:

□ **Simple random sampling**

Each component in the identified population stands a possibility of being selected in the sample.

□ **Systematic sampling**

The researcher recognises sub-groups (strata) from the population, such that each unit of the population is assigned into a sub-group (strata). Then, the researcher has to select units from each of the sub-groups (strata).

□ **Cluster sampling** the researcher sub-divides the entire population into clusters. Then the researcher chooses participants from the identified clusters

3.7.2 NON-PROBABILITY SAMPLING

Best (2012:240) defines non-probability sampling as any approach to sampling where one cannot say that all the people in the target population had an equal chance of being selected into the research sample. According to Green (2008:11), nonprobability sampling risks introducing selection bias into the sample. The following are the common non-probability sampling techniques:

□ **Voluntary sampling**

A voluntary sample consists of people who willingly participate in a survey or research study. In most cases, the participants would have personal interests in the outcomes of the study.

□ **Quota sampling**

In quota sampling, the selected sample has equal proportions of units as the entire population in terms of traits and characteristics.

□ **Snowball sampling**

This is a popular purposive sampling method that requires respondents to identify additional participants that can be added to participate in a survey or study.

□ **Convenience sampling**

Blair, Czaja and Blair (2014:95) indicate that convenience sampling is when the researcher looks for participants who are easily accessible. Participants voluntarily participate in the study. Teddlie and Tashakkori (2009:171) concur that convenience sampling deals with respondents who are easily available. The major reason that research studies use convenience sampling is that it produces good results since participants voluntarily participate in the study (Blair et al., 2014:95).

3.8 SELECTION OF THE SAMPLE

For the purpose of this study, convenience sampling, which is a non-probability sampling technique was used to determine the sample of the research. According to Gray (2014:224), convenience sampling is one of the most common sampling technique when collecting data from a large sample. Sekaran (2003) posits a population of 1 000 000 can have a sample of 384 participants. For the purposes of this study 400 participants will be selected. Sekaran (2003) states that the sample population will constitute a sufficient result.

3.9 MEASURING INSTRUMENT

In this study, a closed-ended questionnaire was used as the measuring instrument. A measurement tool is an instrument used by the researcher to aid in the assessment or

evaluation of a variety of variables (Lieber and Weisner, 2010:587). According to Sekaran and Bougie (2013:147), a questionnaire is a re-formulated set of written questions that research participants respond on. Babbie (2010:257) states that items on the questionnaire should be easy to understand so that respondents can easily comprehend what the researcher is probing. However, Leedy and Ormrod (2010:194) warn that questionnaires may seem so simple, yet in their experience they can be tricky to construct and administer. In addition, in this study, the instrument that was used by the researcher was a self-administered questionnaire.

The main reasons for using a self-administered questionnaire was that self-administered questionnaires makes it easy for the researcher to collect responses in a short period (Denscombe, 2013:27). Furthermore, self-administered questionnaires afford the principal researcher the chance to introduce the research topic to participants and encourage participants to provide honest opinions (Denscombe, 2013:13). These advantages were considered by the researcher when deciding to administer the questionnaire to the respondents (customers of Absa Bank Durban Central). The researcher used the structured questionnaires to collect data from the targeted respondents at Absa Bank.

The researcher used a questionnaire as a measuring instrument because the study was descriptive and, most importantly, because it was convenient to gather data from a large number of respondents simultaneously. Furthermore, questionnaires are more advantageous over other survey forms as they do not require much work from the researcher because they are self-explanatory and quite simple for respondents to complete (Walliam, 2006:43). Shields and Rangarjan (2013:156) contend that a good questionnaire should be capture the attention of respondents. Therefore, the questionnaire should look professional and be straight to the point as to what the respondents are expected to do. However, the delivery and construction of a questionnaire is complicated and takes a lot of time (Edward, 2013:805).

3.10 THE PILOT TEST

A pilot study is a small-scale litmus test developed to collect information in preparation for the bigger study. Welman, Kruger and Mitchell (2005:145) state that a pilot study is essentially carried out to refine the questions so that there will be no problems in the

interpretation of the questions during the actual empirical research undertaken. In addition, Welman and Kruger (2003:143) state that the purposes of pilot studies are to detect flaws in the measurement procedure, in order to ascertain how long, the questions take to complete and to seek clarity of questions and layout. In this study, the pilot study was conducted through the convenience sampling method because respondents were selected on the basis of convenience or availability. Hence, the pilot study was conducted to find out whether the designed questionnaire will be able to probe the intended information. The main purpose was to avoid the use of vague terms and phrases which could affect the results (Drost, 2011:106). Furthermore, according to Blumberg, Strydom, Fouche and Delport (2005:67), a pilot study was undertaken for this study for the following reasons:

- To remove or add any confusing statements and requirements contained in the questionnaires; and
- To ascertain whether suggested data analysis methods can unearth future problems associated with questionnaires.

In this study, ten participants were casually selected to test the questionnaire before administration of the final questionnaire to the target respondents.

3.11 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENT

Lieber and Weisner (2010:589) affirm that for a research study to be accurate, its findings must be reliable and valid. Validity and reliability of a measuring instrument ensure that the distributed questionnaires will collect data that is relevant to the research problem, which can be processed into meaningful information (Liang, 2007:68). In support, validity and reliability are elements that determine the quality of the measurement instrument in the research (Kawulich and Garner, 2013:80).

3.11.1 VALIDITY

Validity tests measure the accuracy of measurement and the valid number of respondents in a given study (Ijabadeniyi, 2014:66). In this study, the questions in the questionnaire (Annexure B) were extracted and tailored to the objectives of the study. According to De Vos et al (2014:51), there are three basic ways to access validity. These are:

- **Criterion validity:** This approach compares how people answer a new measurement of a concept with existing, well-accepted measures of the concept;
- **Content validity:** This approach emphasises the extent to which the indicators measure the different aspects of the concept; and
- **Construct validity:** This approach evaluates a measure by how well the measure conforms to theoretical expectations.

3.11.2 RELIABILITY

Reliability is defined as the extent to which an instrument measures a concept the same way each time it is used under the same conditions with the same respondent (Kawulich and Garner, 2013:80). According to Welman, Kruger and Mitchell (2008:145), reliability refers to the measure of the ability of the data collection instrument and the study methodology to obtain accurate and consistent results. According to Blumberg, Cooper and Schindler (2005:84), the types of reliability are test-retest reliability (coefficient of stability) and internal consistency reliability. Moreover, Daniel (2012) states that there are four types of reliability, namely:

- **Inter-rater or observer reliability** that refers to the degree to which different respondents give consistent answers in a measuring instrument;
- **Test-retest reliability** that refers to the consistency of a measuring instrument over time;

- **Parallel-forms of reliability** which relate to the reliability of two measuring instruments constructed in the same way, from the same content; and
- **Internal consistency reliability** which refers to the consistency of results across items often measured with the Cronbach Co-Efficient Alpha statistical tool.

For this study, reliability was improved by first using a pilot version of a measurement before applying the final version.

3.12 DATA COLLECTION METHODS

The questionnaire was administered at ABSA Bank, in Durban Central branch. For this study, the questionnaire was self-administered by the researcher using the personal method of data collection. The personal method involves the researcher distributing questionnaires to respondents by hand and the researcher can collect them immediately once the participants have completed the questionnaires. (De Vos, Strydom, Fouche and Delport, 2007:168). Maree, Creswell, Ebersohn, Ellof, Ferreira, Ivankova, Jansen, Niewenhuis, Pieterse, Plano Clark and van der Westhuizen (2008:156) cite the following as some of the most popularly used data collection methods:

- Postal survey;
- Telephone survey;
- Face to face/personal survey;
- Personal method; and □ Electronic mailing.

According to Sekaran (2003:236), the personal method of data collection provides the researcher a chance to present and gives the researcher the opportunity to introduce the research topic and motivate the respondent to provide feedback in any case.

3.13 ETHICAL CONSIDERATION

The researcher abides by ethical policies to safeguard the rights of the research participants. Creswell and Clark (2011:98) state that the researcher has a responsibility to respect the rights of participants. The purpose of the study was explained to all respondents in a covering letter (Appendix A). According to Sekaran and Bougie (2013:13), ethics in business research refers to the code of conduct or anticipated societal standards of conduct during research. De Vaus (2014:56) states that there are five professional codes of ethics to be considered, which are: voluntary participation, informed consent, anonymity, confidentiality and privacy. In this study, confidentiality, anonymity, privacy and voluntary participation were clearly explained to the respondents in the letter of informed consent (Appendix A). Furthermore, harm was not incurred and no names of respondents were required on the questionnaires. Hence, in this study, no attempt was made to harm participants deliberately and those who may have experienced any form of harm be it through victimisation, emotional or otherwise, were informed in advance of their right to withdraw from participating in the study.

All research information gathered from other sources, publications or other individuals have been accurately acknowledged in this study.

3.14 DATA ANALYSIS

Data analysis is the phase in the research process where the data collected is considered, processed and tested for meaning in terms of a hypothesis or formulation of a new theory (Remenyi and Bannister, 2012:118). Data analysis is a technique of creating order, shape and sense to the data collected (De Vos, Strydom, Fouche and Delport, 2007:169). Thus, the expertise of a statistician was used to analyse the statistical information. Dawson (2009:14) affirms that the importance of data analysis is to elicit the validity and reliability of all information gathered. The questionnaires were collected and counted to ensure that all respondents had answered and completed the survey. The data sets collected were analysed using the Statistical Package for Social Sciences (SPSS version 24.0 for Windows). Moreover, in this study data was analysed using descriptive statistics.

3.14.1 DESCRIPTIVE STATISTICS

According to Saunders, Lewis and Thornhill (2012:173), descriptive statistics render straight forward summaries about the sample and the measures. In this study the descriptive statistics took the form of frequency tables, percentages, charts, graphs, means, standard deviations and cross tabulations. According to Salim and Sulaiman (2011:123), descriptive statistics include ordering and summarising data and calculating descriptive measures. In this research study, the data analysis comprised descriptive and inferential statistics.

3.14.2 INFERENCE STATISTICS

According to Mendenhall, Beaver and Beaver (2009:4), inferential statistics are used to draw conclusions and make generalisations about a population based on the responses of a sample. Similarly, inferential statistics are used to test a supposition in a population (Picardi and Masick, 2014:180). In addition, Salim and Sulaiman (2011:124) state that inferential statistics use robust statistical tests to produce meaningful values about the hypothesis tested. The Chi-square test, variance analysis (ANOVA), correlation analysis and factor analysis are some of the inferential statistics that were used to interpret the data in this study. These are explained below:

□ Chi-square Test

According to Trobia (2008:96), the Chi-square is a test of significance for categorical variables. The Chi-square test was conducted to identify the significance of variance between research variables. In addition, a chi-square analysis identifies a relationship with a significance level of 0.05 or less. According to Burns and Bush (2010:572), when the level is more than 0.05, it suggests that there is no relationship between the measured variables.

□ Analysis of Variance (ANOVA)

The ANOVA analysis is intended to investigate whether the variation in the independent variables explains the observed variance in the outcome in the

study (Nduku, Mwenda and Wachira, 2015:171). According to Saunders, Lewis and Thornhill (2012), the One Way Analysis of Variance (ANOVA) is a statistical technique for examining the differences amongst means for two or more populations. The analysis of variance was conducted to determine the variance between the attributes of the sample collected from Absa Bank Durban Central branch.

□ **Factor Analysis**

Factor analysis is a statistical approach that can be used to analyse interrelationships among a large number of variables. Saunders, Lewis and Thornhill (2012:87) postulate that factor analysis attempts to identify underlying variables or factors that explain the pattern of correlations within a set of observed variables. Moreover, it is often used in data reduction to identify a small number of factors that explain most of the variance that is observed in a much larger number of manifest variables. In this study, factor analysis was used to determine the main underlying factors causing differences or variability in the data set.

□ **Correlation Analysis**

In order to inspect the relationship between all the variables in this research, the correlation analysis was used. Correlations are useful in that they can indicate a predictive relationship and was used to determine relationships amongst the variables under study. According to Wambugu (2014:84), the Pearson correlation coefficient (r) tests the relationship between variables and it shows the magnitude of effect one variable has on another one. For this study, the relationship between variables was established using the Pearson correlation tests (r , correlation coefficients).

3.15 CONCLUSION

This chapter discussed the research methodology and research design used for the study. The quantitative research design was chosen by the researcher as the relevant research approach for this study. A case study approach was used by focusing on customer perceptions at Absa Bank in Durban, South Africa. The pilot study was

conducted with ten participants (Absa customers) to test the reliability and validity of the questionnaires. The chapter elaborated on the research design, target population, sampling procedure, measuring instrument, reliability and validity, data collection and data analysis. The chapter concluded with an overview of how the ethical considerations pertaining to the study were addressed. The next chapter focuses on the analysis and discussion of results.

CHAPTER FOUR: STATEMENT OF FINDINGS, INTERPRETATION AND DISCUSSION OF THE PRIMARY DATA

4.1 INTRODUCTION

Chapter three presented the research methodology of the study. The research design, research objectives, the target population and the technique to determine the sample of the study were also presented in that chapter. Chapter four presents the results and discusses the findings obtained from the questionnaires in this study. The principal research instrument (questionnaire) was used to collect data and was distributed to 400 walk-in clients of Absa Bank Durban Central branch. The data gathered from customers was examined with SPSS version 24.0. The results will present the descriptive statistics in the form of graphs and cross tabulations. Inferential techniques include the use of correlations and Chi-square test values, which are interpreted using the p-values.

4.2 THE SAMPLE

In total, 400 questionnaires were distributed to walk-in customers of Absa Bank Durban central branch and 387 were returned to the researcher, which gave a response rate of 96%. The response rate is excellent. According to Baruch and Holton (2008), a response rate of between 50%-80% is acceptable.

4.2.1 THE RESEARCH INSTRUMENT

The questionnaire consisted of 36 statements, with a level of measurement at a nominal or an ordinal level. The research instrument was split into 4 sections which studied different topics as indicated below:

- 1 Biographical data
- 2 Bank industry competition
- 3 Choice factors

4.3 RELIABILITY STATISTICS

Reliability and validity are two fundamental characteristics of precision. The reliability and validity of the research instrument determine the success of the research study. Welman, Kruger and Mitchell (2005:147) indicated that the reliability of a questionnaire is calculated by performing repeated measurements on the same subjects. In this study, Cronbach's alpha coefficient was utilized to assess the extent of the questionnaire's internal consistency. According to Andrew, Pederson and McEvoy (2011:202), a reliability coefficient of 0.70 or higher is considered as "acceptable". All the sections of the instrument were assessed in obtaining the Cronbach's alpha scores.

Table 4.1 below reflects the Cronbach's alpha score for the research instrument.

Table 4-1 Cronbach's Alpha Value

	NUMBER OF ITEMS	CRONBACH'S ALPHA
BANK INDUSTRY COMPETITION	8	0.509445
CHOICE FACTORS	12	0.78072
ABSA BANK COMPETITIVENESS	11	0.836697

The reliability scores for all (but one) segments surpassed the suggested Cronbach's alpha value. This shows acceptable scoring for the research. The first section had a value that was slightly less than the accepted value of 0.600 for a newly developed construct. The value of 0.700 is for a proven construct. Amongst the reasons for the low score was the construct was newly developed. However, Belaja, Sai and Lin

(2012:80) suggest that a Cronbach's alpha score between 0.6 and 0.7 is acceptable although it is debateable.

4.3.1 FACTOR ANALYSIS

Factor analysis is a statistical method whose primary goal is data diminution (Field, 2007:731). A factor analysis can be used in survey research, where a researcher intends to indicate a couple of questions with a small number of hypothetical factors. Researchers in the social sciences attempt to quantify constructs that are by nature difficult to directly measure (Field, 2007:731). These constructs are termed latent variables. Factor analysis is a tool designed to close this gap by measuring latent variables, thereby making it easy for researchers to conduct their studies. Factor analysis is a multivariate method of revealing the extent of correlations between latent variables (Field, 2007:731). Costello and Osborne (2005:5) cited in Mutambara (2015:26) posit that factor analysis is an integral tool that can be used to distinguish latent variables.

In summary, factor analysis provides the following benefits:

- Streamline the design of the set variables to be understood better;
- Indicate unexpressed concepts from data sets; and
- Bring down data set to a more manageable size.

The Matrix Table shows the findings of the KMO and Bartlett's Test. The pre-requisite value for KMO sampling Adequacy should be above 0.50 and Bartlett's Test of Sphericity less than 0.05. All the prerequisites for the tests were fulfilled, hence factor analysis should be done. Factor analysis is done only for the Likert scale items. Certain components are divided into finer components. This is explained below in the rotated component matrix.

4.3.2 KMO AND BARTLETT'S TEST

4.3.2.1 KMO

Field (2007:640) indicates that KMO attempts to assess whether there is a significant relationship between variables in order to enable factor analysis to be conducted. The KMO measures vary from 0 to 1. A value of 0 indicates that the sum total of partial correlation is significantly relative to the correlation, suggesting dispersal in the trend of correlations. On the other hand, a value that is close to 1 indicates that the trends of correlations are relatively firm, hence factor analysis should provide reliable factors. The greater the KMO figure, the factor analysis for the sample size will be reliable.

Fields (2007:640) indicates that factor analysis is usually inappropriate when values are less than 0.5. A research study with such values should select different factors for analysis.

4.3.2.2 BARTLETT'S TEST OF SPHERICITY

The Bartlett's test of sphericity probe whether a variance-covariance matrix is correlative to the identity matrix. Field (2007:640) posit that it reveals the applicability of data and enables data to be subject to factor analysis. Hence, the Bartlett's test of sphericity is a gauge that tests the strength of the relationship of variables. This study had values that were below 0.05. This means that the variables of this study were strong, according to Field (2007:652).

Table 4-2 KMO and Bartlett's Test of Sphericity

	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
		Approx. Chi-Square	df	Sig.
Bank industry competition	0.697	211.180	28	0.000
Choice factors	0.796	911.915	66	0.000
Absa bank competitiveness	0.856	1291.400	55	0.000

All of the prerequisite conditions are fulfilled for factor analysis. Data reduction was done using factor analysis. Factor analysis is regularly used in survey research. In most cases the researcher's intention will be to symbolize a group of questions with a small number of hypothetical factors. With reference to Table 4.2 above:

- The principle component analysis was used as the extraction method and the rotation method was Varimax with Kaiser Normalization. This is an orthogonal rotation method that minimizes the number of variables that have high loadings on each factor. It simplifies the interpretation of the factors.
- Factor analysis/loading shows inter-correlations between variables.
- Items of questions that loaded similarly imply measurement along a similar factor. An examination of the content of items loading at or above 0.5 (and using the higher or highest loading in instances where items crossloaded at greater than this value) effectively measured along the various components.

It is notable that the variables that formed the sections loaded along 2 and 3 components (sub-themes). This signifies that participants identified different trends within the section. The sections are divided and the divisions are coloured.

4.3.3 ROTATED COMPONENT MATRIX

Table 4-3 Rotated Component Matrix: Bank Industry Competition

Bank industry competition	Component	
	1	2
There is intense competition among banks	0.487	-0.158
It is easy for a new bank to enter the market	-0.337	0.639
Banks strive to offer high quality services to customers	0.231	0.681
It is easy to switch from one bank to another	0.161	0.611
Banks compete for customers using pricing strategies	0.613	0.251
Banks sponsor social responsibility to increase their market share	0.495	0.328
Banks strive to be a market leader	0.561	0.179
Banks use social media platforms to market their services	0.646	-0.023

This section measured customer perceptions of the level of bank competition in South Africa. The section loaded 2 components. As illustrated in Table 4.3 above, some questions in component 1 are coloured in yellow and questions in component 2 are coloured in green. This indicates that respondents identified different trends within the sector.

Table 4-4 Rotated Component Matrix: Choice factors

Choice factors	Component		
	1	2	3
The level of product knowledge by bank staff	-0.122	0.345	0.627
Timeliness of service delivery	0.118	0.640	0.228
Understanding of customer needs by employees	0.013	0.713	0.235
The corporate image of the bank	0.332	0.559	-0.099
The bank transaction fees charged	0.107	0.719	-0.107
Coverage and accessibility of the bank	0.228	0.573	0.226
Promotional activities being offered	0.692	0.182	0.131
Size of the bank	0.739	0.053	0.047
Availability and accessibility of loans facilities	0.699	0.143	0.120
The use of information technology	0.580	0.183	0.103
The international experience of the bank	0.480	0.007	0.603
The extent of the corporate social responsibility	0.261	0.028	0.699

This section measured the factors that are considered by customers when choosing a bank. It is noted that this section loaded three components, as depicted in Table 4.4 above. This signifies that respondents recognised different trends within the section. The splits are colour coded. This section is also represented by questions that induced both positive and negative considerations.

Table 4-5 Rotated component matrix: Absa Bank Competitiveness

	Component Absa bank competitiveness	
	1	2
ABSA is the best bank for me	0.784	0.183
ABSA charges reasonable interest rates	0.752	0.142
ABSA offers various banking services to customers	0.704	0.242
ABSA is the market leader	0.784	0.146
ABSA is the most innovative bank	0.685	0.211
The bank frequently communicates with its customers	0.515	0.490
ABSA caters for all races in the market	0.223	0.564
The bank interior is appealing	0.257	0.446
Customers receive error free services at the first time	0.108	0.711
Employees are prompt to address customer needs	0.166	0.740
There is enough parking for customers at the premises	0.093	0.657

This section measured Absa customers' perceptions of the competitiveness of Absa Bank in South Africa. As illustrated in Table 4.5 above, the section loaded two components. This means that respondents identified different trends within the section. Within the section, the splits are colour coded.

4.4 SECTION A: BIOGRAPHICAL DATA

This section indicates the biographical attributes of the participants. The biographical data used in this study are age, gender, education and time period using Absa Bank. Biographical data indicates the nature of respondents who participated in the study. Data will be displayed on pie charts and bar graphs.

4.4.1 AGE OF RESPONDENTS

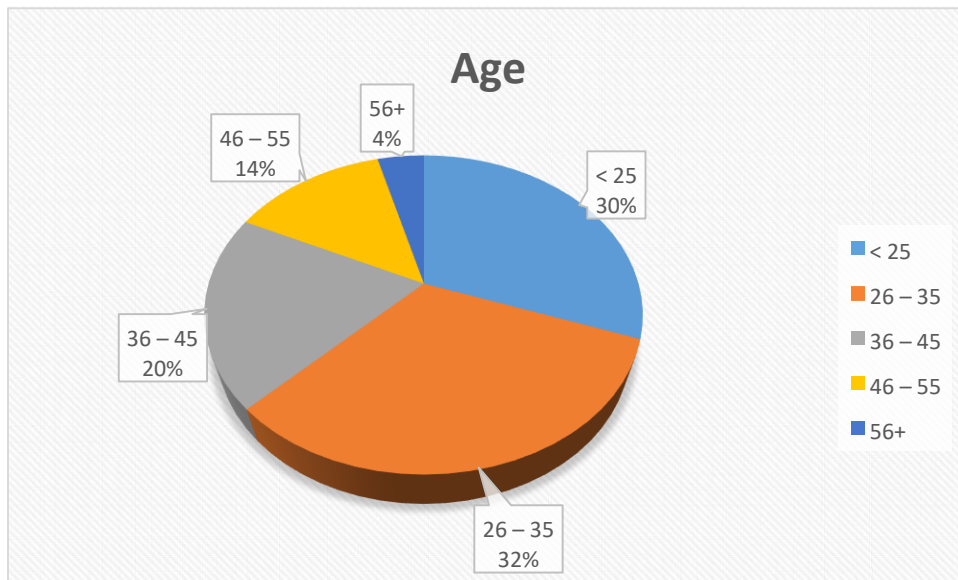


Figure 4-1: Age of respondents

Figure 4.1 indicate that the majority of the respondents, that is 32% were customers between the age of 26 – 35 years. Thirty percent of the respondents were below 25 years old. Respondents between 36-45 years constituted 20% of the sample; 14% of the respondents were aged between 46-55; and least age group of the sample were 56 years and above. They constituted 4% of the sample.

4.4.2 GENDER

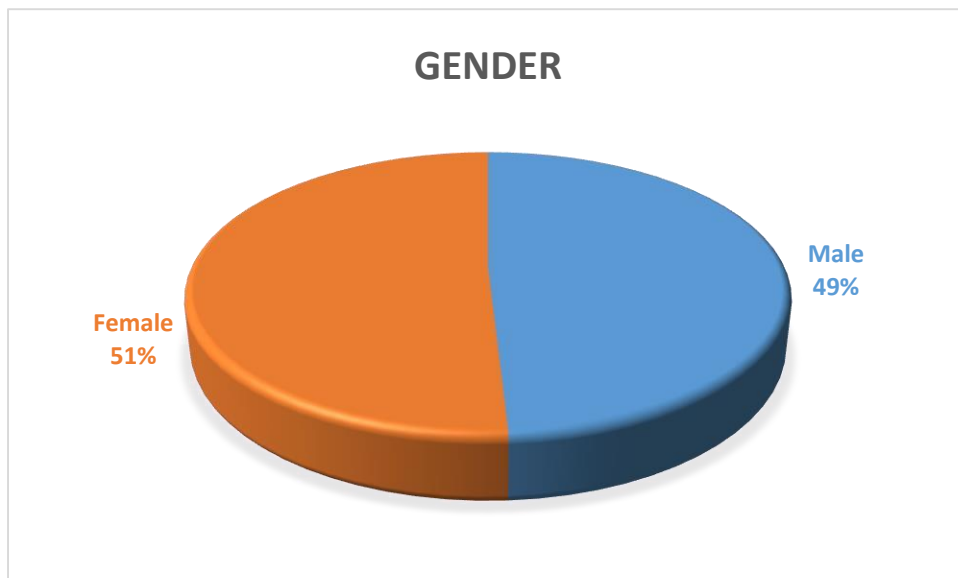


Figure 4-2: Gender

The overall ratio of males and females who participated in the study is 1:1(49:51%) respectively. The Table 4.6 below describes the overall gender distribution by age.

Table 4-6 Gender distribution by age

			Please specify your gender		Total
			Male	Female	
Age (years)	< 25	Count	64	54	118
		% within Kindly indicate your age category	54.2%	45.8%	100.0%
		% within Please specify your gender	33.7%	27.4%	30.5%
		% of Total	16.5%	14.0%	30.5%
	26 – 35	Count	56	68	124
		% within Kindly indicate your age category	45.2%	54.8%	100.0%
		% within Please specify your gender	29.5%	34.5%	32.0%
		% of Total	14.5%	17.6%	32.0%
	36 – 45	Count	37	39	76
		% within Kindly indicate your age category	48.7%	51.3%	100.0%
		% within Please specify your gender	19.5%	19.8%	19.6%
		% of Total	9.6%	10.1%	19.6%
	46 – 55	Count	24	29	53
		% within Kindly indicate your age category	45.3%	54.7%	100.0%
		% within Please specify your gender	12.6%	14.7%	13.7%
		% of Total	6.2%	7.5%	13.7%
	56+	Count	9	7	16
		% within Kindly indicate your age category	56.3%	43.8%	100.0%
		% within Please specify your gender	4.7%	3.6%	4.1%
		% of Total	2.3%	1.8%	4.1%
Total		Count	190	197	387
		% within Kindly indicate your age category	49.1%	50.9%	100.0%
		% within Please specify your gender	100.0%	100.0%	100.0%
		% of Total	49.1%	50.9%	100.0%

Overall, the ratio of males to females is approximately 1:1 (49.1%: 50.9%). Within the category of 36 years to 45 years, 48,70% were male and 51.1% were female.

The below 25 years' category constituted 16.5% of the total sample. Within this age category 54,2% were males and females were 45.8%.

The smallest category was made of the respondents of the ages of 56 and above. The category constituted 2.6% of the total sample. In this category the males were 56,3% and the females 43,8%. Following this category is 46-55 years' category. The category constituted 6.2% of the total population. In this category males and females constituted 45.3% and 54,7% respectively.

Within the age category of 36 to 45 years, 48.7% were male. Within the category of males (only), 19.5% were between the ages of 36 to 45 years. This category of males between the ages of 36 to 45 years formed 9.6% of the total sample.

4.4.3 EDUCATION LEVELS OF THE RESPONDENTS

The Figure 4.3 below shows the respondents' levels of education.

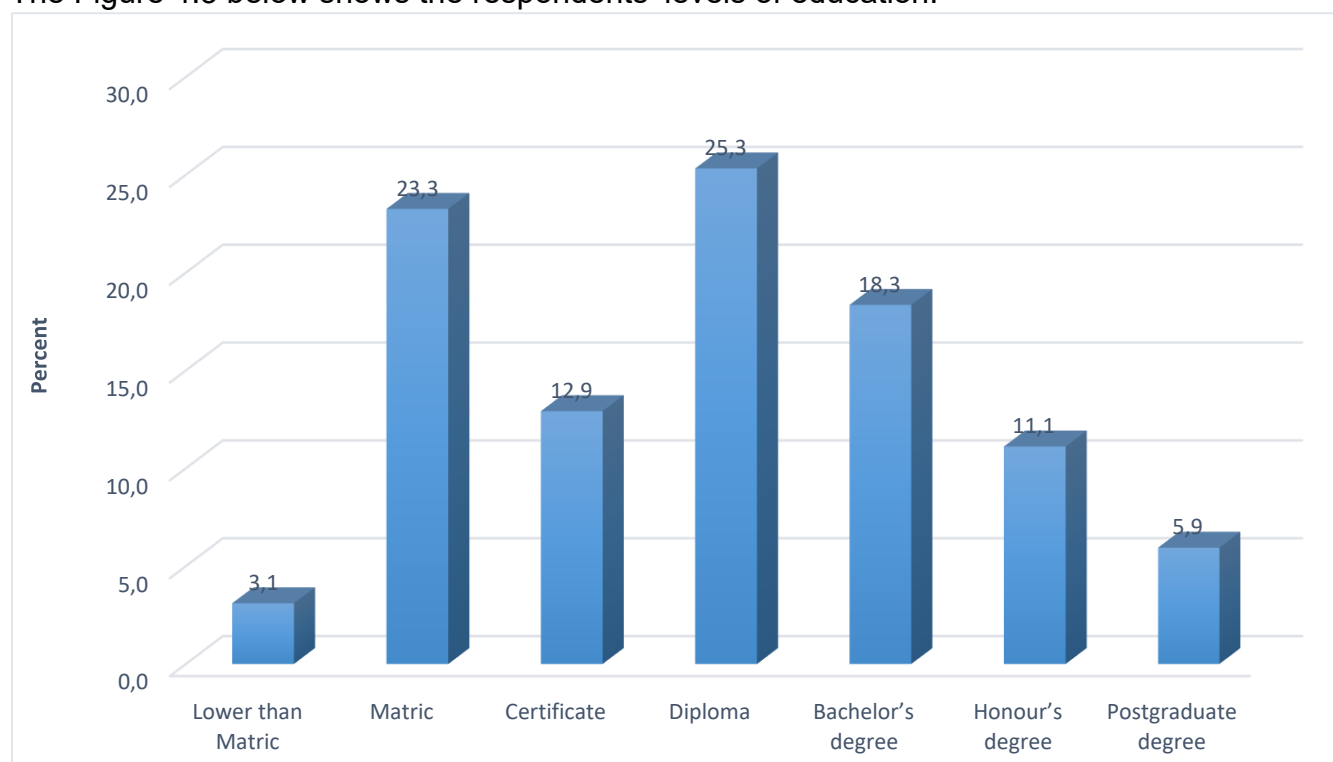


Figure 4-3 Education level of the respondents

The majority of respondents (nearly 74%) had a post school qualification. People with Diplomas formed 25.3 % of the sample. This was followed by matric holders, who constituted the 23.3%. Respondents holding bachelor's degree, certificate and honours degree had 18.3%; 12.9% and 11.1% of the sample. Approximately one-fifth of the respondents (17%) had a post graduate degree. This indicates that the majority of the respondents are educated.

4.4.4 LENGTH OF SERVICE

Figure 4.4 below indicates the length of time respondents have been with the bank.

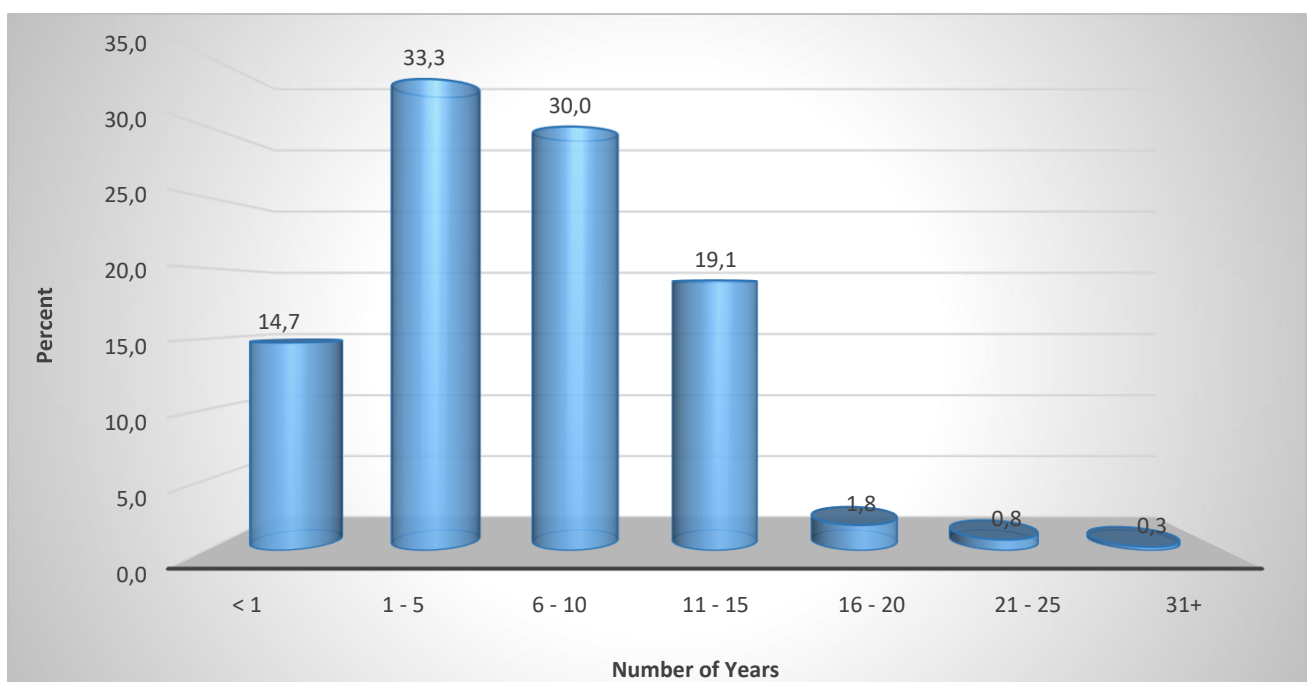


Figure 4-4: Length of time respondents have been banking with Absa

More than 50% of participants have been banking with Absa Bank for over 5 years. This means that respondents had been with the bank for a while. This is also a useful fact as it indicates responses from people with a fair degree of experience of dealing with the bank.

4.5 SECTION ANALYSIS

The section that follows examines the scoring records of the participants per theme per section. The results are firstly displayed using summarised percentages for the variables that constitute each section. The results are further examined according to the significance of the statements. Where appropriate, levels of disagreement (negative statements) were collapsed to show a single category of “disagree”. The same method was used for to levels of agreement (positive statements). This is permissible due to acceptable reliability levels.

4.5.1 LEVEL OF BANK COMPETITION IN THE INDUSTRY

This section investigates customers’ perceptions of the level of bank competition in South Africa. According to KPMG (2014:1), customers prefer using banks that are competitive in the market. The level of bank competition influences customer perceptions in the industry. Table 4.7 below summarises the scoring patterns of Absa Bank clients’ perceptions of the level of bank competition in the South African banking sector.

Table 4-7 Level of bank competition in the industry

		Strongly agree		Agree		Neutral		Disagree		Strongly disagree		chi square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	pvalue
There is intense competition among banks	B5.1	183	47.3%	165	42.6%	21	5.4%	7	1.8%	11	2.8%	0.000
It is easy for a new bank to enter the market	B5.2	46	11.9%	116	30.0%	67	17.3%	112	28.9%	46	11.9%	0.000
Banks strive to offer high quality services to customers	B5.3	112	28.9%	175	45.2%	75	19.4%	22	5.7%	3	0.8%	0.000
It is easy to switch from one bank to another	B5.4	103	26.6%	174	45.0%	62	16.0%	31	8.0%	17	4.4%	0.000
Banks compete for customers using pricing strategies	B5.5	136	35.1%	160	41.3%	73	18.9%	18	4.7%	0	0.0%	0.000
Banks sponsor social responsibility to increase their market share	B5.6	89	23.0%	177	45.7%	91	23.5%	24	6.2%	6	1.6%	0.000
Banks strive to be a market leader	B5.7	98	25.3%	189	48.8%	82	21.2%	17	4.4%	1	0.3%	0.000
Banks use social media platforms to market their services	B5.8	117	30.2%	180	46.5%	71	18.3%	16	4.1%	3	0.8%	0.000

The same information can be graphically represented by Figure 4.5 below in order to make comparison and analysis easier.

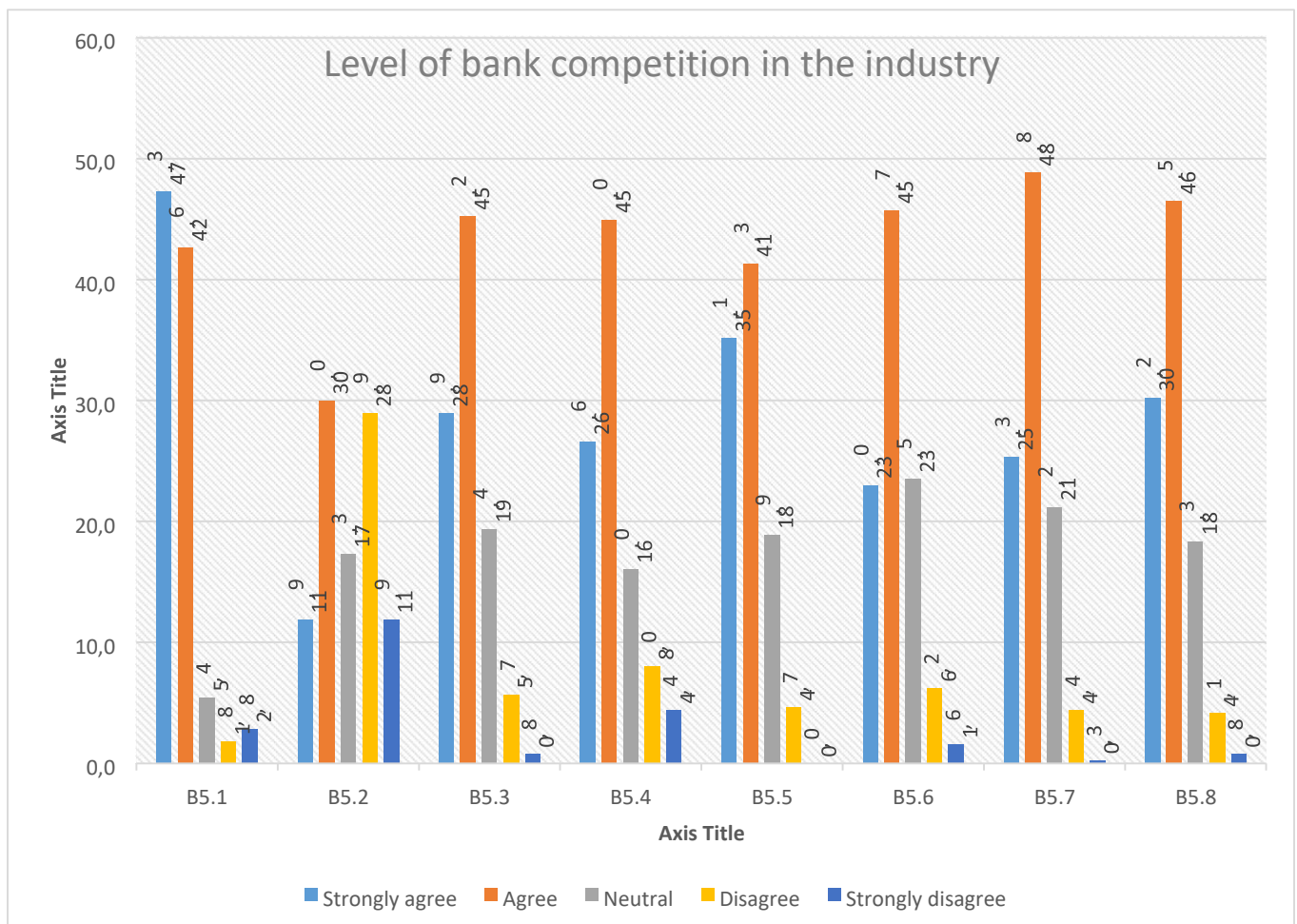


Figure 4-5: Level of bank competition in South Africa

The following patterns are observed:

- Some statements show (significantly) higher levels of agreement, whilst other levels of agreement are lower (but still greater than levels of disagreement)
- 1 statement indicates marginally higher levels of disagreement
- The significance of the differences is tested and shown in the table.

The three highest Positive statements (agree and strongly agree) combined together were for: “there is intense competition among banks” (89.1%). KPMG (2014:1) concurs that there is intense competition in the banking sector. Banks use social media

platforms to market their products (76.1%). Golesworthy (2016:1) shares the same sentiments that social media can be used as a messaging tool and communication strategy and banks compete for customers using pricing strategies. Wruuck (2013) agrees that banks use pricing strategies to compete for customers.

The other three second highest values of positive statements added together were for: “Banks strive to offer high quality products to customers” and “Banks strive to be market leaders” which both had (72.1%). The third statement in this category was: “It is easy to switch from one bank to another” (71.6%). Systematic logic (2012:12) is in agreement with research findings that it is difficult for customers to switch from one bank to another in South Africa.

The statement with the least score of positive statements added together in the theme ‘bank competition in South Africa’ was: “It is easy for a new bank to enter the market”. Nhundu (2016:1) points out that the South African banking sector has encountered a few productive entrances. Only Capitec has been successfully instituted.

This value indicates that there is competition in the banking sector.

To ascertain whether the answered questions have a positive relationship, a chi-square test was conducted. The results are shown in Table 4.8.

Table 4-8 Chi-Square test: Level of bank competition

	Chi-Square	Df	Asymp. Sig.
Please specify your gender	0,127	1	0,722
Kindly indicate your age category	105,778	4	0,000
What is your highest educational attainment?	115.245 ^c	6	0,000
How long have you been banking with ABSA bank?	316.274 ^c	6	0,000
There is intense competition among banks	405,313	4	0,000
It is easy for a new bank to enter the market	61,592	4	0,000
Banks strive to offer high quality services to customers	249,783	4	0,000
It is easy to switch from one bank to another	207,044	4	0,000
Banks compete for customers using pricing strategies	127.202 ^d	3	0,000
Banks sponsor social responsibility to increase their market share	235,003	4	0,000
Banks strive to be a market leader	289,214	4	0,000
Banks use social media platforms to market their services	277,018	4	0,000

The significant values (P-values) were all below the level of significance of 0.05. this means that the dispersals were different.

4.5.2 BANK CHOICE FACTORS CONSIDERED BY CUSTOMERS WHEN CHOOSING A BANK

This section deals with factors that customers consider when selecting a bank. The second objective of the study was to determine the factors that are considered by ABSA customers when they choose a bank. Table 4.9 Illustrates the scoring pattern of the results obtained.

Table 4-9 Choice factors considered by customers when choosing a bank

		Strongly agree		Agree		Neutral		Disagree		Strongly disagree		chi square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-value
The level of product knowledge by bank staff	B5.9	125	32.3%	184	47.5%	66	17.1%	9	2.3%	3	0.8%	0.000
Timeliness of service delivery	B5.10	106	27.4%	164	42.4%	68	17.6%	43	11.1%	6	1.6%	0.000
Understanding of customer needs by employees	B5.11	112	28.9%	173	44.7%	75	19.4%	24	6.2%	3	0.8%	0.000
The corporate image of the bank	B5.12	107	27.6%	201	51.9%	71	18.3%	5	1.3%	3	0.8%	0.000
The bank transaction fees charged	B5.13	165	42.6%	146	37.7%	53	13.7%	14	3.6%	9	2.3%	0.000
Coverage and accessibility of the bank	B5.14	133	34.4%	168	43.4%	72	18.6%	12	3.1%	2	0.5%	0.000

Promotional activities being offered	B5.15	107	27.6%	157	40.6%	76	19.6%	43	11.1%	4	1.0%	0.000
Size of the bank	B5.16	92	23.8%	150	38.8%	90	23.3%	41	10.6%	14	3.6%	0.000
Availability and accessibility of loans facilities	B5.17	122	31.5%	143	37.0%	83	21.4%	31	8.0%	8	2.1%	0.000
The use of information technology	B5.18	137	35.4%	165	42.6%	68	17.6%	9	2.3%	8	2.1%	0.000
The international experience of the bank	B5.19	98	25.3%	150	38.8%	98	25.3%	35	9.0%	6	1.6%	0.000
The extent of the corporate social responsibility	B5.20	79	20.4%	149	38.5%	126	32.6%	26	6.7%	7	1.8%	0.000

The same information can be graphically represented by Figure 4.6 below to make comparison and analysis easier.

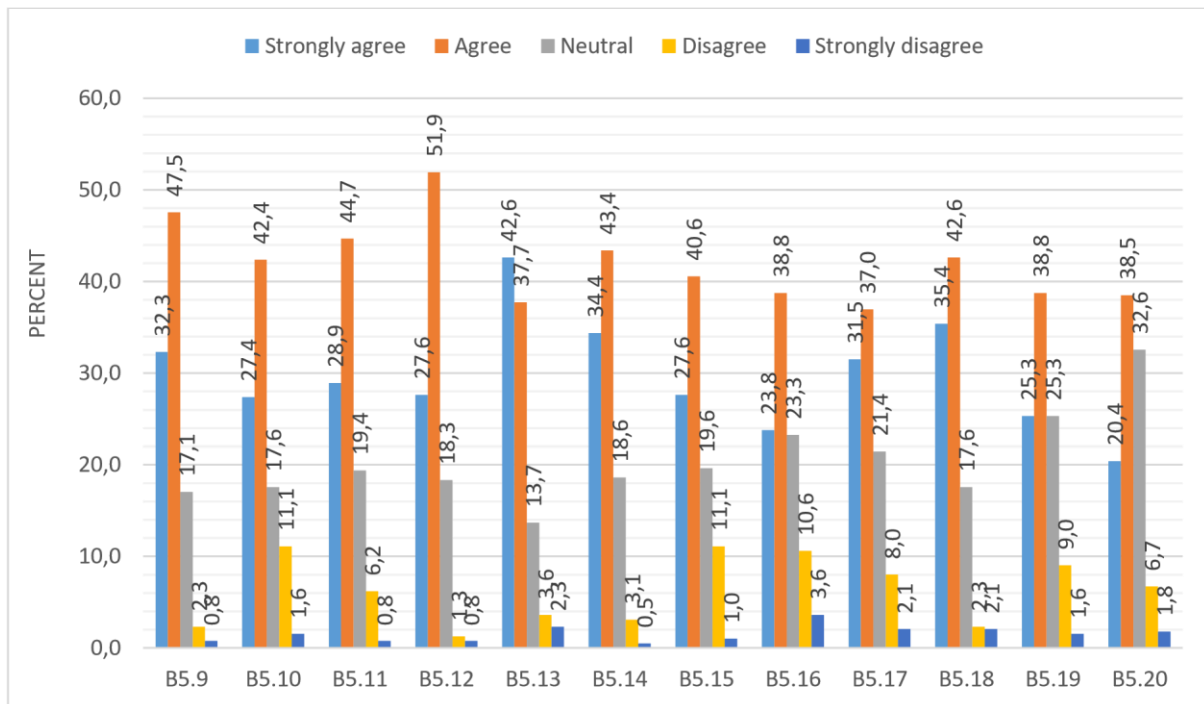


Figure 4-6 Factors considered by customers when choosing a bank

There are different scoring patterns from the Absa customers who participated in this study. Figure 4.6 above indicates that there are high scores for positive statements added together for this theme. Neutral responses were moderately low. The differences between participants who agreed and disagreed is significant.

The highest score of positive statements added together is (80.3%), for the statement “The bank transaction fees charged”. Biz4Afrika (2016:1) suggests that customers should evaluate the bank charges and fees charged to clients. This statement is followed by: “The level of product knowledge by bank staff” (79.8%). Dunn (2012:1) postulate that knowledge of bank staff is a factor that banks are normally rated on in customer service surveys.

The third highest scores of positive statement is 79.5% to the statement “The corporate image of the bank”. Research by Heerden and Badenhorst (2004:31) on corporate image of South African banking institutions suggests that frequent surveys should be conducted on the corporate image of the bank.

As can be seen in the above figure, 77.8% of the respondents agreed with the statement that “coverage of the bank” is a key determinant that customers consider when choosing a bank. The findings are backed by Saleh et al (2013:16) who cites

that easy access to banking facilities is of paramount importance to customers when they choose which bank to use.

One of the objectives of the study was to identify the factors considered by customers when choosing a bank. The findings reveal that 62.6% agreed with the statement that: “size of the bank” is a key a factor they would consider. Taci, Herreira and Haas (2007:2) support the view that the size of the bank plays a significant role in influencing customer decisions.

The highest scores of disagreement negative statements added together is 14.2% to the statement “size of the bank”. The difference between those who agreed and disagreed is significant. This reveal that size of the bank plays a pivotal role in customers’ choices.

A Chi-square test was conducted to test the significance of scoring pattern of each choice. The results are shown in the table 4.10 below.

Table 4-10 Chi-Square test: Choice factors considered by customers when choosing a bank

B5.9	The level of product knowledge by bank staff	309,731	4	0,000
B5.10	Timeliness of service delivery	189,757	4	0,000
B5.11	Understanding of customer needs by employees	241,979	4	0,000
B5.12	The corporate image of the bank	348,465	4	0,000
B5.13	The bank transaction fees charged	280,016	4	0,000
B5.14	Coverage and accessibility of the bank	275,08	4	0,000
B5.15	Promotional activities being offered	178,103	4	0,000
B5.16	Size of the bank	141,953	4	0,000
B5.17	Availability and accessibility of loans facilities	171,747	4	0,000
B5.18	The use of information technology	268,853	4	0,000
B5.19	The international experience of the bank	168,155	4	0,000
B5.20	The extent of the corporate social responsibility	194,951	4	0,000

The scoring patterns across each pattern is different. The differences between the respondents who agreed and those who disagreed were significant.

4.5.3 ABSA BANK'S COMPETITIVENESS

This theme investigates the extent to which Absa customers view the competitiveness of Absa Bank in the South African banking sector. The last objective of the study was to investigate customer perceptions of Absa's competitiveness. The table 4.11 below illustrates the results obtained from the empirical study.

Table 4-11 Absa Bank competitiveness

		Strongly agree		Agree		Neutral		Disagree		Strongly disagree		chi square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	pvalue
ABSA is the best bank for me	B5.21	101	26.1%	127	32.8%	89	23.0%	44	11.4%	26	6.7%	0.000
ABSA charges reasonable interest rates	B5.22	47	12.1%	167	43.2%	92	23.8%	54	14.0%	27	7.0%	0.000
ABSA offers various banking services to customers	B5.23	84	21.7%	199	51.4%	79	20.4%	19	4.9%	6	1.6%	0.000
ABSA is the market leader	B5.24	54	14.0%	135	34.9%	137	35.4%	50	12.9%	11	2.8%	0.000
ABSA is he most innovative bank	B5.25	77	19.9%	139	35.9%	126	32.6%	36	9.3%	9	2.3%	0.000
The bank frequently communicates with its customers	B5.26	77	19.9%	170	43.9%	99	25.6%	27	7.0%	14	3.6%	0.000
ABSA caters for all races in the market	B5.27	119	30.7%	180	46.5%	69	17.8%	15	3.9%	4	1.0%	0.000
The bank interior is appealing	B5.28	121	31.3%	173	44.7%	78	20.2%	11	2.8%	4	1.0%	0.000

Customers receive error	B5.29	53	13.7%	141	36.4%	147	38.0%	40	10.3%	6	1.6%	0.000
free services at the first time												
Employees are prompt to address customer needs	B5.30	81	20.9%	178	46.0%	88	22.7%	35	9.0%	5	1.3%	0.000
There is enough parking for customers at the premises	B5.31	40	10.3%	115	29.7%	100	25.8%	78	20.2%	54	14.0%	0.000

The information in Table 4.11 is graphically depicted in Figure 4.7 for easier comparison. It is explained thereafter.

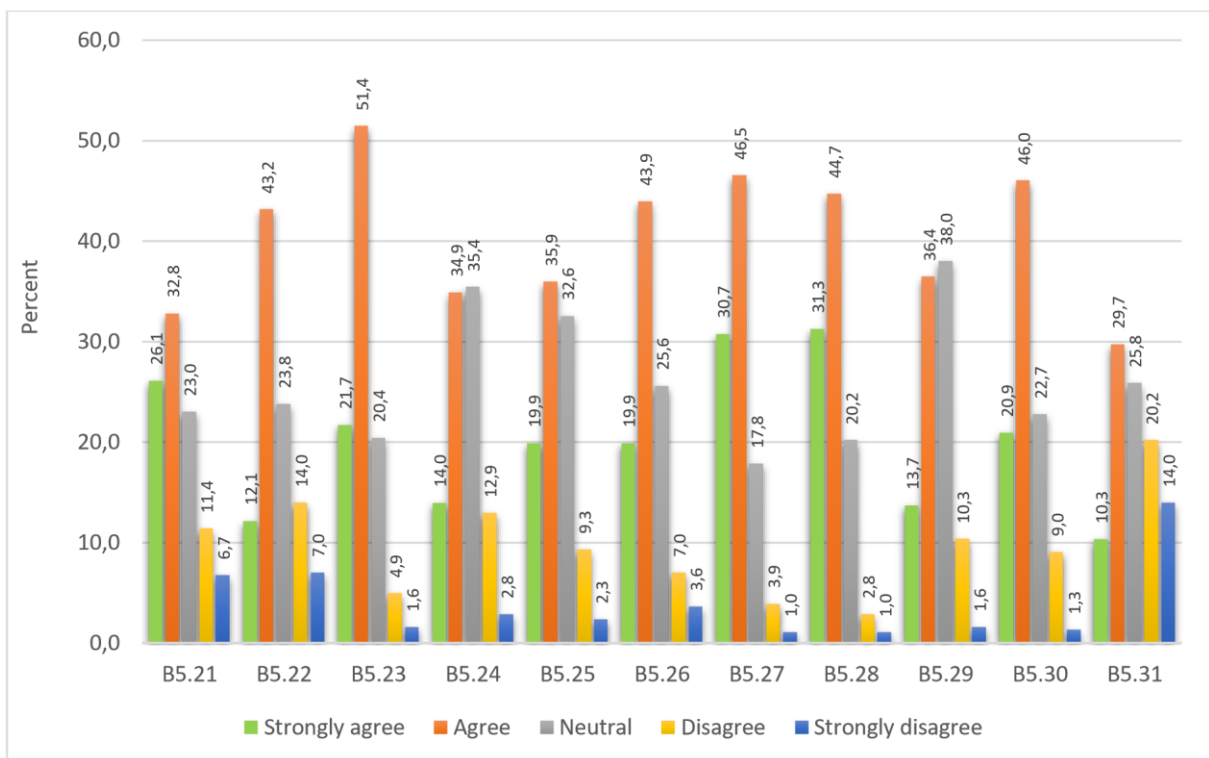


Figure 4-7: Customer perceptions of Absa bank competitiveness

The pattern in Figure 4.7 indicates that 9 statements out of 11 had scores above 50%. The results indicate that customers' perceptions suggest that Absa is competitive in the market.

The three highest scores of positive statements in this theme were for: "Absa caters for all races in the market" (77.2%). "The bank's interior is appealing" (76%); followed by "Absa offers various banking services to customers" (73.1%). Absa (2017:1) seeks to become "the" on the go bank for all people by providing excellent services.

The other three second highest scores for positive statements in this theme added together were: "Employees are prompt to address customer needs" (66.9%); "The bank frequently communicates with customers" (63.8%); and "Absa is the best bank for me". According to Absa (2017:1), as a result of historical factors, previously misaligned clients are still lagging behind. Absa is therefore committed to redressing the anomalies.

The last three positive statement on this theme added together were: "Absa charges reasonable interest rates" (55.3%); "Absa is the most innovative bank" (55.8%); and "Customers receive error free services at the first time" (50.1%) Absa (2017:1) Absa aims to provide services and products that are tailor-made to customer needs and are also affordable, at the same time increasing its presence and innovation in areas where the bank was previously not present.

The statement with the lowest scores on positive statements added together were: "There is enough parking for customers at the premises" (40%) and "Absa is the market leader" (48.9%).

To assess whether the scoring trends on each statement had noteworthy differences per option a chi- square test was conducted. Table 4.12 indicate the results.

Table 4-12 Chi-Square test: customer perceptions of Absa Bank competitiveness

B5.21	ABSA is the best bank for me	89,266	4	0,000
B5.22	ABSA charges reasonable interest rates	158,31	4	0,000
B5.23	ABSA offers various banking services to customers	301,566	4	0,000
B5.24	ABSA is the market leader	162,496	4	0,000
B5.25	ABSA is the most innovative bank	162,134	4	0,000
B5.26	The bank frequently communicates with its customers	201,566	4	0,000
B5.27	ABSA caters for all races in the market	279,189	4	0,000
B5.28	The bank interior is appealing	269,214	4	0,000
B5.29	Customers receive error free services at first time	206,475	4	0,000
B5.30	Employees are prompt to address customer needs	223,323	4	0,000
B5.31	There is enough parking for customers at the premises	50,016	4	0,000

The significant values in table 4.12 were all below 0.05. This means that distributions were not the same.

4.6 HYPOTHESIS TESTING

The traditionally accepted method of reporting a result requires a statement of statistical significance. A **p-value** is generated from a **test statistic**. A significant result is indicated with " $p < 0.05$ ". These values are highlighted with an *. A second Chi square test was performed to determine whether there was a statistically significant relationship between the variables (rows vs columns). The null hypothesis states that there is no association between the two. The alternate hypothesis indicates that there is an association.

For example: The p-value between "Age" and "It is easy for a new bank to enter the market" is 0.000. This means that there is a significant relationship between the variables highlighted in yellow. That is, the age of the respondent did play a significant role in terms of how respondents viewed how easy it was for a new bank to enter the market. All values without an * (or p-values more than 0.05) do not have a significant relationship.

4.6.1 RELATIONSHIP BETWEEN AGE AND RESEARCH STATEMENTS

The chi-square tests revealed that there are a number of significant relationships between the respondents' biographical data and statements from the research study. From Table 4.9, the p-value between "age" and "it is easy for a bank to enter the market" is 0.000. This means that there is a significant relationship between the two. Age of the respondent did play a significant role. Age also showed significant relationships with statements shown in Table 4.13 below.

Table 4-13 Relationship between age and other research questions

B5.6	Banks sponsor social responsibility to increase their market share	.036*
B5.10	Timeliness of service delivery	.028*
B5.14	Coverage and accessibility of the bank	.033*
B5.15	Promotional activities being offered	.042*
B5.21	Absa is the best bank for me	.000*
B5.22	ABSA charges reasonable interest rates	.003*
B5.24	ABSA is the market leader	.004*
B5.25	Absa is he most innovative bank	.011*
B5.26	The bank frequently communicates with its customers	.017*
B5.28	The bank interior is appealing	.022*
B5.29	Customers receive error free services at the first time	.001*
B5.31	There is enough parking for customers at the premises	.003*

As shown in Table 4.13 above, only one statement (B5.6) out of 8 statements designed to infer customer perceptions of the level of bank competition had a significant relationship with age. The Table 4.9 also reveals that three statements (B5.10; B5.14; and B5.15) out of 12 statements constructed to infer the factors considered by customers when choosing a bank had a significant relationship with age. In addition to the above, age had a significant relationship with 8 statements (B5.21; B5.22; B5.24; B5.25; B5.26; B5.28; B5.29; and B5.31) designed to infer the competitiveness of Absa Bank.

This means that age played a significant role in the timeliness of service delivery and coverage and accessibility of the bank. As indicated above, age also had a significant relationship with the statements, “Absa is the market leader” and “Absa is the most innovative bank”.

4.6.2 RELATIONSHIP BETWEEN GENDER AND RESEARCH STATEMENTS

The table 4.14 below indicates significant relationships that exist between research statements and gender.

Table 4-14 Relationship between gender and other research questions

B5.6	Banks sponsor social responsibility to increase their market share	0.052
B5.7	Banks strive to be a market leader	.006*
B5.10	Timeliness of service delivery	.005*
B5.14	Coverage and accessibility of the bank	.046*
B5.15	Promotional activities being offered	.000*
B5.16	Size of the bank	.003*
B5.17	Availability and accessibility of loans facilities	.000*
B5.18	The use of information technology	.025*
B5.29	Customers receive error free services at the first time	.025*

Table 4.14 shows that there was no significant relationship between gender and perceptions of customers on the level of bank competition in the South Africa market except for 2 statements (B5.6; B5.7) out of the 8 statements. In addition, Table 4.10 half of the items (B5.10; B5.14; B5.15; B5.16; B5.17; B5.18; and B5.29) designed to

test the factors considered by customers when choosing a bank had a significant relationship.

Lastly, only item B5.29 out 12 statements designed to test customer perceptions of the competitiveness of Absa Bank in South Africa had a significant relationship with gender.

This means that gender played significant role in the way in which customers perceive the level of bank competition in the industry and the factors that customers would consider when they choose a bank. Also significant relationships existed between gender and statements; “Banks sponsor social responsibility to increase their market share” and “Promotional activities being offered”.

4.6.3 RELATIONSHIP BETWEEN EDUCATIONAL ATTAINMENT OF RESPONDENTS AND STATEMENTS

The table 4.15 indicates that there is a significant relationship between the level of education and the statements.

Table 4-15 Relationship between educational attainment and other research questions

B5.2	It is easy for a new bank to enter the market	.000*
B5.10	Timeliness of service delivery	.002*
B5.13	The bank transaction fees charged	.042*
B5.14	Coverage and accessibility of the bank	.015*
B5.18	The use of information technology	.001*
B5.20	The extent of the corporate social responsibility	.003*
B5.21	Absa is the best bank for me	.000*
B5.22	ABSA charges reasonable interest rates	.001*
B5.23	Absa offers various banking services to customers	.000*
B5.26	The bank frequently communicates with its customers	.005*

B5.30	Employees are prompt to address customer needs	0.334
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Results in Table 4.15 show there is no significant relationship between statements to infer customer perceptions of the level of bank competition, except for only one statement (B5.2) as indicated in the table.

In addition to the above one third (B5.10; B5.13; B5.14; B5.18 and B5.20) of the items designed to assess the factors considered by customers when choosing a bank had a significant relationship with educational attainment.

Lastly, five items (B5.21; B5.22; B5.23; B5.26; B5.30) out of 12 designed to infer customer perceptions of the competitiveness of Absa Bank in South Africa had significant relationships with educational attainment.

The results indicate that there is a significant relationship between the level of education of respondents and the costs and pricing strategies of the bank. “Timeliness of service delivery” and “the ability to address customer needs promptly” also showed significant relationship with the level of education of respondents.

4.6.4 RELATIONSHIP BETWEEN TIME PERIOD BANKING WITH ABSA AND RESEARCH STATEMENTS

The table 4.16 below display the relationship between the time period customers have been with Absa bank and the research statements.

Table 4-16 Relationship between time period respondents have been banking with Absa Bank and other research questions

B5.2	It is easy for a new bank to enter the market	.003*
B5.4	It is easy to switch from one bank to another	.049*
B5.6	Banks sponsor social responsibility to increase their market share	.000*
B5.8	Banks use social media platforms to market their services	.015*
B5.21	Absa is the best bank for me	.043*

The results indicate that a significant relationship exists between the level of education and “It is easy for a new bank to enter the market” and “It is easy to switch from one bank to another”. The results also indicate that the time period customers have been using the bank enables them to appreciate the bank as their best service provider.

In addition, there was no significant relationship between the level of education of respondents and statements that were designed to infer factors that are considered by customers when choosing a bank.

Lastly, only one item (B5.21) out of the 12 items had a significant relationship with the educational level of respondents.

4.7 CORRELATIONS

Bonett and Wright (2000:226) define Correlation analysis as a statistical device that determines the magnitude of the linear link between two variables. According to Wegner (2010:418), Pearson's correlation is popularly used to calculate the strength of two random variables. In this study, Bivariate correlation was also performed on the ordinal data. The results are found in the Appendix D. The frequently used bivariate correlation technique is Spearman's Correlation.

The results indicate the following patterns:

Positive values indicate a directly proportional relationship between the variables and a negative value indicates an inverse relationship. All significant relationships are indicated by a * or **. Negative values imply an inverse relationship. That is, the variables have an opposite effect on each other.

There is a directly proportionate relationship between the respondents' perception of bank competition ("There is intense competition among banks") and the following statements in the table below:

4.7.1 RELATIONSHIP BETWEEN THERE IS INTENSE COMPETITION WITH RESEARCH STATEMENTS

The information is illustrated in table 4.17 for easier understanding and comprehensibility

Table 4-17 Relationship between there is intense competition and other research questions

B5.5	Banks compete for customers using pricing strategies	0.000	0.203
B5.6	Banks sponsor social responsibility to increase their market share	0.013	0.126
B5.7	Banks strive to be a market leader	0.002	0.158
B5.8	Banks use social media platforms to market their services	0.000	0.223
B5.9	The level of product knowledge by bank staff	0.000	0.191
B5.12	The corporate image of the bank	0.000	0.194
B5.13	The bank transaction fees charged	0.001	0.171

Table 4.17 indicates correlation values between “There is intense competition and the following: “Banks compete for customers using pricing strategies” ($p= 0.000$; $r= 0.23$); “Banks sponsor social responsibility to increase their market share” ($p= 0.013$; $r= 0.126$); “Banks strive to be a market leader” ($p=0.002$; $r= 0.158$); “Banks use social media platforms to market their services” ($p= 0.000$; $r= 0.223$); “The level of product knowledge by bank staff” ($p= 0.000$; $r= 0.223$); “The corporate image of the bank” ($p= 0.000$; $r= 0.194$); and The bank transaction fees charged ($p=0.001$; $r= 0.171$).

All the above statements have a directly proportional relationship. Customers indicate that competition exists in the market. This is attested by the significant relationships revealed by statements constructed to infer levels of competition.

4.7.2 RELATIONSHIP BETWEEN IT IS EASY FOR A NEW BANK TO ENTER THE MARKET AND OTHER RESEARCH STATEMENTS

Another trend that exists is that there is a directly proportional relationship between “it is easy for a new bank to enter the market and the following statements.

Table 4-18 Relationship between it is easy for a new bank to enter the market and other research questions

B5.3	Banks strive to offer high quality services to customers	0.001	0.168
B5.8	Banks use social media platforms to market their services		
B5.11	Understanding of customer needs by employees	0.032	0.109
B5.15	Promotional activities being offered	0.001	0.172
B5.21	Absa is the best bank for me	0.001	0.168
B5.22	ABSA charges reasonable interest rates	0.001	0.176
B5.25	Absa is the most innovative bank	0.000	

The above findings indicate that there is a directly proportional relationship between “It is easy for a new bank to enter the market” and the following seven items “Banks strive to offer high quality services to customers” ($p= 0.001$; $r= 0.168$); “Banks use social media platforms to market their services” ($p= 0.032$; $r= 0.109$); “Understanding of customer needs by employees” ($p=0.000$; $r= 0.172$); “Promotional activities being offered”; ($p= 0.001$; $r= 0.172$); “Absa is the best bank for me” ($p= 0.001$; $r= 0.168$); “ABSA charges reasonable interest rates” ($p=0.001$; $r=0.176$); and “Absa is he most innovative bank: ($p=0.000$; $r= 0.193$).

The findings from the above statements have positive correlations. Banks make it difficult for new players to enter the market by charging reasonable interest rates.

4.7.3 RELATIONSHIP BETWEEN TIMELINESS OF SERVICE DELIVERY AND RESEARCH STATEMENTS

Another notable trend that exists is that there is a positive correlation between “Timeliness of service delivery” and the following statements in Table 4.19 below:

Table 4-19 Timeliness of service delivery and other research questions

B5.11	Understanding of customer needs by employees	0.000	0.471
B5.12	The corporate image of the bank	0.000	0.300
B5.13	The bank transaction fees charged	0.000	0.357
B5.14	Coverage and accessibility of the bank	0.000	0.290
B5.15	Promotional activities being offered	0.000	0.197
B5.16	Size of the bank	0.000	0.146
B5.17	Availability and accessibility of loans facilities	0.000	0.230
B5.18	The use of information technology	0.000	0.182
B5.19	The international experience of the bank	0.000	0.230
B5.20	The extent of the corporate social responsibility	0.000	0.168
B5.21	Absa is the best bank for me	0.000	0.182
B5.23	Absa offers various banking services to customers	0.000	0.205
B5.25	Absa is the most innovative bank	0.023	0.115
B5.26	The bank frequently communicates with its customers	0.001	0.162

B5.28	The bank interior is appealing	0.028	0.111
B5.29	Customers receive error free services at the first time	0.001	0.168
B5.30	Employees are prompt to address customer needs	0.000	0.182
B5.31	There is enough parking for customers at the premises	0.000	0.206

Table 4.19 indicate There are positive correlations between timeliness of service delivery and the following 21 items: “Understanding of customer needs by employees” ($p= 0.000$; $r= 0.471$); “The corporate image of the bank” ($p= 0.000$; $r= 0.300$); “The bank transaction fees charged” ($p= 0.000$; $r= 0.357$); “Coverage and accessibility of the bank” ($p= 0.000$; $r= 0.290$); “Promotional activities being offered” ($p=0.000$; $r= 0.197$); “Size of the bank” ($p= 0.000$; $r= 0.246$); “Availability and accessibility of loans facilities” ($p=0.000$; $r= 0.230$); “The use of information technology” ($p= 0.000$; $r= 0.182$); “The international experience of the bank” ($p= 0.000$; $r= 0.230$); “The extent of the corporate social responsibility” ($p= 0.000$; $r= 0.168$); “Absa is the best bank for me” ($p= 0.000$; $r= 0.182$); “Absa offers various, banking services to customers” ($p= 0.000$; $r= 0.205$); “Absa is the most innovative bank” ($p= 0.023$; $r= 0.115$); “The bank frequently communicates with its customers” ($p= 0.001$; $r= 0.162$); “The bank interior is appealing” ($p= 0.028$; $r= 0.111$); “Customers receive error free services at the first time” ($p= 0.001$; $r= 0.168$); “Employees are prompt to address customer needs” ($p= 0.000$; $r= 0.182$); and “There is enough parking for customers at the premises” ($p= 0.000$; $r= 0.206$).

Results from the study indicate that the following statements have a directly proportional relationship. Respondents have indicated that they consider various factors when dealing with the bank. The statement “the level of product knowledge by employees” had the highest correlation. This showed that the more knowledgeable the staff is about bank products, the less time it will take them to serve customers and vice versa.

4.7.4 RELATIONSHIP BETWEEN THE CORPORATE IMAGE OF THE BANK AND THE RESEARCH STATEMENTS

Another trend that exists is that there is a positive correlation between the corporate image of the bank and the following statements in the table below:

Table 4-20 Relationship between the corporate image of the bank and other research questions

B5.13	The bank transaction fees charged	0.000	0.309
B5.14	Coverage and accessibility of the bank	0.000	0.261
B5.15	Promotional activities being offered	0.000	0.237
B5.16	Size of the bank	0.000	0.270
B5.17	Availability and accessibility of loans facilities	0.000	0.263
B5.18	The use of information technology	0.000	0.215
B5.28	The bank interior is appealing	0.001	0.162

Table 4.20 indicates correlation values between the corporate image of the bank and the following 7 items: “The bank transaction fees charged” ($p= 0.000$; $r= 0.309$); “Coverage and accessibility of the bank” ($p= 0.000$; $r= 0.261$); “Promotional activities being offered” ($p= 0.000$; $r= 0.237$); “Size of the bank” ($p= 0.000$; $r= 0.270$); “Availability and accessibility of loans facilities” ($p= 0.000$; $r= 0.263$); “The use of information technology” ($p= 0.000$; $r= 0.215$); and “The bank interior is appealing” ($p= 0.000$; $r= 0.162$). The correlation values indicate directly related proportionately.

4.7.5 RELATIONSHIP BETWEEN ABSA IS THE BEST BANK FOR ME AND THE FOLLOWING RESEARCH STATEMENTS

Notable trends also indicated were that there is a directly proportional relationship between “Absa is the best bank for me” and the following statements in the table below:

Table 4-21 Relationship between Absa is the best bank for me and other research questions

B5.22	ABSA charges reasonable interest rates	0.000	0.594
B5.23	Absa offers various banking services to customers	0.000	0.538
B5.24	ABSA is the market leader	0.000	0.534
B5.25	Absa is he most innovative bank	0.000	0.482
B5.26	The bank frequently communicates with its customers	0.000	0.383
B5.27	Absa caters for all races in the market	0.000	0.313
B5.28	The bank interior is appealing	0.000	0.222
B5.29	Customers receive error free services at the first time	0.000	0.206
B5.30	Employees are prompt to address customer needs	0.000	0.333
B5.31	There is enough parking for customers at the premises	0.000	0.230

The findings indicate that there is a positive correlation between “Absa is the best bank for me” and the following statements: “ABSA charges reasonable interest rates” ($p=$

0.000; $r = 0.594$); “Absa offers various banking services to customers” ($p = 0.000$; $r = 0.538$); “ABSA is the market leader” ($p = 0.000$; $r = 0.534$); “Absa is the most innovative bank” ($p = 0.000$; $r = 0.482$); “The bank frequently communicates with its customers” ($p = 0.000$; $r = 0.383$); “Absa caters for all races in the market” ($p = 0.000$; $r = 0.313$); “The bank interior is appealing” ($p = 0.000$; $r = 0.222$); “Customers receive error free services at the first time” ($p = 0.000$; $r = 0.206$); “Employees are prompt to address customer needs” ($p = 0.000$; $r = 0.333$); and “There is enough parking for customers at the premises” ($p = 0.000$; $r = 0.230$).

Results revealed that a positive correlation existed with the above statements. The respondents indicate that the bank will be competitive when it charges reasonable interest rates and vice versa. Furthermore, customers also indicated that the more innovative the bank is and provides error free services across all races, the more the bank will be the best bank for employees, and vice versa.

4.7.6 RELATIONSHIP BETWEEN ABSA IS THE MOST INNOVATIVE BANK AND THE FOLLOWING STATEMENTS

Another trend that exists is that there is a positive relationship between “Absa is the most innovative bank” and the research statements in the table below:

Table 4-22 Relationship between Absa is the most innovative bank and other research questions

B5.26	The bank frequently communicates with its customers	0.000	0.455
B5.27	Absa caters for all races in the market	0.000	0.255
B5.28	The bank interior is appealing	0.000	0.280
B5.29	Customers receive error free services at the first time	0.000	0.314
B5.30	Employees are prompt to address customer needs	0.000	0.316
B5.31	There is enough parking for customers at the premises	0.001	0.162

The table above indicates correlation for the following: “The bank frequently communicates with its customers” ($p= 0.000$; $r= 0.455$); “Absa caters for all races in the market” ($p= 0.000$; $r= 0.255$); “The bank interior is appealing” ($p= 0.000$; $r= 0.280$); “Customers receive error free services at the first time” ($p= 0.000$; $r= 0.314$); “Employees are prompt to address customer needs” ($p= 0.000$; $r= 0.316$); and “There is enough parking for customers at the premises” ($p= 0.000$; $r= 0.162$).

Results from the study indicate various positive correlations with statements constructed to infer the competitiveness of Absa Bank. Respondents indicate that the more customers receive error free services and the employees are prompt to address customer queries, the more the bank remains competitive on the market and vice versa.

4.8 CONCLUSION

This chapter presented all the data collected from the study. The research instrument proved reliable. The majority of the participants of this study had a post school qualification and had banked with Absa for over 5 years. Which indicates that the responses were gathered from an informed (learned) source who had a fair degree of experience in dealing with the bank. The gender ratio was found to be approximately 1:1.

Analyses such as Pearson's correlation; factor analysis; chi-square tests of independence; and t-tests were carried on the data collected. The results of the inferential statistical tests performed in this study revealed significant relationships between demographic variable such as age, gender, educational qualification and the time period customers have been banking with Absa and various research statements. A number of directly proportional relationships were found.

The next chapter discusses the conclusions and makes recommendations for further study on the competitiveness of Absa Bank in south Africa.

CHAPTER 5 CONCLUSION

5.1 INTRODUCTION

Chapter five presents the results of the study and provides possible recommendations that Absa Bank can employ to enhance its competitiveness in the market. Conclusions and recommendations of the study were drawn from the primary research data and existing literature. The limitations of the study are acknowledged and areas for possible further research were suggested.

5.2 AIM AND OBJECTIVES OF THE STUDY

5.2.1 AIM

The main aim of the study was to investigate customer perceptions of the competitiveness of ABSA Bank, Durban Central branch.

5.2.2 OBJECTIVES

To answer the main aim of the study, the key objectives of this study were:

- To determine ABSA customer perceptions of the level of bank competition in South Africa;
- To identify the factors considered by ABSA customers when choosing a bank;
- To assess customer perceptions of ABSA competitiveness in the South African market; and
- To generate recommendations based on customer perceptions on how ABSA management could enhance competitiveness in the South African market

5.3 FINDINGS FROM THE STUDY

5.3.1 OBJECTIVE ONE

In an attempt to infer how customers view the nature of competition in the South African banking market, part of the questionnaire was designed to answer that question. The general insinuation was that there is competition in the market. Findings from the study indicate that customers agree that there is intense competition in the industry. A similar study on bank competition by KPMG (2014:1) yielded similar findings.

Furthermore, the study also revealed that banks strive to be market leaders in the industry. Due to economic downturns in South Africa, the banking sector is constantly changing. Hence, banks need to periodically reposition themselves in the market. A finding in support was that banks compete for customers using pricing strategies. Wruuck (2013:1) concurs with the findings.

Another finding that attests to the existence of competition in the South African industry market was a marginally higher level of disagreement with the statement “It is easy for new banks to enter the market”. This suggests that there are barriers to entry in the market and competition is amongst the banks that are already established. A study by Nhundu (2016:1) found out that the market is dominated by a few players but is very competitive.

5.3.2 OBJECTIVE TWO

In an attempt to infer the factors considered by customers when choosing a bank questions (B5.9-B-5.20) were constructed to assess the factors. Findings from the primary study reveal that Absa customers consider transaction fees and bank charges when choosing a bank. Various scholars insinuate that if a bank neglect or does not take into consideration factors that are identified by customers as important, it might end up losing those customers. A study conducted by BizAfrika (2016:1) cautioned that banks should regularly compare their prices with those of competitors.

In addition to the above, the study revealed that Absa customers prefer to be served by employees who are patient and who understand customer needs. The level of product knowledge was also a key finding that came from the study. Dunn (2012:1)

concur with the findings of the study and further indicates that employee courtesy and knowledge about the banks' products and services are important customer factors that are included in most customer service surveys.

Another notable finding from the study was that customers consider the corporate image of the bank. Heerden and Badenhorst (2004:1) in their study on the corporate image of financial institutions in South Africa, found similar findings. It was also noted that customers consider the size of the bank.

5.3.3 OBJECTIVE THREE

The findings from the primary study indicate that Absa customers have similar perceptions on the competitiveness of Absa Bank in the market. Out of the 12 questions constructed to infer customer perceptions of the competitiveness of Absa Bank, only one statement (B5.31) "There is enough parking space for customers" had the highest number of disagreements. This indicates that customers perceive the parking lot to be small for all the customers of the bank.

Furthermore, another finding was that the majority of customers indicated that Absa was the best bank for them. Customers also indicated that the bank offers various products and services that cater for everyone in the market. It was also noted that customers received error free services and if there is a problem, the bank staff are prompt to address any customer queries. This fosters mutual relationships between the bank and customers and enhances the competitiveness of the bank.

The results from the study also indicated that customers perceive Absa Bank as a market leader and that it is the most innovative bank. Absa (2017:1) shows that Absa Bank's aim is to be a preferred financial service provider in the market.

5.4 CONCLUSIONS

The following conclusions can be derived from the findings of the study:

- Customer perceptions of a bank possessing competitive force factors gives it a competitive advantage in the sector. Absa should take note of the factors regarded by customers as competitive.

- Competition exists among banks in the sector.
- Banks compete for customers through pricing strategies.
- Apparently, it is not easy for a new bank to enter the market.
- The corporate image of the bank plays a vital role in the factors that customers consider when choosing a bank.
- It can be concluded that bank charges and transaction fees play a significant role in how customers select a bank.
- The size and accessibility of the bank play an instrumental role in how customers choose a bank.
- A bank can enhance its competitiveness in the market by providing customers with factors or services they regard as competitive in the sector.

5.5 LIMITATION OF THE STUDY

The study was carried out to investigate the perception of Absa Bank, Durban central customer perceptions of the competitiveness of the bank. The limitations for the study was that a sample was used. In addition, the study used convenience sampling in the form of non-probability sampling. The research findings are subject to limitations associated with sample studies and the sampling technique.

5.6 GENERAL RECOMMENDATIONS

5.6.1 PARKING SPACE

The results from the primary study indicated that the bank does not have enough parking space for its customers. It is advisable that the bank provide safe reliable parking for its customers. Nargundkar (2010:216) points out that the availability and accessibility of parking space that is safe and suitable have an impact on the appealing or repealing customers.

5.6.2 CUSTOMER ENGAGEMENT

The primary study indicated that over 80% of the respondents have a post-school qualification. This implies that the majority of the customers are able to read and comprehend issues. There is therefore a need to provide a platform of engagement

between customers so that they are up to date with the affairs that the bank is going through, rather than hearing it as hearsay on news platforms. According to Howard (2017:6), in order for retail banks to maintain customer loyalty and trust, they have to invest in customer engagement.

5.6.3 CORPORATE IMAGE

The main objective of the study was to determine the competitiveness of Absa Bank. The study revealed that a majority of customers consider the corporate image of the bank when they select a bank. It is therefore imperative for the bank's management to ensure that systems are put in place that promote the image of the bank. Amaka (2012:163) highlighted that the importance of corporate image cannot be overemphasized as it is pivotal for the successful survival in the retail banking industry as there is stiff competition.

5.6.4 REGULARLY CONDUCT CUSTOMER SURVEYS

Results from the primary study indicate that customer preferences for factors they consider for choosing banks are different. What one customer may consider as top priority may not be considered as top priority by another, customer or what a customer may consider as top priority today may not be top priority tomorrow. Therefore, it is encouraged that the bank conducts customer surveys frequently so that if there are any changes in customer preferences, they may be noted and addressed accordingly. Wsye (2012:1) indicates that a bank can keep abreast of customer trends by regularly conducting customer surveys.

5.6.5 SIZE OF THE BANK

The primary research revealed that one of the main considerations for customers choosing when choosing a bank is the size of the bank. The majority of customers indicated that the size of the bank plays a major role because banks are financial stores of customers finances. Customers feel comfortable putting their money in a bank where they know they can get it back. PwC (2014:1) states that the banking industry is changing rapidly. Customer expectations and government requirements are

creating an enabling environment for change. Retail banks have to keep ahead of the changes and constantly reposition themselves in the market.

5.6.6 MAKE IT EASY FOR CUSTOMERS FROM OTHER BANKS TO SWITCH TO ABSA

Results from the study indicated that it is difficult for customers to switch from other banks to Absa. In order for Absa to take advantage of customers who would want to switch to Absa, systems and structures that support and encourage new customers should be put in place.

5.6.7 ADDRESS CUSTOMER NEEDS QUICKLY

Customers visit the bank with various needs and wants. Results from the study indicate that customers desire to receive error free services and that bank employees should be quick to address the needs of the customers. Absa Bank management is encouraged to provide regular training and development on issues that deal with courtesy so that employees are able to address customer needs quickly and efficiently.

5.6.8 SHORTEN THE SERVICE DELIVERY PERIOD

The results from the study indicated that the majority of customers had a post school qualification. This therefore suggest that they might be working somewhere in industries. It is therefore encouraged that bank employees should take as short a time as possible when serving customers to ensure that customers do not feel as if they are wasting much time in the bank. Koonce (2017:1) postulate that in terms of customer service, customers only desire to be served as quickly as possible so that they can go and do other things.

5.6.9 PROVIDE CUSTOMERS WITH CHAIRS WHEN THEY ARE WAITING TO BE SERVED

Contemporary banking issues require customers to visit the bank in person. In most cases when people go to the bank, they normally go there to do a number of things. This therefore means that people after them in the queue will have to wait a bit before

they are served. Hence, it is imperative that the bank provide chairs for customers so that they may sit as they wait to be served.

5.7 RECOMMENDATIONS FOR FUTURE RESEARCH

The study provides opportunities for future research. The main study particularly focused on Absa Durban Central customers. Possible research can be conducted to all Absa branches in Durban, KwaZulu Natal or the whole of South Africa. This step will help to minimise population bias. The research was conducted using a quantitative research design and a non-probability sampling technique in the form of convenience sampling. A mixed method approach can be used for further research. The design can help to provide an in depth analysis on customer perceptions.

5.8 CONCLUSIONS

The results of this study indicate that there is competition in South African banking sector. Banking institutions compete for customers using both price and non-price factors. It was evident that customers particularly pay attention to price factors when selecting a bank. The majority of the respondents viewed Absa bank as competitive in the market. However, customer perceptions and preferences change overtime. Thus, it is imperative for Absa bank to regularly conduct customer surveys to keep abreast with dynamic customers' preferences and perceptions.

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APPENDIX A: COVER LETTER

Cell: +27 84 445 2418

Email: achitamba@gmail.com

42 botanic avenue

Berea

Durban

4000

14 February 2017

Hello Respondent

RE: ASSISTANCE: QUESTIONNAIRE COMPLETION

I am a registered Master's student studying Business Administration at Durban University of Technology. I am conducting a research study entitled: **Customer perceptions on the competitiveness of ABSA Bank in South Africa.**

You have been identified as one of the respondents comprising of the sampling frame. May I humbly request your assistance in completing the attached structured questionnaire.

It should take approximately 10 – 15 minutes to complete the questionnaire. Please note that there is no right or wrong answer and kindly be honest and objective when answering the questions. From an ethical perspective, please be assured that all the information you provide will be strictly confidential, all responses will remain anonymous and the responses will only be used for statistical analysis. In addition, your participation is merely voluntary and there is no coercion or undue influence in completing this questionnaire. Moreover, you may refuse to participate or discontinue your participation at any time. A summary of the main findings will be made available to ABSA Durban bank.

I shall personally collect the questionnaires once completed. If you have any queries kindly contact me on the details provided above.

Thank you for your willingness to complete the questionnaire.

Kind regards

Mr. Anos Chitamba

Student Number: 21242158

APPENDIX B: QUESTIONNAIRE

INSTRUCTIONS TO RESPONDENTS

1. Please answer all questions.
2. Please indicate your response by ticking (✓) one response only.
3. Please do not leave any question/statement blank.

SECTION A: DEMOGRAPHIC PROFILE

Please provide information about yourself by ticking (✓) the appropriate response.

1. Please specify your gender.

1.1	Male	1
1.2	Female	2

2. Kindly indicate your age category.

2.1	Below 25 years	1
2.2	26 – 35 years	2
2.3	36 – 45 years	3
2.4	46 – 55 years	4
2.5	56 years and above	5

3. What is your highest educational attainment?

3.1	Lower than matric	1
3.2	Matric	2
3.3	Certificate	4
3.5	Diploma	5
3.6	Bachelor's degree	6
3.7	Honour's degree	7
3.8	Postgraduate degree	8

4. How long have you been banking with ABSA bank?

4.1	Below 12 months	1
4.2	1 – 5 years	2
4.3	6 – 10 years	3
4.4	11 – 15 years	4
4.5	16 – 20 years	5
4.6	21 – 25 years	6
4.7	26 – 30 years	7
4.8	31 years and above	8

SECTION B.

5. Customer perceptions on the level of the level of bank competition.

Please tick the appropriate response	Strongly agree	agree	neutral	disagree	Strongly disagree
5.1. There is intense competition among banks	1	2	3	4	5
5.2. It is easy for a new bank to enter the market.	1	2	3	4	5
5.3. Banks strive to offer high quality services to customers	1	2	3	4	5
5.4. It is easy to switch from one bank to another.	1	2	3	4	5
5.5. Banks compete for customers using pricing strategies.	1	2	3	4	5
5.6. Banks sponsor social responsibility to increase their market share.	1	2	3	4	5
5.7. Banks strive to be a market leader	1	2	3	4	5
5.8. Banks use social media platforms to market their services.	1	2	3	4	5

Factors considered by customers when choosing a bank.

Please tick the appropriate response	Strongly agree	agree	neutral	disagree	Strongly disagree
5.9. The level of product knowledge by bank staff.	1	2	3	4	5
5.10. Timeliness of service delivery.	1	2	3	4	5
5.11. understanding of customer needs by employees.	1	2	3	4	5
5.12. The corporate image of the bank.	1	2	3	4	5
5.13. The bank transaction fees charged.	1	2	3	4	5
5.14. Coverage and accessibility of the bank.	1	2	3	4	5
5.15. Promotional activities being offered	1	2	3	4	5
5.16. Size of the bank.	1	2	3	4	5
5.17. Availability and accessibility of loans facilities.	1	2	3	4	5
5.18. The use of information technology.	1	2	3	4	5
5.19. The international experience of the bank	1	2	3	4	5
5.20. The extent of the corporate social responsibility.	1	2	3	4	5

Customer perceptions of ABSA competitiveness.

Please tick the appropriate response	Strongly agree	agree	neutral	disagree	Strongly disagree
5.21. Absa is the best bank for me	1	2	3	4	5
5.22. ABSA charges reasonable interest rates	1	2	3	4	5
5.23. Absa offers various banking services to customers .	1	2	3	4	5
5.24. ABSA is the market leader.	1	2	3	4	5
5.25. Absa is he most innovative bank	1	2	3	4	5
5.26. The bank frequently communicates with its customers.	1	2	3	4	5
5.27. Absa caters for all races in the market.	1	2	3	4	5
5.28. The bank interior is appealing	1	2	3	4	5
5.29. Customers receive error free services at the first time	1	2	3	4	5
5.30. Employees are prompt to address customer needs	1	2	3	4	5
5.31. There is enough parking for customers at the premises	1	2	3	4	5

.....Thank you for participating.....

APPENDIX C GATE KEEPER'S LETTER



Group Secretariat

7th Floor, Barclays Towers West
15 Troye Street, Johannesburg 2001
PO Box 7735, Johannesburg 2000

Tel: +27 (0)11 350 4000

Swift address: ABSA ZA JJ

absa.co.za

19 February 2016

Mr V Kaplan
Head: Department of Entrepreneurial Studies and Development
Durban University of Technology
41/43 ML Sultan Campus Road
P O Box, 1334
Durban
4000

Dear Sir

This letter serves to confirm that Absa Bank Limited ("Absa Bank") is aware of the intended research to be conducted by one of your students, as follows:

Student: Anos Chitamba
Student number: 21242158
Topic of the research: "A strategic perspective to determine the competitiveness of Absa Bank in the South African banking sector."

With the understanding that the abovementioned research will be based on publicly available information and that no internal or confidential information will be requested from Absa Bank, we have no objection to the proposed research.

Yours faithfully

Nadine Drutman
Company Secretary



Absa Bank Limited Reg No 1986/004794/06 Authorised Financial Services Provider Registered Credit Provider Reg No NCRCP7

APPENDIX D EDITOR'S LETTER

696 Clare road
Clare estate

4091

Durban

18 July 2017

Dear Dr E. Mutambara

EDITING OF MR. A. CHITAMBA THESIS.

This letter serves to confirm that Mr. A. Chitamba theses have been language edited.

Please contact me should you have any queries.

Regards

M.P. Mathews

083 676 4778