



D U R B A N
UNIVERSITY of
TECHNOLOGY

**Service Quality at Retail Banks
In Durban**

**Submitted in fulfillment of the requirements of the degree of Master of
Technology: Marketing in the Faculty of Management Sciences
At the Durban University of Technology**

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Masters Dissertation thesis: Marketing

REG. No.: 20355734

NOVEMBER 2012

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DECLARATION

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Abstract

The aim of this study is to investigate service quality at retail banks, such as Standard Bank, ABSA Bank, First National Bank and Nedbank in Durban. The four objectives of this study are set as: Firstly, to identify the level of satisfaction with customer service received from different retail banks in Durban; Secondly, to identify customers' expectations in terms of quality services provided by retail banks; Thirdly, to ascertain the perceptions of customers towards the service provided by retail banks in Durban; Fourthly, to measure the gaps between customer expectations and perceptions of service quality, using a modified version of the SERVQUAL model.

The instrument used to assess the retail bank customer's expectation and expectations of service quality, was the SERVQUAL questionnaire, measuring expectations and perceptions according to five quality dimensions. A total of 448 students were surveyed. Quota sampling was used in this study, in order to improve representativeness. Using quota sampling involves selecting the characteristics that are required in the sample and then sampling until enough representatives of each category are achieved. Although this is a form of non-probability sampling, a quota sample can provide a good approximation to a probability sample. It means that distributing questionnaires to a certain group would be stopped after the prescribed quota is reached. Data were analysed using descriptive and inferential statistical techniques. Conclusions and recommendations were thereafter drawn from the literature and the findings of the study.

The study shows that retail bank customer expectations of service quality exceeded their perceptions in the five service quality dimensions used in the SERVQUAL questionnaire. This study is also important because it will assist bank managers to convert negative perceptions to positive impressions. Consequently, customers will benefit from the improved, outstanding customer service.

Keywords: Service quality, Retail Banking, customer loyalty, Customer Satisfaction, Customer Perception and Customer Expectation.

Acknowledgements

This dissertation would not have been possible without the support and dedication of a number of very special persons. Thank you to:

- My Creator for the talent, the knowledge, the determination and the strength to complete this study.
- Prof. Roger Mason and Mr. Peter Raap, for their support and long hours of reading this study, of which I am proud.
- Mr. Deepak Singh for assistance on the technical side.
- All my friends and family members for their patience and unending support.

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Chapter 1

Introduction

1.1 Introduction

This research will be conducted on general aspects of customer service quality at retail banks. There appears to be no significant studies regarding the impact of customer service quality on retail banks in Durban. Customers are becoming more conscious of their consumer rights and of the gaps between their expectation of service delivery and the actual delivered service. The basis of this research is to determine whether a gap exists between customers' expectations of service quality and the actual service delivered by retail banks.

Service quality, as perceived by the retail customer, is one of the most vital components that influence customer satisfaction (Brink and Berndt, 2009: 64). Even though promises of quality may attract customers, the delivery of quality is essential in building and maintaining customer relationships. Furthermore, Brink and Berndt (2009: 65), state that service quality concerns the uniformity with which customer's expectations are met and the overall value of the service, compared to that of competitors.

This chapter comprises the problem statement; aims and objectives; rationale of the study; and scope of the study (delimitations and limitations), which serves as an orientation to the study of service quality in retail banks.

1.2 Problem statement

Any serious discussion of the future of the retail banking industry eventually raises a basic question: will future customers still need retail banks in Durban? The answer, it turns out, depends on banks themselves. Harris (2003: 163) maintains that, to be successful in business today, it requires a commitment to excellence in customer service. He also makes it clear that many companies, including retail banks, talk about the importance of providing excellent customer service and yet do little to initiate its offering. In addition, Ferrell and Hartline (2005: 100), report that companies pay little attention to discovering customer needs and finding better ways to solve customer problems.

Each year, the retail banks send their staff to canvass at tertiary institutions, asking students to open a student account with them. The literature does not show whether students receive what they are promised by the retail banks.

This research study was conducted on general aspects of customer service quality at retail banks. With customers becoming more conscious of their consumer rights they also develop an awareness of gaps that may exist between their service delivery expectation and the actual delivered service. The basis of this research was to determine whether a gap exists between customers' expectations of service quality and the actual service delivered by retail banks. There appears to be no existing, significant study on how customer service quality impacts on retail banks in Durban.

1.3 Aims and Objectives

In order to solve the research problem stated above, the following objectives were set:

Main Objective: The main objective of this study was to identify the customers' expectations in terms of quality services provided by retail banks;

Sub-objective one: To ascertain the perceptions of customers towards the services provided by retail banks.

Sub-objective two: To measure the gaps between customer expectations and perceptions of service quality, using a modified version of the SERVQUAL model.

1.4 Rationale for the Study

Service quality plays a critical role in the performance of business and provides an important part of developing a competitive advantage. Therefore, the improvement in service quality will sustain effectiveness and induce long-term success for retail banks.

The findings of this study will contribute towards the improvement of quality service delivered to customers, to identify existing problems and to ensure sustainability, and induce long-term success within retail banks in Durban. Retail banks could then use the recommendations and develop strategies to adapt appropriate customer service techniques. This study will further assist bank managers to convert negative perceptions to positive impressions. Consequently, customers will benefit from the improved, outstanding customer service.

In addition to the above contributions, this research also aims to increase knowledge of how retail bank marketers should relate to customer service. As soon as this research is completed, students, as well as bank managers who want to be successful, can use this research as a guide.

1.5 Overview of methodology

In this section, the overview of the research methodology is presented. The research methodology shows how the research is designed. It also highlights the sampling methodology, the questionnaire, data collection and the techniques used to analyse the data.

1.5.1 Research Design

This study was classified as exploratory research because it identifies the general nature of the problems and the related variables.

1.5.2 Population and sampling

The population for this study is made up from customers of selected retail banks; these being STD Bank, ABSA, FNB, and Nedbank.

The sampling for this study was guided by the following:

- The sampling universe consisted of four retail banks in the Durban area
- The sampling unit encompassed customers of the individual retail banks
- The sampling frame was made up of students at tertiary institutes, who have bank accounts with the selected retail banks.

1.5.3 Data collection

Data collection is regarded as one of the core activities in research (Blaikie, 2000: 30). Data was collected through the completion of questionnaires, which

were distributed to eight Durban University of Technology: (DUT) M L Sultan campus, DUT Steve Biko campus, DUT City Campus, DUT Ritson campus, University of KwaZulu Natal (UKZN) Westville campus, UKZN Howard campus, UKZN Edgewood campus and Mangosuthu University of Technology (MUT). The researcher administrated the questionnaires.

The measuring instrument used was the twenty-two item SERVQUAL instrument. Numerous researchers have validated this instrument over the past years. Moodley (2008: 86) used the SERVQUAL instrument in an evaluation of customer service quality at a selected Resin Company. A covering letter was used to inform the respondents of the nature and purpose of the research. The research questions were structured logically in the simplest terms to make possible understanding by the respondents. The data was analysed using the SPSS VERSION 17.0 software and the appropriate statistical techniques were used.

1.5.4 Validity

The lack of ambiguous questions was evident by the consistency of responses.

. In this study, validity was ensured by using the following methods:

- *Face validity* – This is an indication of whether the items being presented in the questionnaire are clear and understandable, and
- *Content validity* – This is an indication of whether the measures include a representative set of items that measure the concepts being addressed.

1.5.5 Reliability

The reliability of the questions and responses was enhanced by the fact that the questions were very basic and there were no drastic differences in responses.

1.6 Scope of the study (Delimitation and limitations)

This study was delimited to retail banks situated in Durban. The research study was limited to full time tertiary students who have a bank account with Standard Bank (STD Bank), Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), and Nedbank.

1.7 Summary of chapters

Chapter one describes the research problem and how the research arose. It also focuses on the rationale and the objective of the study. The scope, research methodology and the structure of the study is presented.

Chapter Two: Literature Review on understanding service quality

The review of literature offers an overview of service quality and what it means. Previous studies conducted elsewhere in the world on service quality, were also examined. Finally, the study reviewed literature relating to the importance of customer service; the role played by customer service, measures of customer satisfaction, and the importance of customer expectations.

Chapter Three: Literature review on retail banking

This chapter covers retail banking, with an overview of service quality in retail banking; determinant aspects of customer's retail bank selection; packages offered to students by four, big retail banks; customer satisfaction as a key success factor in retail banks; customer experience in retail banking; and innovation strategies used by retail banks in building customer devotion.

Chapter Four: Research Methodology

The research methodology describes how the data was gathered. Any limitation of the research investigation is highlighted in this chapter. A description of the sampling method is provided, as well as the data collection method, and techniques used to analyze the data.

Chapter Five: Analysis and Results

Statistical analysis of the data, obtained by means of the questionnaires, is presented in this chapter; data that has been processed into meaningful results, so that it can make sense to the reader. Furthermore, a comparison of the service quality expectations and perceptions for retail banks was determined and presented.

Chapter Six: Discussion Recommendations and conclusion

This chapter puts forward a discussion of the analysis of results presented in chapter five. The meaning of the analysis is also summarized, showing clearly what can be understood from the results and the implications thereof. This chapter also draws conclusions from the findings related to the literature and highlights the implications of the findings of the study for academic and business use. It furthermore contains various recommendations that could lead to further research.

1.8 Conclusion

This chapter presented a description of the concepts used in this study. Firstly, a statement of the problem was presented. The research objectives were then stated. Finally, a description of the methodology of the research and the study plan concluded the chapter.

In next Chapter, the theoretical aspects of service quality, including the SERVQUAL and GAP model, will be presented.

Chapter 2

Service Quality

2.1. Introduction

Service signifies all the actions which create a relationship between organisations and their customers. Brink and Berndt (2004: 3) describe 'service' as any benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. On the other hand, Zeithaml, Bitner and Gremler (2006: 4), explain 'service' as all economic activities that take place in an interaction process for creating customer satisfaction. This means that services provided by the bank need to be taken into consideration, as it creates a relationship between the retail bank and their customers.

Brink and Berndt (2009: 55) further state that the key to improved customer relationships is that of high-quality customer service, as a better relationship with customers is capable of eventually leading to greater customer retention, customer loyalty and more notably, profitability. The fact about customer satisfaction is that it is "hard to win and easy to lose"; should customers not be satisfied, they will merely take their business elsewhere. (Brink and Berndt, 2009)

Retail banks are currently aiming their strategies towards increasing customer satisfaction and loyalty by improving service quality, according to Levesque and McDougall, (1996: 12). The strategy is being used comparatively, because of the trouble in making a distinction based on the service contribution. Naturally, customers recognize every little variation in the services offered by retail banks and any new offering is quickly matched by competitors (Coskun and Frohlich, 1992: 15).

This chapter describes the following headings: The understanding of the service quality concept; Exploration of service quality; The dimensions used for exploring service quality; Uniqueness of service quality; The significance of the customer; Customer satisfaction; Customer expectation; Customer perception; The significance of customer devotion, Retention and retail employees; and the SERVQUAL model and Customer Perception.

The aim of this study was to investigate service quality of four, big retail banks, consisting of Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), Standard Bank (STD Bank), and Nedbank, in Durban.

The four objectives of this study are set as:

Firstly, to identify customers' expectations in terms of quality services provided by retail banks;

Secondly, to ascertain the perceptions of customers towards the service provided by retail banks in Durban;

Thirdly, to measure the gaps between customer expectations and perceptions of service quality, and customer satisfaction, using a modified version of the SERVQUAL model.

2.2 The understanding of quality and service quality concept

2.2.1 Quality

Feigenbaum, (2002) states that even though quality is everybody's job, yet without a clear infrastructure supporting the quality work of individuals, as well as the teamwork among individuals and departments, it will become nobody's job. Furthermore, good management today means empowering staff with quality knowledge, skills and attitudes; in order for everyone in the retail bank to recognize that making quality right makes everything else in the bank right. Quality does not happen by accident, as Feigenbaum (2002) points out, actual

planning is needed to achieve the required quality. Today, quality is no longer limited to technical issues; it has become a business issue as well and in order for retail banks' programmes to succeed, top management must be involved and committed to its success.

One of the meanings of the word quality could be "worth", from this perspective, both retail bank management and frontline employees must accept that this means retail banks are moving towards a bigger prototype. Customer lives would probably be very diverse if the concept of quality did not exist. The construct of quality lies with the retail banks that are doing something that they care about.

The breakdown of quality occurs when the link between care and output is broken. This means that, should the retail bank not care about what they provide to their customers, it can be concluded that they do not care about the quality of their output.

The concept of quality can be viewed from two perspectives, that of the service provider (retail bank) and that of the receiver (the customer). According to Golder, Mitra and Moorman (2012: 1) "quality is perhaps the most important and complex component of business strategy". Banks compete on quality, customers search for quality, and markets are transformed by quality. Deming cited in Golder, Mitra and Moorman (2012: 1) state that, it is key force leading to delighted customers, and profitability of the firm.

2.2.2 Technical and Functional quality

Retail bank personnel should have an understanding of both technical and functional quality. Palmer (2008: 321) maintains that technical quality signifies the comparatively measurable qualities of a service, gained by consumers in their dealings with a service business. Due to it being easily measured by customers and suppliers, technical quality is an important basis from which to judge service quality. Examples of technical quality include the waiting time at the bank and reliability of bank services. According to Palmer (2008: 321), it is not the only element that perceived service quality consists of. He explains that, because service involves “direct customers - producer interaction”, the manner in which the technical quality is delivered to customers also influences their perception.

In the case of the queue at a retail bank, functional quality is influenced by such factors as the environment in which queuing takes place and customers' perceptions of the manner in which queues are handled by the retail bank staff. Grönroos (cited in Palmer, 2008: 321) envisions a service firm's corporate image as important, when defining the customers' perceptions of quality. He goes on to explain that corporate image is based on both technical and functional quality.

2.2.3 Service quality concepts

Before retail banks use service quality as tool, it is imperative to start by considering the service quality concept. The consequence of using service quality as a tool would result in creating a feasible benefit for the bank.

Brink and Berndt (2009: 64) express service quality as the retail banks' ability to establish customer expectations accurately and to provide the service at a quality level equal to these expectations.

According to Bitner (1990: 50), service quality is defined as an overall impression by consumers of the “relative inferiority/superiority of the retail bank and its services”, whereas Munusamy, Chelliah, and Mun (October 2010: 399), explain service quality as “the difference between customer’s expectations for the service encounter and the perceptions of the service received”.

Brink and Berndt (2004: 55) report that service quality engages all the actions that retail banks and their employees perform to satisfy their customers, while Futrell (2004: 52), mentions that service quality, from the retail bank’s perspective, means establishing requirements and specifications. This is one of the reasons Markovic (2006: 86) suggests that service quality must be taken into account, so that customer desires can customize service delivery according to specific behaviours, and expectations of particular customers.

In both profit and non-profit organisations, service quality has grown more prominent, as the retail bank face ever more efficient and effective market competition, both locally and globally (Blöse and Tankersley, 2004: 77). These statements all demonstrate the importance of service quality.

Hermon and Nitecki (2001: 690), use four standpoints to define service quality, as follows:

- Excellence: usually defined by internal customers (employees) and external customers (people from outside).
- Value: When customers think what is imperative in life, they are thinking about their values. Cant, Brink and Brijball (2002: 64), describe value as those beliefs shared by customers and provide guidelines as to how they would think, act, and feel in a given situation. Therefore, retail banks should know exactly what customer value is, and how to improve it.

- Conforming to specification: It makes precise measurement possible, however, service users may not be interested in internal specifications.
- Expectations being met or exceeded. This definition encompasses all, and is applicable across service industries; expectations change though and experiences with other service providers may shape them.

The definitive success of any service quality programme affected by a bank can, as set out by Yavas, Bilgin, and Shemwell (1997: 221), only be measured by creating and retaining satisfied customers. Customer-contact personnel's role in reaching these goals is very important. In delivering high quality services to their clients, specific needs of internal customers, particularly customer-contact employees, should not be ignored by retail banks.

2.3 Exploration of service quality

In order to explore the service quality in a retail bank, it is imperative to take the following two factors into consideration:

- The mechanical value of the wrapping up of service delivery; and
- The purposeful value of the service delivery process.

Should the service have a precise ending, such as winning new customers, then a customer can make a decision on the helpfulness of the service and on the foundation of the ending (Brink and Berndt, 2009: 665). In other words, the service is judged by examining how it was done.

In summary, service quality from the retail bank customer's perspective, is one of the mechanisms that would motivate customer contentment. Service quality also includes listening to retail bank customers (Brink and Berndt, 2009: 65).

Once the retail banks know their target market and have an understanding of customer desires, they will survive and it will be easy for them to recognize any service quality gaps.

2.4 Dimensions of service quality

The scope of possibilities can be applied not only to the retail banking industry, but also across a wide range of industries (Brink and Berndt, 2009: 66). It would, however, be imperative for retail bank marketers to establish just how critical each aspect within the range is to retail banking.

Olaleke O², (2010: 3) states that service quality is a focused evaluation that reflects the customer's perception of elements of service, such as interaction quality, physical environment quality, and outcome quality, whereas Silvestro (2005: 216), suggests that the only criteria that count in evaluating service quality, are those defined by the customers. These elements are in turn evaluated, based on specific quality dimensions: dependability, alertness, guarantee, sympathy and tangibles.

Zeithaml, Bitner and Gremler, (2006: 117) make it clear that customers do not perceive quality in a one-dimensional way, but rather judge quality on multiple factors relevant to the context. The scope of possibilities that should be used by the retail banks to explore service quality includes: tangibles (representing the service physically); dependability (delivering on promises); alertness (being willing to help); guarantee (inspiring trust and confidence) and sympathy (treating customers as individuals).

2. 4. 1 Tangibles: representing the service physically

This dimension refers to the facilities, equipment and material used, which must reflect positively on the organisation (Brink and Berndt, 2005: 60). This also includes the appearance of employees. Zeithaml, Bitner and Gremler, (2006: 122), state that the circumstance of the physical surroundings is tangible verification of the care and attention to feature, exhibited by the retail bank. A customer needs more tangibility to recognize the service provided by retail banks.

Moreover, Blose and Tankersley (2004: 80) suggest that tangible features of the service experience could be used in solving customer problems. This dimension can be achieved if complaints of all customers are handled in a proficient and professional manner, by the retail bank employees.

2. 4. 2 Reliability: Delivering on promises

This dimension concerns the ability to execute services consistently and precisely. Retail banks need to perform reliable services to meet customer anticipation (Zeithaml, Bitner and Gremler, 2006: 117) and (Brink and Berndt, 2005: 60). On the other hand, Kim and Kim (1995: 210) and Dhurup, Singh and Surujlal (2006: 42), state that reliability can be seen as retail bank employees' ability to perform secure services reliably and accurately, within retail banks. Consistency can appportion the capability of retail banks to supply secure output to customers (Bruhn and Georgie 2006: 52).

Furthermore, Blose and Tankersley (2004: 78) report that reliability refers to the degree to which the service providers (Retail Banks) supply what was promised. The retail bank must deliver what it promised within the specific time frame set out. If this is not done in a proper manner, it will diminish the perceived service quality of the customer.

2. 4. 3 Responsiveness: Being willing to help

This aspect of service quality concerns the willingness of retail banking staff to help and provide prompt service to customers.

The only way to keep customers, as maintained by Brink and Berndt, (2005: 60), is through retail bank employees' willingness to help customers and they must try by all means, to avoid keeping customers waiting for no apparent reason; this can help create the necessary positive perceptions of service quality.

Bruhn and Georgie (2006: 52), identify reaction as the retail bank's potential to respond to and gratify the customer's desires, whereas Blose and Tankersley (2004: 80) argue that the interactions between the retail bank and the customer appear to be a key determinant of perceived service quality.

It is also emphasized by Blose and Tankersley (2004) that, whether the interaction between retail bank employees and customers occur face to face or telephonically, the degree to which retail bank employees displays an aptitude to handle such matters successfully, is a determining factor of service quality. The way retail banks treat their customers has an impact on the perception of service quality. It is therefore important for retail bank employees to be knowledgeable about the products and services offered by the retail bank. Prompt response to requests and informing customers as to when precisely the service will be rendered is crucial and the retail banks must fulfill all promises within the given time frame.

2. 4. 4 Assurance: Inspiring trust and confidence

Bruhn and Georgie (2006; 52) make it clear that guarantee refers to the retail bank's ability to deliver the promised output, specifically in terms of politeness and trustworthiness of retail bank employees. Yeo (2008: 281), supports this statement and explains that guarantee in the retail bank should be determined by sufficient guidance given to customers in all aspects. Judgment of service provided by the retail bank depends on how customers perceive the actual presentation, based on their expectations.

The retail bank employees' behaviour must instill confidence in the mind of the customer regarding the organisation, which will then relieve some of the fears the customer may have (Brink and Berndt, 2005: 60). This means that all retail bank employees must be courteous and have enough product/service knowledge to respond to any customer query.

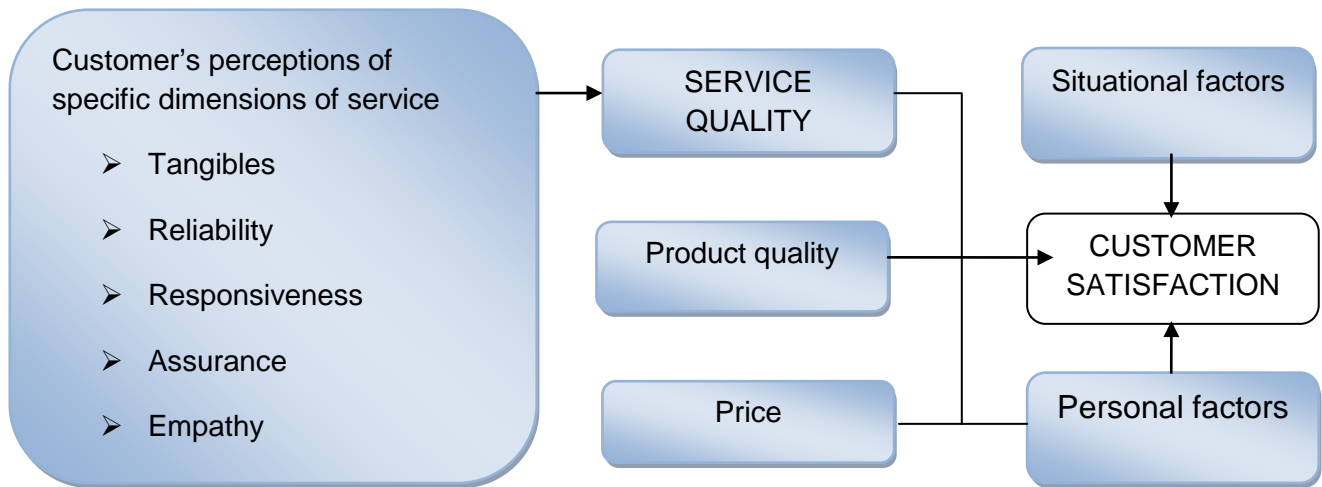
2. 4. 5 Empathy: Treating customers as individuals

The style of awareness given to customers determines the sentimental association between the customer and the retail bank. Yeo (2008: 275) states that there is a greater need for retail bank managers to adopt a customer-orientated attitude, by demonstrating a human dimension to their interaction with customers. It is clearly reported by Dhurup, Singh and Surujlal (2006: 42); and Zeithaml, Bitner and Gremler (2006: 120), that adopting a human dimension conveys caring and results in the individualized attention that retail banks provide to their customers.

Furthermore, the retail bank and its employees must try to understand the customer's problems and strive to execute activities with the customer's best interests in mind (Brink and Berndt, 2005: 60). The strength of empathy conveys the message that customers are unique and special. The basic goal of this

aspect is to provide more facilities for current or potential customers and enhance service capacity, through modified or customized service.

Figure 2.1: The connection between service quality and customer satisfaction



(Source: Brink and Berndt, 2005: 60)

Other factors that, together with service quality, impact on customer satisfaction include product quality and the pricing of the product or service (Figure 2.1). Additional factors that influence customers' satisfaction, depicted in Figure 2.1, are personal and situational factors. All these factors need to be taken into consideration by retail banks; this will lead to customer satisfaction.

2. 5. Uniqueness of service quality

Woo and Ennew (2005: 1180) report that, in order to define service clearly, the focus should be on finding the differences between services and consumer goods. These differences are referred to as the four characteristics of services. These four characteristics of service distinguish service from goods, and Smit and Van der Bijl (2000: 94) show that services have five intrinsic characteristics not found in goods: intangibility, perishability, inseparability, heterogeneity and ownership (Fig. 2.2). Kotler and Keller (2006: 406) suggest that no service will be precisely the same because services are produced by humans. Services, according to Zeithaml, Bitner and Gremler (2006: 22), are intangible, as they consist of bits and pieces that can be felt or seen, as is the case with tangible goods. This individuality of service quality creates unique challenges for services. In order for retail banks to draw new customer's attention and to maintain existing customers, they should find ways to meet these challenges.

2.5.1 Intangibility

Smit and Van der Bijl (2000: 94), maintain that a service is not a physical object. Which means it cannot be seen, smelt or identified by any other human senses and is therefore intangible. In support of this, Chowdhary and Prakash (2007: 496) explain that intangible service requires the customer to be psychologically or physically present to receive the services offered, while Fitzsimmons and Fitzsimmons (2006: 24) state that organisations always try to make their intangibility offer as tangible as possible.

It is suggested by Smit and Van der Bijl (2000: 95) that, to overcome intangibility, it is important to emphasize the benefit of service and use brand name, statistics or celebrities in communication. Armstrong and Kotler (2006: 223) though, propose reducing uncertainty; buyers seek certain conclusions of service quality from the place, people, equipment, and communications they

receive from the service provider. Customers, on the other hand, draw conclusions about quality from the place, price, equipment and communications that they can see. Consequently, retail banks should increase the tangible component of service, to send the right signals about quality (Armstrong and Kotler, 2006: 224).

Ganesan-Lim, Russell-Bennett and Dagger (2008: 554), maintain that retail customers find it complicated to ascertain the procedural quality of the service and evaluate it more simply, by means of tangible and physical aspects of the environment, as an alternate display of superiority. Retail banks would need to ensure that the physical appearance of the facilities and equipment is maintained at a high standard, to ensure high levels of technical quality. These conclusions should be applied to marketing strategies, in order to maintain service quality.

2.5.2 Perishability

Perishability of a service means the service cannot be stored. Bruhn and Georgie (2006; 14), hold that the degree of perishability in the quality of service, is affected by the degree of intangibility. According to Smit and Van der Bijl (2000: 95), perishability is particularly problematic in situations where demand fluctuates or when demand is unstable. In these situations a service provider should be either over or under worked. To overcome the problem of perishability, retail bank marketers need to try to match demand and supply. If demand is high, perishability of a service is not a problem, however, should demand fluctuate, service providers often face problems (Armstrong and Kotler, 2006: 224)

2.5.3 Inseparability

It is found by Smit and Van der Bijl (2000: 95) that inseparability refers to a service that cannot be separated from its providers. If retail bank employees provide the service, subsequently the retail bank employees become part of the service. Since the customer is also present as the service is shaped, both the retail bank and the customer affect the service outcome. Johnson (1999: 29) emphasizes that the customer can have a direct effect on the quality of service received, depending on the extent to which he or she becomes involved in the delivery process. According to Perez, Abad, Varillo and Fernandez (2007: 136), the service is shaped and inspired at the most basic level of the retail banks' operations.

This kind of personal contact is referred to as interactive consumption and process, in the definition of service. It includes physical atmosphere (e.g. ATM machines), actions of retail bank employees and the customer's moods and needs. Inseparability of the service itself from the retail banks highlights the role of people in the service transaction, and their influence on quality levels. Therefore, it is complicated for the retail bank to conceal inaccuracy or superiority shortfalls of the service (Perez et al., 2007: 136). In conclusion, Smit and Van der Bijl: (2000: 95) maintain that, to overcome inseparability, the service provider (Retail banks) should increase their speed of service and number of retail bank employees, and provide training.

2.5.4 Variability

Uniqueness of services depends on who provides them, when, where, and how. According to Bruhn and Georgie (2006: 14), unpredictability refers to the random levels of service quality that customers receive when they make use of a service because they are produced by humans, as a result of the involvement of people and the crucial role they play in the delivery of service; and it is always a unique

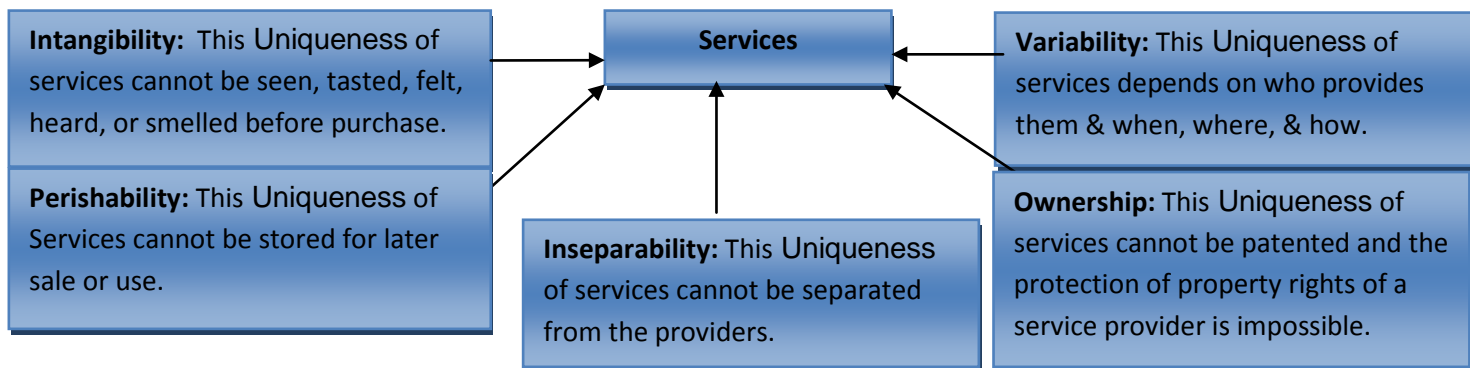
experience. Apart from the fact that customers are not machines; they have feelings and emotions, which makes every service delivery different, their heterogeneous nature gives rise to variables that have to be identified and managed. Therefore, retail banks must endeavor to minimize this 'unpredictability in service escape', to ensure all customers always receive elevated, superior service. This can be achieved by training all retail bank employees to pursue the corresponding procedures every time they have contact with customers (Johnson, 1999: 30).

Dhurup, Singh and Surujlal (2006: 40), show that once the superiority of service performance provided by retail banks is contradictory and unpredictable, it leads to inconsistency and non-standardization of retail bank output. To overcome unpredictability, retail banks should develop quality control measures to span time, person and space (Smit and Van der Bijl, 2000: 96).

2.5.5 Ownership

Ownership is a particular problem. Unlike products, services cannot be blown and the protection of property rights of a service provider is often impossible (Smit and Van der Bijl, 2000: 96). Likewise, the authors point out that once a service involving information has been provided, the ownership of that information is questionable. They further state that, to overcome ownership problems, retail banks should link services to a contract, include constraints of trade to employment contracts and develop territory agreements. In addition, Johnson (1999: 30) asserts that all service characteristics will provide the organisation with challenges. Each characteristic provides its own dilemmas, for which there are a number of likely solutions and prospects the customer service department can exploit.

Figure 2.2: Uniqueness of services



[Source: Smit and Van der Bijl (2000: 94)]

Figure 2.2 highlights five important characteristics of service (Smit and Van der Bijl, 2000: 94). Customer satisfaction, which results from quality service, does have a positive effect on retail bank prosperity (Singh, 2006: 2), that is why it is imperative that the retail bank satisfies customer aspirations. This shapes the foundation of any thriving bank, as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth (Ronald, 2010). Contented customers on the other hand, are likely to share their experience with their friends (Figure 12.1). However, Bowen and Chen (2001) clearly state that having contented customers is not enough, there has to be tremendously contented customers.

2.6 The significance of customer service

Good customer service is the foundation of any business. It provides a platform for continued growth and helps with building the business reputation (Haycox, 2011). The bank can offer promotions and reduce bank charges to bring in as many new customers as they want, but unless they can entice some of those customers to keep coming back, they won't be profitable for long. Von Moltke (2012:18) also makes it clear that banks compete on bank charges with difficulty, which means finding other ways of distinguishing themselves from their

competitors; customer services is the one reliable way of doing just that. Even though businesses advertise, market, and run promotions, there are still very few businesses that understand the significance of great customer service. Therefore, customer services need to be taken into account, because it separates successful banks from those that are merely fairly successful and from those that are totally ineffective (Theron, Bothma and Du Toit, 2004: 2).

Heller, (2007: 2) defines customer service as anything done to enhance the customer experience, whereas Brink and Berndt (2009: 56), explain customer service as any back-up service provided to customers by the company to maintain their loyalty and secure a sale. Furthermore, customer service is a way of showing customers that they have made the right choice in choosing an organisation (Newsdemon, 2011); whereas according to Swartzlander (2004:1), customer service is the behaviours and attitudes of a company and its personnel toward customers during all interactions and communication with them.

Stevens (2011: 14) and Von Moltke (2012: 19) state that customer service is imperative because:

- It helps the company in marketing – Once the customers acquire superior customer service they are able to refer other people.
- “Service costs less – The values of customer to customer influences provoke others to notice your firm decreasing your cost of labour and advertising”. This means that the company won’t pay much on promotions, because the customers are the one who refer other people by words of mouth.
- Service supports morale and efficiency – Once the internal customers are happy (retail bank employees), they can show that happiness to the external customers.

- Retail banks should make sure that each customer feels genuinely special: retail banks need to value their customers, this is one of the ways that can be used to build long term relationship with customers.
- Retail banks need to give their customer a voice: this means they should listen to what customers have to say.

Odgers (2004: 8) and Brink and Berndt (2009: 91) report that the retail banks should take the following factors into consideration when creating a customer service culture within the business:

- **Make customers into fans:** sometimes retail bank personnel can make mistakes, and it is impossible to provide perfect service every time; nevertheless, complete recovery from service failure can, at times, leave a much bigger impact on customer satisfaction and positive word-of-mouth. This is because customers expect the service to go well, and will not necessarily think anything of it when it does.
- **Retail bank personnel must seem enthusiastic to solve customer problems:** customers should not have to search for retail bank personnel; however the retail bank personnel need to be available for customers, and must be seen to be enthusiastic about solving customer problems.
- **Practice puppetry:** Retail bank personnel need to understand that the customer's anger is not necessarily directed at them personally. The customer does not come into contact with the person responsible for the service fail, but the customer will see the retail bank as a whole and for this reason, the customer will take out his/her frustration on the nearest representative of the bank. This means that the retail bank personnel must visualize him/herself as both puppet and puppet master in a puppet show.

- **Retail bank personnel must go the extra mile:** good retail bank personnel will value a customer's time, realizing that time is not only spent banking, but is also keeping a customer away from places he/she would rather be.
- **Greed will get you nowhere:** The responsibility should not fall on the shoulders of the retail bank employees; the retail bank needs to put certain processes in place to help their employees, even if this costs the bank money.
- **Doctrine and Training:** retail banks should train their employees in the culture as soon as they are hired. Orientation programmes are a key part of the ultimate success of the customer service effort
- **Encourage a sense of responsibility for group performance:** Show staff how their performance impacts on others, (Odgers, 2004: 8). In other words, it is vital to emphasize the importance of internal customer services.

Retail banks should measure customer service quality by using either a passive approach (e.g. comments book available for customers), or an active approach (e.g. a formal survey or interview in which customers are asked to identify what they expect from the bank) (Hernon and Nitecki, 2001: 6).

In this study, an active approach was used to measure the customer service that is received by retail bank customers. Parasuraman, Berry and Zeithaml (as cited in Ganachaud, 2002: 39) explain that the SERVQUAL model consists of 20 paired questions split between 2 sections, namely, a customer expectation (to capture customers' expectation of retail bank in general within a service category) and customer perception (to measure customers' evaluations of a

particular retail bank service). However, a formal survey was used to measure customer satisfaction. This is the best technique for measuring customer satisfaction (Brink and Berndt, 2009: 71). A questionnaire with self-constructed scales for customer contentment was distributed to all targeted groups of people.

The outcome of customer satisfaction should be customer devotion. Service quality is one of the factors that create satisfaction, and must therefore be monitored by the retail banks who wish to create satisfied customers. Furthermore, retail bank must understand that consideration of service quality must be balanced against those of cost to the customer.

Last but not least, customer commitment is based on trust. Therefore, the development of such trust and commitment includes the following factors: keeping of promises, customer orientation, information sharing and confidentiality, and customer care. This means the retail banks must take all those factors into consideration, in order to gain customer commitment and loyalty (Odgers, 2004: 8; and Brink and Berndt, 2009: 91).

2.7 The significance of the customer

Because retail banking is about customers and their needs, it is imperative to know what customers want and how these needs could be changed (Smit, 2000: 40) and (Bruwer and Cilliers, n.d.: 9).

Gerber and Bothma (2008: 2) define a customer as the person who is buying the retail bank's product or service, whereas Johnson (1999: 15) defines a customer as a businesses (retail banks) oxygen supply, without a customer businesses will not survive.

Customers are imperative to retail banks because of the following reasons (Johnson, 1999: 16):

- Customers' purchases generate sales and profits.
- If customers are satisfied, they will be loyal over a long period of time;
- Satisfied customers can tell other people about the organisation and the good services it provides, which in turn will lead to them becoming customers; and
- If customers are not satisfied, they will tell people that the bank is not providing good service, which will lead to the organisation losing not only existing customers but also potential customers.
- The success of retail banks is dependent on how well the retail bank employee's support their customer, this leads to customer satisfaction.

Since retail banks deal with customers every day, their main goal is to provide the highest-quality service to those people who have made a commitment to their business (Johnson 1999: 15). This is not only the proper professional stance; it has very real economic impact and return on investment (ROI). A happy customer is sure to spread the word, but unhappy customers almost always warn people away from the company who is responsible for his or her disappointment. In this light, the importance of high-quality customer care

becomes obvious (Stone, 2011). When customers consider that a retail bank has treated them poorly, they may take public exploit aimed at hurting it (Tripp and Gre'goire, 2011: 37).

In order for the retail banks to anticipate and react to the needs and wants of customers, they should start by understanding their behavior (Cant, Brink and Brijball, 2002: 13). Furthermore, providing inadequate service can lead to bad customer reviews, which can in turn jeopardize the continuation of the retail banks. In short, it seems worthwhile to invest time and effort in maintaining a high standard of quality when it comes to customer care.

2.7. 1 Customers may take their business elsewhere

The retail banks should have two main objectives, the first being to secure enough customers, and secondly to keep them. Johnson (1999: 25) state that many organisations, including retail banks, only concentrate on securing enough customers and ignore retaining customers - even though it may be five or six times more costly to entice new customers than to maintain customers through valuable customer service. Table 2.1 summarizes the main reasons that customers may have in deciding either not to do business, or not to continue doing business with an organisation.

Table 2.1: Main reasons for customers to take their business elsewhere

Customers decide not to do business with an organization	Customers decide not to continue doing business with an organisation
<ul style="list-style-type: none"> ➤ The retail bank does not put enough effort into getting new customers. 	<ul style="list-style-type: none"> ➤ Customers believe that they are not receiving satisfactory service
<ul style="list-style-type: none"> ➤ The retail bank is not certified enough in its approach. 	<ul style="list-style-type: none"> ➤ The retail bank does not care/look after its customers. It lacks professionalism.
<ul style="list-style-type: none"> ➤ The retail bank makes use of a poor approach. 	<ul style="list-style-type: none"> ➤ The retail bank has poor systems and procedures.
<ul style="list-style-type: none"> ➤ The retail bank does not concentrate on their customers. 	<ul style="list-style-type: none"> ➤ The customers are not being seen as important.
<ul style="list-style-type: none"> ➤ The retail bank does not aim to meet customer need and wants. 	<ul style="list-style-type: none"> ➤ Customer needs and wants are not satisfied.
<ul style="list-style-type: none"> ➤ Customer expectations are not met. 	<ul style="list-style-type: none"> ➤ Customers become dissatisfied.
<ul style="list-style-type: none"> ➤ Customers lack confidence in the retail bank and its product or service. 	<ul style="list-style-type: none"> ➤ There are too many complaints.

[Source: Johnson, 1999: 25]

2.7. 2 Basic needs of customers

Heller, (2007: 5) and Harris (2003: 2), assert that every customer has the following five basic desires:

- **Service:** Customers look ahead to the service that they think is suitable for them. This means the satisfied customer will constantly converse about his/her negative or positive experience with the retail bank with other people.
- **Price:** The majority of customers view price as acceptable if they distinguish the value received as equal to, or more than, the value of money paid for the

service.

- **Quality:** Customers request a durable service. This means that few customers are likely to question the price, if they are doing business with a company that has a reputation for producing a high quality product or service.
- **Action:** because customers are human beings, they would like to be treated with the respect and the customer requires someone who is able to understand them, and use the right approach in helping them.
- **Appreciation:** Customers need to be appreciated for their business. Customer service providers can convey this appreciation through recognition of customer names, sending informational newsletters, special discounts and courtesy.

Dinutek (2011) puts forward the following six basic customer needs:

- **Friendliness:** This means retail bank employees need to be friendly to their customers; customers enjoy being helped by a friendly person. Once retail employees are seen to be friendly, it will be easy for a customer to ask for help.
- **Understanding and empathy:** customers desire to experience that the retail bank employee understands and appreciates their situation and approaches them without criticism or judgment.
- **Fairness:** customers need to be treated fairly by retail bank employees. Once the retail bank employees do not treat customers fairly, customers become angry and suspicious when they feel they are subject to any class distinctions.
- **Control:** In this case, control represents the customers' need to feel they have an impact on the way things turn out.

- **Options and alternatives:** customers need to feel that other avenues are available to getting what they want, accomplished. They become pretty upset when they feel they have “spurred their wheels” getting something done.
- **Information:** customers need to be educated and informed about the services, policies and procedures they encounter when dealing with a company (retail bank).

2. 8. Customer satisfaction

Harris (2007: 2) states that: “customer satisfaction recognizes the difference between customer expectations and customer perceptions”. Customer satisfaction can be expanded rapidly by retail banks over a period of time, due to customer anxiety. To resolve this, retail banks should reduce as much of the customer's pressure as possible, to generate an enjoyable customer experience, while also providing current information and helping to solve customer problems. Once the retail bank is able to generate an enjoyable customer experience, customers may think back on the experience and realize how enjoyable it was.

Fitzsimmons and Fitzsimmons (2006: 128) define customer satisfaction by measuring perceptions of service received against desired expectations of service. In addition, Matters, Matters, Pullman, and Walton, (2006: 110) indicate that satisfaction is the customers’ fulfillment response. Few customers can argue against the significance of customer satisfaction being necessary for customer loyalty within the retail bank environment. In order for the retail banks to attain customer satisfaction, a superior anticipation of service and customer orientation is required (Bick, Brown, and Abratt, 2004: 300). Customer endorsement can be complemented.

Van Bormann (2003: 16) states that it is paramount to the campaign's success to dispel any destabilizing perceptions; as with branded products or services, branded states rely on trust and customer satisfaction.

According to Armstrong and Kotler (2006: 10), the marketing concept holds that attaining bank goals depends on knowing the customer desires better than their competitors. In fact, retail banks that consistently rank high on customer approval also rank high in profitability.

The retail bank should create proper customer satisfaction by matching the customer's desires with the valuable information, goods, and services they offer. According to Kotler and Keller (2006: 144) retail banks should focus more on customer satisfaction; in order to improve the lifetime value of their customers. On the other hand, according to Bruhn and Georgie (2006: 443), customer satisfaction is the customer's appraisal of a service, in terms of whether the retail bank is capable of providing the service that will meet the customers' desires and expectations.

Matters et al. (2006: 119) suggest that high-quality customer service and high customer satisfaction require the commitment of retail banks management, supervisors, and frontline employees, to create and maintain a strong bank philosophy. These factors are significant in any retail bank. Mastering these aspects will help the banks to become more competitive in the marketplace. Furthermore, the previous research outcome has acknowledged that individual interactions between consumers and retail bank employees are imperative for consumer contentment and consumer commitment (Beatson, Coote and Rudd, 2006: 855).

2.8.1 Measuring customer satisfaction to maintain service quality

The measuring of customer satisfaction is a relatively new concept to many companies that have focused exclusively on income statements and balance sheets. Retail banks should now recognize that the new global economy has changed things forever. Increased competition and crowded markets, with little service differentiation, have shown today's sharp competitors that their focus should change.

Kopacek (2003) states that measuring contentment is necessary because it reveals the voice of the customer and also assists in encouraging an augmented focus on customer outcomes, and inspires expansion of the processes used within the bank. The customer contentment measurement allows a retail bank to understand the issues that cause contentment or discontent with a service occurrence. Once the retail bank is able to understand how satisfied customers are and why, it can focus its time and resources more successfully. Customer contentment measurement assists the retail bank to focus on their customers, with the aim of civilizing customer understanding (*Call Center Learning Center*, 2007: 6).

One of the most important stakeholders in customer contentment measurement is, of course, the service customers themselves. However, from an internal perspective there are a number of professional groups whose involvement in the research will ultimately determine whether or not it is effective.

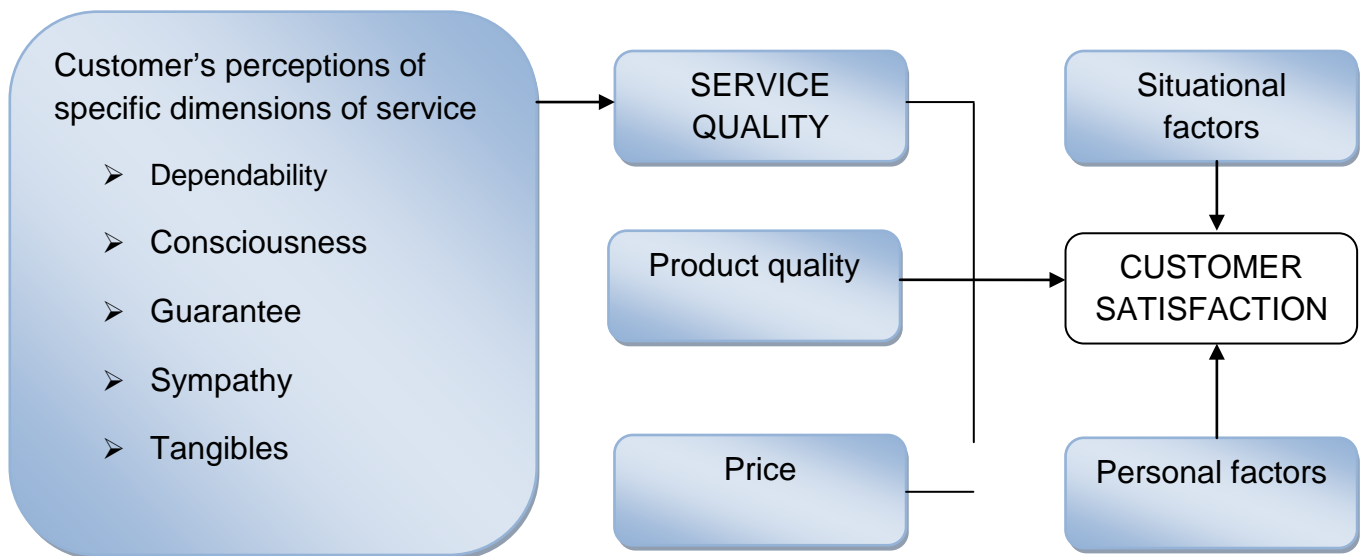
2.8.2 Fundamental for effective implementation of customer measurement programme

The customer measurement programme itself may be executed by the research community within the retail bank, but for implementation to be effective it needs to be 'owned' by the retail bank (*Call Center Learning Center, 2007: 7*):

- **Senior management:** can make the difference between good research that remains unused and genuine service transformation. The involvement of senior management not only signals that the work is viewed as strategically important, it also means that those who have the power to act on the findings are more likely to do so.
- **Policy and Strategic staff:** should use the findings to support strategic decision making.
- **Research and Insight staff:** will need to analyze the data and share findings effectively.
- **Communications staff:** should be involved in communicating the research findings and resulting actions to internal and external audiences, including customers.
- **Operational management:** need to understand how the findings can be applied to their area of responsibility. Customer satisfaction measurement will give a sense – at a very tactical level - of how customers feel about the service they are providing and the performance of staff involved in delivery of the service. Service directors need to understand why they are obtaining these results and how they can be used to drive forward improvements in delivery.
- **Customer-facing staff:** are incredibly valuable in customer research programmes for many reasons. From their day to day work, customer-facing staff will have ideas about how customers view the experience of a service and the reasons why experiences are satisfactory or not. When preparing the way for customer research, it is important to tap into this insight, as it can

guide the focus of the work and provide valuable material for questionnaire development. Customer-facing staffs are also critical stakeholders when it comes to implementing the results of customer satisfaction measurement: it will often be their job to deliver the changes which can bring improvements in the customer experience. Their commitment and buy-in is essential.

Figure 2.3: connection between Customer perception of quality and customer satisfaction



[Source: Brink and Berndt, 2005: 60]

The connection between customer perceptions of quality and customer satisfaction is depicted in Figure 2.3. As displayed, satisfaction and service quality have certain things in common. Satisfaction is generally viewed as a broader concept, whereas service quality focuses specifically on the dimensions of services.

Satisfaction is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors (Zeithaml, Bitner and Gremler, 2006: 107).

In conclusion, customer satisfaction is a gratifying success response, whereas discontent has a negative impact on the image of the bank. The customer experience can either create a good or bad image for the bank. In order to build long term relationships with customers, the retail banks should take customer experience into consideration. Matters et al. (2006: 190) state that high-quality customer service and high customer approval require the commitment of retail bank management, supervisors, and frontline employees, to create and maintain a strong bank attitude.

2.9 Customer expectation

Customer expectation is the viewpoint regarding service delivery that serves as the orientation point against which performance is judged by customers. This means that customers evaluate their perceptions of retail bank performance with these orientation points when evaluating service quality; this is done with a thorough knowledge of customer expectations.

Before the retail banks escape service superiority, they should know what the customer expects. Being wrong about customer expectation, will involve the retail bank expending money, time and other resources on things that do not matter to the customer.

Customer expectation corresponds to both prior consumption knowledge, which comprises some non-experiential information such as gossip by customers, and a forecast of the retail bank's ability to deliver superiority in the future (Ronald,

2010). Additionally, customer expectations are critical to service marketers and will deeply influence customer behaviour.

Zeithaml, Bitner, Greener, and Dwayne, (2008: 81) state that customer expectations are viewpoints about service superiority, serving as principles against which performance of the retail bank is judged by their customers. On the other hand, Johnson (1999: 17) states that it is necessary for retail banks to meet the expectations of its customers so that customers will be satisfied. Furthermore, he goes on to say that standard services are no longer guaranteed to meet customer needs, mainly because customers have become used to being able to purchase services customized to their individual specifications.

A study by Coy (2004: 54) concludes that it is important for retail bank managers to be aware of the factors that influence both customers' desires and expectations, and the potential opportunities for interventions that might lead to more effectual supervision of these relationships. In order for the retail banks to be successful, they should start by understanding the customer expectations and expand proposals around their customers' expectations.

Customer expectation can be influenced by factors such as word-of-mouth, communication, past experience and bank charges. Meeting customer expectations and satisfying their needs are important elements in the retail banks effort to retain its customers and gain a competitive advantage. Furthermore, this study also indicated that there is a significant difference between male and female expectations of service quality.

2.9. 1 Stratum of expectations

The stratum of customer expectation can vary widely depending on the situation the customer holds. Furthermore, the majority of customers have a keen sense of what expectations are. Service marketers need a clear definition of expectations in order to understand, measure and manage them. The stratum of expectation can vary extensively, depending on customer orientation.

Expectations are divided into two dissimilar categories: primary expectations and secondary expectations (Harris, 2003:11).

- Primary expectations are the customers ' most basic requirements for interaction. The retail bank provides excellence in service to their customers, in order to satisfy the main customer desire.
- Secondary expectations are expectations based on previous experiences that are enhancements to primary customer expectations.

Heller (2007: 17) points out that it is recognized by customer service providers that customers have different attitudes of expectations. A customer's expectations change continually and every customer has own, exclusive set of expectations. This set of expectations will provide an exceptional opportunity for retail banks to consistently strive to be what the customer desires.

Similarly, Bruhn and Georgie (2006: 54) categorize customer expectations into "predictive and normative expectations". Predictive expectations have a preventative nature, with customers stating the foreseen level of output in advance, which is either taken for granted or considered likely to be delivered by the service provider. Normative expectations correspond to a demand for the service provider and describe the level of productivity needed by the customer from the organisation.

Matters et al. (2006: 83) suggest that customers have different types of expectations about service. Researchers have proven two types of customer expectation, desired service (reflects the hopes and wishes of customers) and adequate service (represents the minimum level of performance customers are willing to accept) (Zeithaml, Bitner, and Gremler, 2006: 88).

2.9. 2 System for exceeding customers' expectations

One important key to exceeding customer expectations is to remember that expectations are always changing. Heller (2007: 20) states that, if the retail banks fail to stay current with their competition, they may fail to live up to existing customer expectations. Desired service expectations, according to Zeithaml, Bitner, and Gremler (2006: 88), are driven by more lasting factors, which tend to be high in demand on primary service and remain high.

The following steps should be used by retail banks in setting reasonable expectations:

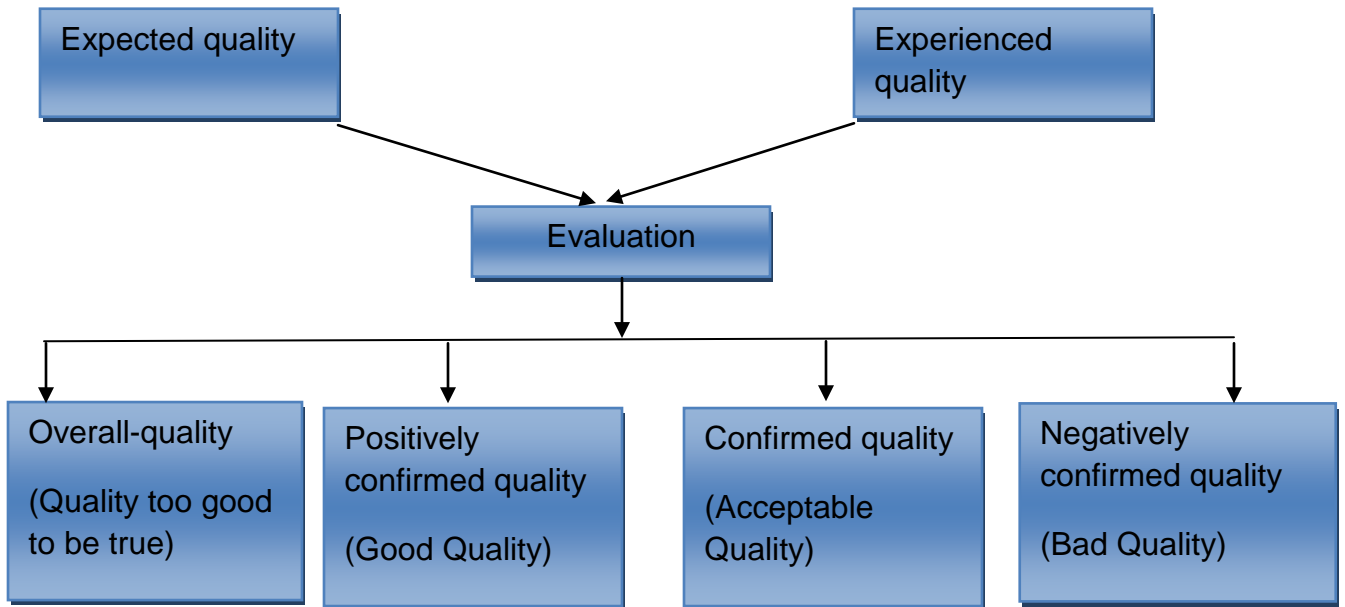
- **Establish a working partnership with customers:** Partner with your customer. Let the customer know that both of you are part of the solution (Customer Satisfaction 3 core, 1998: 55). There may be a list of things your customer can do to prevent the problem from occurring again. If this is so, let the customer know preventive steps that she/he can do for her/himself.
- **Promise only what can be delivered:** Do not promise the customer more than what can be delivered. In other words, do not make rash promises which are not possible to commit to.
- **Set realistic resolution time frames:** When committing to a resolution timeline, there is a need to consider whether the process can be completely controlled. In addition, always tell the customer that consultation with other parties or outside sources may be required, in order to resolve the problem.

- **Document commitments and dates:** Always document resolution times promised to customers. Do this on the original work order form, or the form used when the problem originated

In conclusion, since customer expectations colour the perception of reality; users, payers, and buyers are also likely to see a service differently. To exceed customers' expectations, the retail bank should try to become recognizable by their customers; ask customers what their expectations are; tell customers what they can expect from them; live up to their expectations; and maintain consistency.

Customer expectations are based on their knowledge of and experiences with a particular retail bank. For example, customers expect large organisations, such as ABSA, FNB, STD bank and Nedbank, to have enough ATM's, tellers and parking facilities, and also have easily accessible facilities. Delivering quality service means to be compliant in meeting customer expectations on a consistent basis. Service quality is thus a measure of how well the level of service delivered by retail banks matches customer expectations (Brink and Berndt, 2009: 60).

Figure 2. 4: Evaluation based on expected quality in the retail bank



[Source: Brink and Berndt, 2009: 61]

Customers will want to evaluate service quality provided by the retail bank. This evaluation will be based on the expected quality that the customer had prior to the service and the quality that the customer perceives during the service, which will lead to different quality options, (Figure 2.4). For example, should the customer have very high expectations of the service and the service provided by the retail bank is average, the quality will be negatively confirmed. However, should the customer have very low expectations of the service and the service provided by the retail bank is average, the quality will be positively confirmed (Brink and Berndt, 2009: 61).

2.9. 3 Types of customer expectations

It is important for the retail banks to have an understanding of the following types of customer expectations:

- **Predicted service:** retail bank customers tend to conduct their banking business at the same bank over time. They become recognizable when dealing with the personnel at the bank and begin to expect certain performance levels. Furthermore, Brink and Berndt state that customer satisfaction evaluations are developed by comparing predicted service received by the customer (Brink and Berndt, 2009: 62).
- **Desired service:** This is a perfect expectation that replicates what customers actually want, compared to predicted service, which is what is likely to happen. Desired service reflects a higher expectation than predicted service (Brink and Berndt, 2009: 62). The authors further find that, when desired service expectations are compared to perceived service, the results showed a “measure of perceived service superiority”. According to Hills, (n.d.: 3) desired service can be defined as a “level of service the customer hopes to receive”.
- **Adequate service:** This reflects a minimum tolerable expectation and the level of service the retail bank is willing to accept. Furthermore, adequate service is based on experiences that develop over time (Brink and Berndt, 2009: 62). The factor that pressures adequate service is predicted service. In comparing adequate with perceived service, a measure of perceived service adequacy is produced. Furthermore, adequate service is defined as the level of service the customer will accept (Hills, n.d.: 3).

In order for the retail bank to survive in the banking industry, they should take cognizance of those issues that influence service expectations. These issues are discussed as follows:

- **Continuing service intensifiers:** The retail banks should know that customers hold their own views regarding exactly how service should be provided; they want to be treated in the way they believe they should be treated.
- **Individual needs:** The customer's own personal needs influence desired service expectations.
- **Unambiguous service promises:** These encompass the organisation's advertising, personal selling, contracts and other forms of communication. The more ambiguous the service, the more customers rely on the organisation's advertising when forming expectations. For example, if a retail bank stresses excellent service and well trained retail bank personnel, the customer will expect these.
- **Understood service promises:** This issue also influences both desired and predicted service. Price increases create a customer expectation that the retail bank will deliver high-quality services.

2.10 Customer perception

2.10.1 Nature of customer perception

Customer perception is the progression by which customers choose, systematize and appreciate the stimulation of the five senses of sight, sound, smell, touch and taste (Cant, Brink and Brijball, 2002: 99); in other words, it is the way retail bank customers appreciate or give meaning to the world surrounding them. This description of perception is sustained by Sheth and Mittal (2004: 129). Therefore the progression of perception involves acknowledging an impulse, paying attention to it, and then interpreting its meaning, in order to react to it.

Theron, Bothma, and Du Toit (2004: 9) report that the customer's perception is, however, based on customer experience, knowledge, expectations, influences and interpretation. As illustrated by Heller (2007: 16), perceptions often develop over time, are an indication of prior treatment, as well as customer values, priorities, biases, and sensitivity to others. This means that, retail banks should anticipate customer conflict based on the customers' preceding connections and provide customers with outstanding service quality. This will help retail banks in creating optimistic customer awareness.

The following three factors shape perceptions, according to Theron, Bothma, and Du Toit (2004: 10), supported by Sheth and Mittal (2004:130):

- **Context:** This concerns the setting in which the information is received. In a customer service context, this would imply the situation at present.
- **Customer Characteristics:** This involves personal knowledge and experience. This means that perception can change from day to day and from experience to experience. The customer service provider should

always be aware of the power of perception. Each experience with the organisation will modify the customer's perception and will ultimately, hopefully, create a positive attitude towards the organisation.

The process of perception, as outlined by Sheth and Mittal (2004: 139) consists of the following three steps:

- **Sensation:** attending to an object or an event in the environment with one or more of the five senses: seeing, hearing, smelling, touching, and tasting.
- **Organisation:** categorizing by matching the sensed stimulus with similar object categories in one's memory.
- **Customer interpretation:** attaching meaning to the stimulus, forming a 'ruling' as to whether it is an object you like and of what value it would be to you, the perceiver.

However, Cant, Brink and Brijball (2002: 101) describe four stages of the perception process:

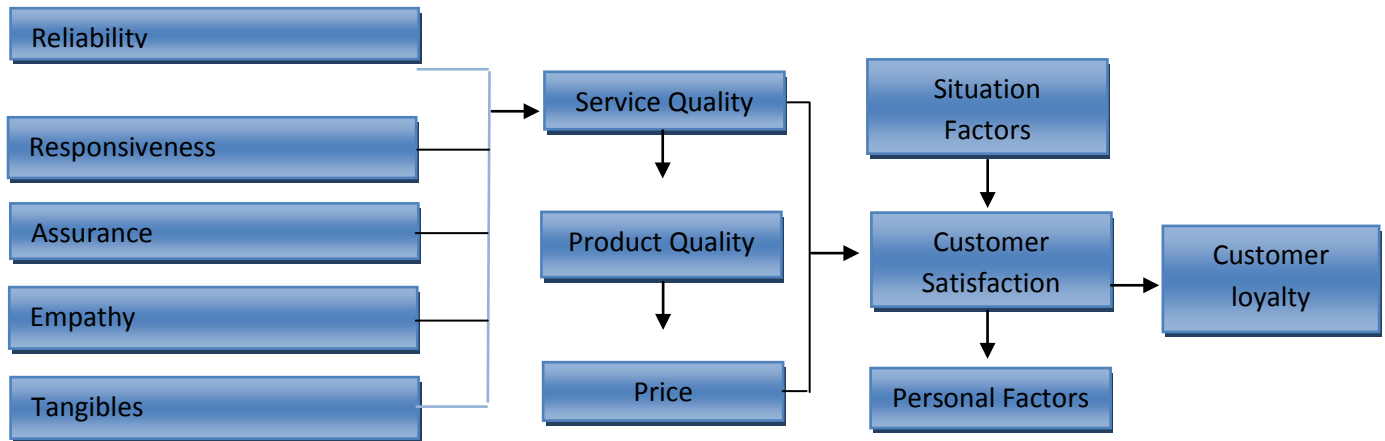
- **Customers get exposure:** is the degree to which people notice a stimulus that is in range of their sensory receptors. The individual need not receive the stimulus for exposure to have occurred, e.g. Customers have been exposed to a television commercial, if it was aired while customers were in the room, even if customers were talking to a friend while it was on and did not notice it. Because customers do not all watch the same television programmes or read the same magazines, it is the retail bank marketer's responsibility to place the company's messages where target customers will be exposed to them.
- **Customer attention on message sent by retail banks:** refers to the scope to which dispensation action is dedicated to a particular stimulus. The fact is,

attention always transpires within the background of circumstances. Customer attention, therefore, is determined by the individual, the stimulus and the situation.

- **Customer's interpretation about the message sent by retail banks:** when a customer has been exposed to a marketing message, and has attended to it, the message still needs to be interpreted in the way intended by the marketer. The third stage of the perception process is therefore interpretation, which is the meaning that people assign to sensory stimuli (Cant, Brink, and Brijball, 2002: 104). Just as people differ in terms of the stimuli that they perceive, the eventual meanings they assign to these stimuli vary as well.
- **Customer evokes the information sent by retail banks:** Retail Banks should try to make sure information will be retained in the customers' memory, so that it will be available when it is time to buy something. Customers tend to forget the marketing message when they are actually buying something (Cant, Brink, and Brijball, 2002: 105), even if they have perceived it correctly. To avoid this, retail banks should use point-of-purchase promotions to remind the customer of their messages and products. Furthermore, retail banks should be aware of three important factors that affect recall, namely the positive-sleeper effect, the boomerang effect and the overcrowded file space in the customer's mind.

Customers recognize service in provisions of the superiority of service they receive from retail bank. Kotler and Keller (2006: 141) show that the satisfaction of customers is predisposed to specific features of either service or product, as well as perceptions of quality. Additionally, retail bank customers' satisfaction can be prejudiced by customers' emotional responses, their attributes and their perceptions of fairness. Many organisations have, according to Kamakura et al. (2002: 294), the enhancement of customer perceptions of service as their

Figure 2. 5: Customer perceptions of superiority and customer satisfaction



[Source: Zeithaml, Bitner and Gremler, 2006: 107]

primary goal. When customers recognize that the retail bank is able to more than just meet their expectations, a chain reaction follows, which eventually increases the profitability of the retail bank.

The use of service superiority evaluation is illustrated in Figure 2.5, showing how the retail bank's use thereof reproduces: the customer's perception of dependability, Guarantee, responsiveness, empathy, and tangibility. Zeithaml, Bitner and Gremler, (2006: 107) add that customer satisfaction requires winning the customer over by perceptions of: service quality, product quality and price, as well as consideration of both situational and personal factors. In the retail banking environment, service superiority is judged by customers on traits, such as whether equipment (ATMs) is working well when required, how approachable the retail bank employees are to customer needs, and how skilled they are.

In conclusion, the way in which customers perceive, organize and interpret stimuli is a reflection of their past experiences and the labelling used to understand the different situations each customer frames every day. Consequently, marketing communication should attempt to present service in a frame that is recognized by the customer (Fill, 2011: 60). Furthermore, a service

has a much greater chance of becoming part of the individual customer's perception if the situation in which it is presented, is one that is expected and applicable to the customer. Finally, individual customers carry a set of continuing perceptions. These relate to themselves, to service and to the service provider (retail bank).

2.11 The significance of customer devotion, retention and retail employees

Customer devotion is not the same as customer retention, as customer devotion is different from simple repurchase behavior. Customer devotion is an applicable concept in situations where a customer has an option to choose a different financial service provider (Cohen, Yong, and Choomg, 2006: 7). According to Bothe (as cited by Van Ravesteyn, 2005: 45), a customers' satisfaction with a company's product or service, is seen as customer devotion when the customer becomes a passionate word-of-mouth advertiser

Therefore, building customer devotion is not an inaccessible task; but it is a primary part of managing each retail bank. In a study by Bansal and Gupta (2001), the only way of building a sustainable competitive advantage is shown to be by fostering customer devotion. Besides, Linton (1993: 15) ascertains that operating customer devotion programmes will also have a major impact on the long-term retail bank projection and will influence management actions.

The cost of serving a loyal customer is, as established by Johnson (1999: 25), five or six times less than that of serving a new customer. This view is supported by Ndubisi (2005: 49); and Pfeifer (2005: 179), and corroborates the meaning of customer devotion. Walsh, Groth, and Wiedmann (2005: 421) concur that looking after existing customers, precedes the acquisition of new customers.

The consequence of not pleasing customers, is that this can leave them unsympathetic towards the retail bank. There are several choices made by

dissatisfied consumers, as reported on by MacInnis (as cited by Singh, 2006), such as to discontinue purchasing the goods or service provided by the bank; or complain to the bank or to a third party and perhaps return the item, or engage in negative word-of-mouth communication. Finally, customer satisfaction serves as a key aspect of the decision leading to customers' defection (Oliver, 2007: 180).

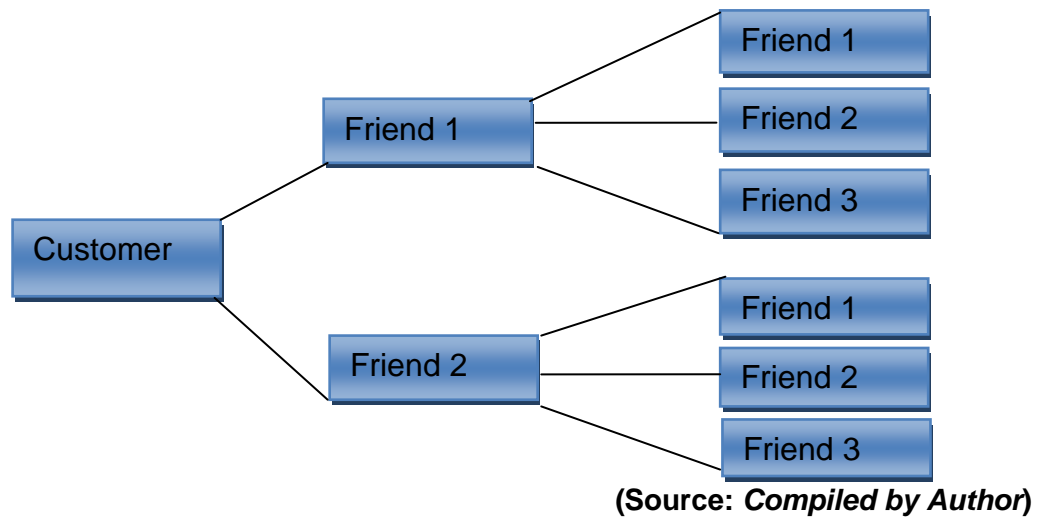
2.11.1 Aspects that lead to customer devotion

The following aspects can be used by retail banks as a guide to customer devotion, as determined by Van Ravesteyn (2005: 75):

- Retail banks should establish what customers require by asking the customer first. When customer needs are determined, management has to start with its customer base in its research.
- Customer devotion needs to be measured, insofar as the impact of customer devotion on profitability affects retail banks. Both customer defection and retention are taken into account in the overall analysis”
- Retail bank top management and frontline employees must be committed to customer devotion and need to be involved in the interaction with the core customer base. This means that retail bank structure must be based on a customer-oriented culture.

All the above aspects can assist the retail bank to build customer devotion.

Figure 2.6: The power of word-of-mouth



Word-of-mouth marketing is effective because it builds credibility and trust to other people. This is not meant as a replacement for advertising, but the power of referrals proves that it's an incredibly effective way for a retail bank to acquire new customers. What customers hear from other customers is a potential determinant of expectations. For instance, the high quality of service customers expect from a chosen bank often stems from the recommendations of friends or neighbours (Ganachaud, 2002: 36). Furthermore, it seems that customers' expectations appear to vary depending on their expectations. Figure 2.6 illustrates the influence of a single customer on friends and family, about the service received from a retail bank.

2.11. 2 Customer retention and retail employees

The customer retention phase is the most advantageous to the bank, where the greatest level of relationship value is experienced (Fill, 2011: 205). Linton (1993: 9) also finds that customer retention is closely linked to repeat purchase, but has different aims. Repeat purchase programmes are built around products rather than the customer, while customer devotion programmes, focus on the genuine needs of customers, so that the retail bank is driven by customers, not products. Therefore, the customer retention phase generally lasts as long as both the retail bank and the customer are able to meet individual and mutual goals. However, the very core of relationship marketing is for retail banks to recognize a collection of customers, with whom they wish to develop a range of relationships. This involves the ability to measure levels of retention and also to determine when resources are to be moved from achievement to retention.

Furthermore, customer retention has an impact on improving prosperity of the bank, principally by reducing costs incurred in acquiring new customers (Cohen et al, 2006: 5).

For prosperity and continued existence of the retail banks, it is required that all efforts by financial providers are channeled toward customer contentment. However, the key to having contented customers depends on having a contented workforce (Berry, and Parasuraman, 1991: 152), while according to Cranfield School of Management (2000: 18), a major driver of customer retention improvement is to see whether employees perceive the retail bank and retention positively. Happy employees make for happy customers and vice versa; improved employee retention is likely to deliver improved internal and external service quality.

Harris (2003: 8) recognizes that, by satisfying internal customers (retail bank employees), this will lead to creating an excellent foundation on which to embark on meeting external customers' desires. Ahmed and Rafiq (2003: 1242) and Manville and Ober (2003: 48) agree that an increase in contentment levels of retail bank employees transform into higher perceived service superiority from external customers; this will help the retail bank to keep trust and commitment among their customers (Anderson and Narus, 1998: 55).

The linkage between the retail bank employees and the retail bank is shown by Anani (2010: 33) to verify the linkage of the customer to the retail bank. Bhatti, Skinkle and Spalding find that it is unlikely that customers will be made to feel valued by unhappy employees, (cited in Anani, 2010: 33). Furthermore, building a strong connection with the customer is extremely dependent on the hard work of the retail bank's employees.

In conclusion, one of the most significant steps in conveying superior service is that the retail bank should know what the customer anticipates from the bank. When a retail bank does not consider or is not concerned with what customer's anticipate, the result is that money, time and other resources are spent on things that are, ultimately, of no concern to the customer.

2.11. 3 Building long term joint ventures with customers

In order to build long term joint ventures with customers, retail banks should recognize that a lot of core services aspects are necessary, yet do not apply to loyalty. Retail banks need to have a strong connection with their customers, (Anani, 2010: 32), as this relationship is the foundation of meeting customer expectations.

A joint venture is an extreme shape of customer loyalty, in which customer and retail bank work jointly to achieve mutual benefits, such as security of supply and continuity of contact.

Linton (1993: 78) ascertains that it takes a sustained management endeavor to build and maintain joint ventures. This requires the retail banks to:

- Understand and develop the changing relationship between customer and retail bank through continuous interaction programmes;
- Identify partnership opportunities by analyzing customers' business activities; and
- Meet customers' changing requirements by working closely with the customer team.

It is imperative for the retail bank to be steadfast in building customer loyalty. This will ensure the lifelong accomplishment and prosperity of the retail bank (Linton, 1993: 206).

In addition, Gee, Coates, and Nicholson, (2008: 355) identify the subsequent reward of customer loyalty:

- The service cost of a faithful customer is less than new customers; and

- The loyal customer will continue to act as a word-of-mouth marketing agent for the bank.

2.12 SERVQUAL model and Customer Perception

The SERVQUAL technique can be used by retail banks to better comprehend the expectations and perceptions of their customers. In effect, this technique provides a skeleton for an investigatory instrument, which can be adapted or added to as needed (Palmer, 2008: 328).

SERVQUAL is based on a generic, 22-item questionnaire, which is designed to cover five comprehensive dimensions of service quality, consolidated from original qualitative investigations by the research team. The five dimensions covered, with some description of each and the respective number of statements associated with them, are as follows:

Table 2.2: Grouping of statements according to Dimension of service quality

Dimension of service quality	Statements No.
Tangibles (appearance of physical elements)	1- 4
Reliability (dependability, accurate performance)	5 - 8
Responsiveness (promptness and helpfulness)	9 - 13
Assurance (competence, courtesy, credibility, and security)	14 - 17
Empathy (easy access, good communications, and customer understanding)	18 – 21

(Source: Compiled by Author)

Retail bank customers (tertiary students) were asked to rate 22 statements relating to their expectations and perceptions, consisting of a matching set of retail bank specific statements about service delivery. They were asked, in each

instance to rate, on a Likert scale from 1 (Strongly Agree) to 4 (Strongly Disagree), whether they are in agreement or not with each statement.

Furthermore, Palmer (2008:328) points out that, deriving measures of service quality, can be quite simply done by subtracting expectation scores from perception scores. This score can subsequently be weighted to reflect the relative importance of each aspect of service quality. The outcome of a unique study is a measure that tells the retail banks whether its customer expectations are exceeded or not. SERVQUAL results will be used to identify which components of a service the retail banks are particularly good or bad at. It can also be used to monitor service quality over time, to compare the performance levels between different branches within a retail bank, or to measure general customer satisfaction with a particular service industry. This research focused more on the gaps that exist between perceived service and expected service, in retail banks in Durban. According to Zeithaml, Bitner and Gremler (2006; 4), inherent differences exist between goods and services, resulting in different management challenges for service businesses, such as retail banks.

The SERVQUAL methodology identifies five gaps where there may be a shortfall between expectations and perceptions of actual service delivery (Palmer, 2008: 328), namely:

- The first Gap is between customer expectations versus management perceptions.
- The second Gap is between management perceptions versus service quality specifications.
- The third Gap is between service quality specifications versus service delivery.
- The fourth Gap is between service delivery versus external communiqué.

- The fifth Gap is between perceived service and expected service.

2.12. 1 Gap 1: Customer expectations versus management perception

Gap one exists between customer expectations and management perception and can be caused by problems with external infrastructure in the retail bank. The frontline service providers may be very conscious of the customer's requirements. There is, however, often a problem in transferring that understanding to management. This is frustrating for both sides; for the frontline workers, because they are constantly exposed to customer dissatisfaction as a result, and for management, who probably genuinely want to get things right, but are not aware of how to do so. Retail bank management should know what customers desire, as research shows that, in reality, customers expect something quite different (Kotler and Keller, 2006: 413) and (Palmer, 2008: 328). This situation is usually the case in many retail banks that do not make use of market research or have insufficient upward communication. To close the Gap between customer expectation and management perception, all customer complaints should be logged regularly, and a synopsis dispersed to all retail bank employees.

2.12. 2 Gap 2: Management perception versus service quality specification

Understanding of customers' desires and expectations is essential in conception of the entire service superiority (in GAP 1). This Gap is put into the form of a retail bank service specification or statement of intent. Kotler and Keller (2006: 413) ascertain that the possible causes of Gap 2 are when the tactical vision, mission and goals are not fulfilling the customer's desires or management consider customer expectations as unreasonable or unrealistic. Furthermore, Palmer (2008: 328-329) states that, even though management may understand what customers expect, they may fail to set appropriate quality specifications or

may not set these clearly. To close this Gap, retail bank management needs to improve service quality by escalating service standards to meet customer expectations.

2. 12. 3 Gap 3: Service quality specifications versus service delivery

However well management understands the customers' desires and however toughly the service design relates to that understanding, should the retail bank employee be unable or reluctant to execute the service responsibilities at the level required, the gap will appear between service design and service performance. Kotler and Keller (2006: 413) propose that the possible grounds for Gap three, is where the workforce are poorly trained, or reluctant to meet outstanding customer service; such as taking time to listen-in on customers' conversations and helping them quickly. Poor management, according to Palmer (2008: 329), can lead to a service provider (retail banks) failing to meet service quality specifications. This may be due to human error but may also include the mechanical breakdown of facilitating equipment. To close this Gap, retail bank management must invest more in their employees; by providing more training and introducing a support system that will help their employees to solve the customer's problems.

2. 12. 4 Gap 4: Service delivery versus external communiqué:

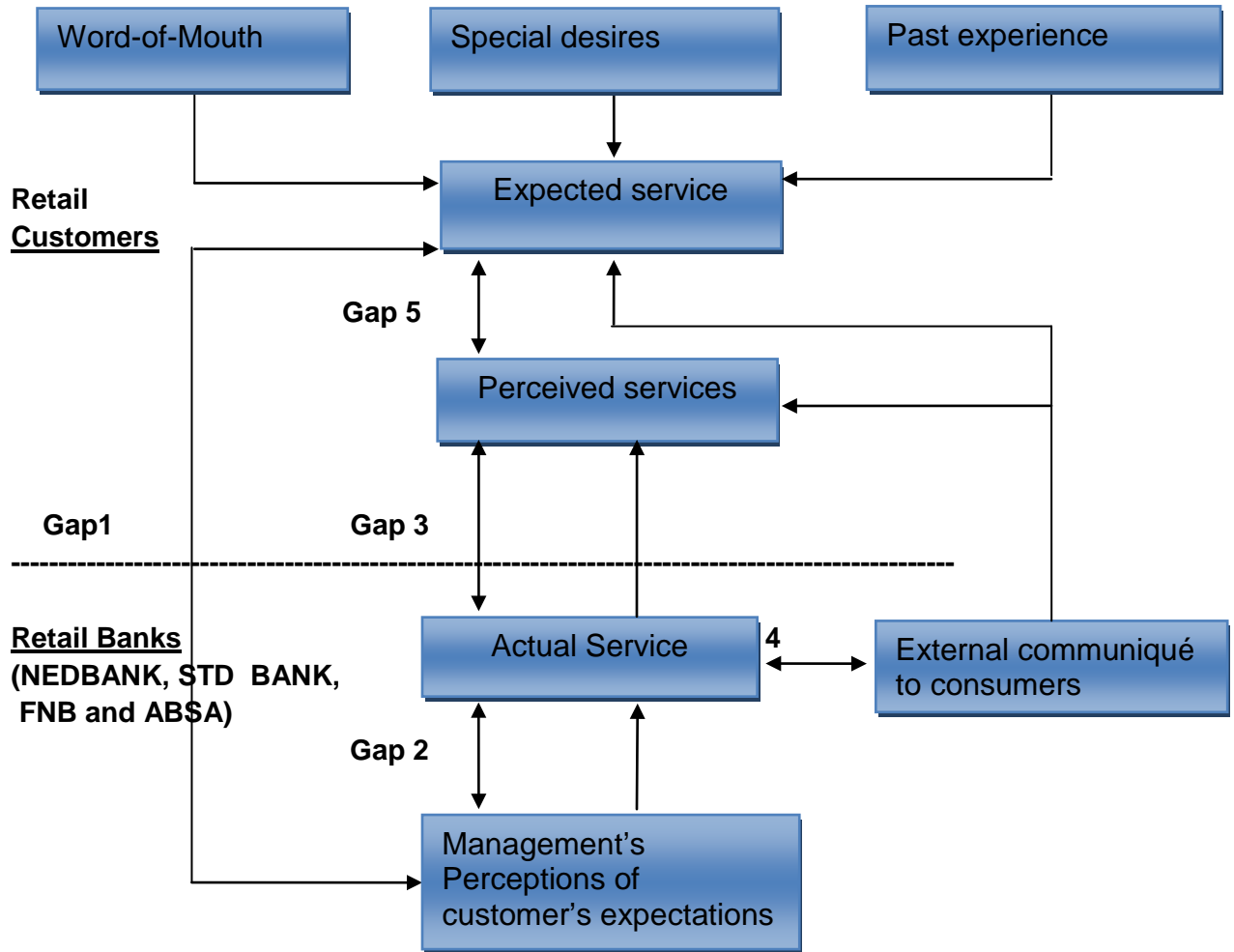
A consumer expectation is exaggerated by statements made by the retail bank representatives and advertisements. There may be discontent with the service due to the extremely sensitive expectations developed during the retail bank communiqué efforts. Kotler and Keller (2006: 413) ascertain that this Gap transpires when the retail bank over-promises in advertising.

2.12. 5 Gap 5: Perceived service versus expected service

The fifth Gap sums up the possessions of the other four in the mind of the customer. The retail bank management's objective should be to convey the customers' anticipated and desired service, as close as possible to what is actually delivered.

Palmer (2008: 330) and Kotler and Keller (2006: 413) concur that this gap exists because the perceived service is not consistent with the expected service and results in poor superiority. Parasuraman, Zeithaml and Berry (1988: 13) illustrate the key to convey superiority as going beyond customer expectations. Additionally, the only way of closing this Gap, is for retail bank management to put procedures into place to determine service performance against customer expectations.

Figure: 2.7: The SERVQUAL Gap Analysis Model



[Source: Parasuraman et. al. 1985]

The model (Fig. 2.7) undoubtedly separates the retail bank from their customers. It also classifies five clear gaps between ideal service and what is authentic. It further provides a realistic outline for bearing in mind a service offered by retail banks. The service quality gap is the distinction between the service quality anticipated by the customer and the customers' perception of the service delivered by the bank. Zeithaml, Bitner and Gremler (2006: 116) determine that the customer does not perceive quality in an unsophisticated way, but rather judges quality on various factors that are appropriate to the retail bank. According to Silvestro (2005: 216), the only measures that count in evaluating service quality, are those defined by the customer.

2.13. CONCLUSION

This chapter is based on how and why it is imperative to take service quality into consideration, with a few points highlighted as follows:

Service quality can be used as a tool to create a feasible benefit for the retail bank, but before the retail bank manager can use it, it is imperative to start by understanding the service quality concept. Once retail bank managers have a full understanding of service quality, it is easier to recognize service quality gaps.

The valuable delivery of high-class service can help to build and prolong the interaction between retail banks and their customers. Furthermore, service quality is a biased model, which means it is critical for retail bank management to understand how the customer thinks about service they receive from the retail bank, (Rust and Oliver, 1994: 2).

A devoted customer brings increased profits because they are cheaper to serve, are heavy users of the retail bank's services, and likely to refer other clients to the bank. If customer loyalty is driven by customer satisfaction, and satisfaction is driven by perceptions of quality of the service provided by the retail banks, then the key to customer loyalty lies in creating and delivering a superior quality and customer experience.

The literature makes it clear that, in order for retail banks to keep and to build a lifelong relationship with their customers, they should scrutinise service quality.

The following chapter (chapter three) will give an overview of the retail banking industry.

Chapter 3

Retail banking Industry

3.1. Introduction

The historical origins of banking in South Africa involved the creation of banks, which were exclusively focused on meeting the needs for bank credits by the farming community (Gidlow cited in Ntsunguzi, 2009: 20). The banking industry has changed rapidly since then and so has South Africa, which no longer focuses on only the farming community for bank credits. The retail banking sector now also specifically targets younger people, believing that it is the younger people who underwrite the future of their business.

Four banks dominate the retail banking industry in South Africa, namely: STD Bank; ABSA (owned by Barclays); FNB; and Nedbank (owned by Old Mutual). According to several authors (Howcroft, Hewer and Durkin, and Ferreira), customers find themselves in a highly involved relationship with their financial service providers because of the nature of retail banking; which includes complicated products and services that are also precarious, if not risky, and of a long-term nature (cited in Van Ravesteyn, 2005: 1).

The purpose of this chapter is to portray a full background and understanding of Retail Banking in South Africa; Banking and service in other countries; service quality in retail banking; Determinant aspects of customer's retail bank selection; Customer satisfaction as a key success factor in retail banks; Building a customer-experience in retail banking, and Innovation strategies used by retail banks in building customer devotion.

3.2 Retail Banking in South Africa

The Retail banking industry in South Africa is dominated by four banks namely, STD Bank, ABSA (owned by Barclays); FNB; and Nedbank (owned by Old Mutual). Since the study's focus was on banking for younger customers, details on the banks' offerings aimed at younger customers, 18 to 26 year-olds, will be discussed. As part of the study, basic current account packages offered to students by South Africa's retail banks (STD Bank, Absa, FNB, and Nedbank), were identified.

3.2.1 Standard Bank (STD Bank)

STD Bank is a South African-based financial services company, with a Global presence. It operates from 17 African countries and 21 countries on other continents, including the key financial centres of Europe, the Americas and Asia.

STD Bank Group is one of the big four, full-service, South African banks. The group operates in a range of banking and related financial services. The group has a wide representation which spans 17 African countries and 21 countries outside of Africa, with an emerging markets focus. STD Bank has 746 branches in South Africa and 238 in the rest of Africa. The STD Bank Group is the largest South African banking group, ranked by assets and earnings. (STD Bank, 2012). The bank has expanded its business with a new offering to younger South African customers. (Table 3.4)

Table 3.1: Product/service offered by STD Bank to students, and benefits

Type of products/service offered by STD Bank to students	Benefits
Student Achiever Account	<ul style="list-style-type: none"> ➤ Achiever account is more than just a cheque account; ➤ Banking convenience: you have cash convenience at STD Bank's extensive ATM network. ➤ 24 hour, anywhere banking with Auto Plus, telephone banking, cellphone banking or at home with Internet Banking is as convenient as banking gets. ➤ Internet banking achievers also get free emailed statements and balances, can stop payments, add, delete and pay beneficiaries or manage overdraft facilities online.

[Source: STD Bank, 2012]

3.2.2 Amalgamated Banks of South Africa (ABSA)

With the study focus on banking for younger customers, the Absa product/service for younger customers, known as the Student Silver Current Account, is detailed below (Table 3.1), along with its benefits.

Table 3.2: Product/service offered by ABSA to students, and benefits

Type of products/service offered by ABSA to students	Benefits
Student Silver Current Account	<ul style="list-style-type: none"> ➤ Enjoy subsidised banking fees while you study. ➤ Access the 24/7 lifestyle programme designed to meet all your campus needs. ➤ 24-hour self-service access to Internet, Telephone and Cellphone banking. ➤ Dual function ATM and Debit Card that allows you to make withdrawals, deposits, transfers, account

	<p>payments and to print balances and statements at your Absa branch or ATMs nationwide.</p> <ul style="list-style-type: none"> ➤ Your account number will remain unchanged even if you decide to transfer your account to another branch or if your account is upgraded.
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[Source, ABSA: 2012]

3.2.3 First National Bank (FNB)

Listed on the JSE and the Namibian Stock Exchange, FirstRand Limited is an integrated financial services group, providing a comprehensive range of products and services to the South African market and niche products in certain international markets. FirstRand Limited is the second largest financial services group in South Africa, by market capitalization. (FNB, 2012). Table 3.2 highlights the product type and benefits to students when they open a bank account with FNB.

Table 3.3: Product/service offered by FNB to students, and benefits

Type of products/service offered by FNB to students	Benefits
Life Start Student Account	<ul style="list-style-type: none"> ➤ No minimum deposit required to open the Life Start Student Account ➤ You have the option to redirect your bank fees to your parents' FNB account ➤ The account is available to all local and foreign students ➤ You can use Cell Pay Point to access FNB's secure online payment solution ➤ With e-Wallet you can send and receive money on your cellphone instantly ➤ You could apply for a student loan to further your studies.

[Source, FNB: 2012]

3.2.4 Nedbank

Nedbank Group Limited (formerly Nedcor Limited) is a bank holding company that, through its principal banking subsidiary, Nedbank, together with the other members of the Nedbank Group, operates as one of the four largest banking groups in South Africa. The group offers a wide range of wholesale and retail banking services through three primary business clusters: Nedbank Corporate, Nedbank Capital, and Nedbank Retail.

The principal services offered by the group are comprised of corporate and retail banking, property finance, investment banking, private banking, foreign exchange and securities trading. Nedbank Group also generates income from private equity, credit card acquiring and processing services, custodial services, unit trusts and trust administration, asset management services and bank assurance. (Nedbank, 2012). Younger customers wanting to save their money at the lowest price are offered a solution by Nedbank. Table 3.3 indicates the type of product offered by Nedbank to students, along with its benefits.

Table 3.4: Product/service offered by Nedbank to students and benefits

Type of products/service offered by Nedbank to students	Benefits
Dezign Student Current Account	<ul style="list-style-type: none">➤ For fulltime students between the ages of 16 and 26 years.➤ Makes managing your own money easy.➤ Get a whole range of transactions for one small monthly fee.➤ Cost-effective and convenient banking.➤ Free and unlimited access to all self-service banking channels.➤ Start building your credit record for the future.

[Source, Nedbank: 2012]

Table 3.5: Comparison of retail bank transactions between ABSA, FNB, Nedbank and STD Bank

Transactions	ABSA	FNB	Nedbank	STD Bank
Monthly maintenance fees:	R30,00	R22,30	R16.50	R20.00
Deposits:				
Cash Deposit: own bank ATM	R1.05 per R100.00	0.70% of value, min. R5,50	R4,00 plus R1,25 per R100	R2,50 +1,15% of deposit value
Cash deposit: branch counter	R3,37+1,10% of deposit value	1.35% of value, min R20,00	Free	R12,50
Cheque deposit: own ATM	Free	R15,00	Free	R12,50
Cheque deposit: Branch counter	R10,00	R15,00	-	R12,50
Cash withdrawals:				
Own bank ATM	R3,75+R1,10/ R100 (max.R500)	Unlimited	Free	R2,80+1.17% of withdrawal amount
Another bank's ATM/ Saswitch ATM	R9,75+ R1,05/R100	R7,00	R9,50 plus R1,20 per R100	R25,00 +1.30% withdrawal amount
Account Payment and purchases				
Bank's own cheque	Free	R70,00	R45,00	Free
Debit order – internal	R3,15	R35,00	Free	-
Debit order – external	R3,75+R1,00/ R100	R35,00	Free	-
Balance enquiries				
Over the counter	R2,45	R3,95	First free per month, thereafter R2,50	R4,00
Own bank ATM (print)	R1,00	Free	Free	R1,50
Another bank's ATM	R3,35	R2,80	R4,00	R3,90

(Source: ABSA bank; STD bank; Nedbank; and FNB bank: 2012)

In Table 3.5, an outline is given showing a comparison of retail bank transactions, between Absa, FNB, Nedbank and STD Bank. In terms of monthly maintenance fees, Nedbank (R16,50) is the cheapest retail bank, followed by STD Bank (R20,00). Both Absa and FNB are more expensive (R30,00 and R22,30 respectively).

With regards to own-bank ATM withdrawals, the cheapest are FNB and Nedbank, as this service is free. STD Bank is a little more complicated: the first five withdrawals are free, then between six and 15 transactions the charge is R20,00, and more than that costs another R20,00.

Other-bank withdrawal fees: Sometimes it's difficult to find an ATM that belongs to or is supported by your own bank, this usually means you have to withdraw using another bank's ATM. FNB is the cheapest in this regard, with a charge of R7,00 and an additional R6,00 per R500 (or 1.2 percent of the amount, with a maximum fee of R24,00). However, if you choose the STD Bank option, the fixed charge is only R6,70 but the additional charges that come with the scaled ATM cash withdrawal charges (as above) kick in. Nedbank charges R9,50 for your 'disloyalty', with an additional R1,20 per R100,00 of the total withdrawn. Absa is the most expensive when it comes to using non-Absa ATMs. When using a SASwitch ATM, they charge R9,75 and R1,05 but when using an Absa supported ATM they charge R6,85 and 1.1 percent of the total withdrawal.

In conclusion, for banks that compete for clients using the same products, such as that of the Student Silver Current Account by Absa; and Student cheque account by STD Bank, quality of service becomes the main avenue that could be used to gain sustainable, competitive advantage. The products offered by the different retail banks consist of similar pricing models, are aimed at the same market segment (tertiary student and children), and compete with international

banks that have identified the profit potential in South Africa. Banks that don't pursue superior customer satisfaction, run the risk of having its profits adversely affected by the costs of lost customers, lost opportunity revenue, customer replacement costs and customer recovery costs.

3.3 Banking and service in other Countries

Ernst and Young (2011: 20), in their global consumer banking survey, show that service quality is the biggest cause of customer attrition, with 48 percent of worldwide customers who are planning to change their main bank, citing this as the reason. Customers were able to give more than one reason for leaving or planning to leave their main bank, and 96 percent South African, 83 percent Indian, 80 percent Chinese, 79 percent Latin American and 60percent European customers cite general levels of service quality or a specific service failing, as the reason for their dissatisfaction.

Price is the second major factor influencing attrition rates, with 43 percent of those planning to change banks citing it as the main reason and 36 percent who have already changed, saying it was the reason that they switched. Other key reasons are product and service offerings, the proximity of branches, and a lack of trust in the existing bank. South African customers are the most sensitive to price, with 57 percent, citing it as a main reason for a change of bank. Across Europe, the majority of customers in emerging Eastern European markets, such as Hungary and Poland, say price is the reason for attrition, while in the UK, France and Spain, service quality is cited as the key reason. French, British and Dutch customers are the least sensitive to price and, indeed, for Europe as a whole, more than half of customers move for reasons other than price. (Ernst and Young, 2011: 20)

Ghana's banking industry has been found to have room for service quality improvement (Hinson, Mohammed, and Mensah, 2006: 79). It is suggested that, for the Ghanaian banking industry to achieve excellence in service quality, an industry-wide service improvement programme should be developed and implemented. The authors stipulate that this must meet a number of goals, including that of demarcating the banking businesses in a customer focused way; defining management behaviour required to support customer focus; taking into account in which manner participation and sustained commitment of staff in the programme can be encouraged; as well as establishing how the success of the programme is measured.

Siddique, Karim, and Rahman, (2011: 11), indicate the common attributes of reliability, credibility and tangibility as determining factors of customer satisfaction, for both foreign and domestic banks. However, the authors further state that customers feel more secure and are able to better communicate with domestic banks, rather than with foreign banks. The results of this analysis can be used as a message from the customers to the banks.

In order to build a long term relationship with customers, it is required that banks fully understand all the determining factors that affect their success and market share. Furthermore, Gleave (2007: 29) states that in China, banks build a strong brand by creating innovative and relevant products to retail customers, winning small but lucrative niches within the Chinese market.

3.4 Service qualities in retail banking

When customers assess the quality of the service they obtain from a retail bank, they use different criteria, which are likely to differ in their importance, some frequently being more important than others. These determinant attributes will define service quality from the consumer's perspective, according to Loudon and Della Bitta, (cited in Joseph, McClure and Joseph, 1999: 183). Nevertheless, countless recognized models of service quality have tended to focus on customer expectations. However, one of the most widely used models to measure perceived service quality, was developed by Parasuraman, Zeithaml, and Berry (1985; 1988). This conceptual model indicates that customers' perception of service quality is influenced by a series of gaps that obstruct the delivery of high service quality.

The quality of service offered by retail banks to their customers can vary enormously. There are, however, an accumulation of facts showing that quality programmes can lead to real improvements in customer satisfaction, business growth and profitability (Halsey, 2006: 5). With many retail bank services becoming relatively product-oriented (commoditized?) and new ones easily replicated, excellent service can be a key differentiator.

Parasuraman, Berry, and Zeithaml (1990) point out that customer's rate the meaning of each service scope. The results show that dependability and responsiveness of service is the mainly central prerequisite of these financial service customers. However Bitner, Booms and Tetreault (1990: 72) confirm that motivation to react to the complexity of and their employees' responsiveness to customer desires, are the key issues in service quality while, according to a study of an Australian trading bank, dependability and perception are the most vital aspects (Avkiran, 1994: 10).

Grace and O'Cass, (2004: 451) and Arasli, Mehtap-Smadi, and Katircioglu, (2005: 42), state that outstanding service quality leads to improved customer satisfaction, improved customer retention and a favourable overall image for the retail bank (Al-Hawari, 2006: 229). Moreover, the provision of outstanding service quality is considered a top priority by all retail banks, as a means of responding to both customers' desires and increased competition, and establishing a competitive advantage (Howcroft, 1991: 11). It also improves financial performance of the retail bank in terms of interest margins, return on assets, profit per employee and capital sufficiency (Bates, Bates and Johnston 2003: 174).

According to Venetis and Ghauri (as cited in Möller, 2007: 6), service quality is one of the techniques used to entice new customers and increase market share, becoming a "main, viable weapon" (Stafford, 1996: 23). On the other hand, Ernst and Young (2011: 20) reveal that service quality is the major foundation of customer attrition. Moreover, service quality is one of the most important ingredients of customers' contentment in the banking industry (Cohen et al., 2006: 4).

Balachandran (2005: 6) ascertains that retail banks should focus on providing outstanding customer services. Apart from this, the retail bank that does extremely well in providing service quality will have a distinct marketing edge, since superior levels of service quality are linked to outstanding revenue and exceptional customer retention.

In conclusion, the outcomes of the KPMG 2009 customer satisfaction survey on banking, corroborates that service delivery is the principal factor influencing customers to build a long-term relationship with the bank (Lamikanra: 2009). In addition, in order to achieve privileged levels of quality service in retail banking, banks should deliver higher levels of service quality. In the present context, customers' perceptions are highest in the level of infrastructure facilities of the banks.

3.5 The Determinant aspect of customer selection of a retail bank

Jantan, Kamaruddin and Hoe (1998: 22) show the determinant aspect of customer's bank selection to include queuing, bank employees' friendliness, speed of processing, parking facilities, ATM, availability of credit and interest on savings. In their study, Awan and Shahzad Bukhari (2010: 2) find that the main significant reasons in customer's selection of a bank are: a suitable location to home or place of business, length of bank-customers relationships and quality of services offered by the bank. Among other important selection criteria used by the customer, a suitable location ranked at the top according to priority, followed by other important factors such as friendly employees; constructive loan experience; advice of friends; and the influence of relatives' opinions.

It was found that factors such as the size of a bank's total asset and the availability of a large branch network have a great influence on customers' choice of banks (Maiyaki, 2011: 255). This is consistent with the findings of Edris and Almahmeed (1997). Furthermore, in both studies, it was found that the attractiveness of bank's branches and loan charges tend to be great influential among the determinants of bank selection.

Meyer, cited in Anani (2010: 25), offers the following principles for dealing with retail banking customers:

- Retail bank customers want to be treated as a valued customer;
- Every retail bank customer highly values having branches conveniently located in their banking relationship and
- The level of fees and the quality of services provided by retail banks are what drive customer contentment with the retail bank.

3.6 Customer satisfaction as a key success factor in retail banking

Rust and Zahorik (1993: 194) provide a statistical framework for assessing the value of customer satisfaction. This framework assists retail bank managers to determine which customer satisfaction elements have the greatest impact, and how much money should be spent to improve particular customer satisfaction elements. The authors demonstrated the application of their approach in a pilot study of a retail banking market, whereas Athanassopoulos (2000: 195) performed a complete survey on customer satisfaction in retail banking services in Greece. The study proposed an instrument of customer satisfaction that contains service quality. Performance hints of the customer satisfaction instrument are also explored by several authors. Manrai and Manrai (2007: 208) investigate the relationship between customer satisfaction and bank service switching behaviour, it is mediated by the importance of a particular bank service to a particular customer and by the nature of competitive offerings for different types of banking services available from other banks.

Gil, Berenguer and Cerveral (2008: 922), in their research, illustrate that services encountered directly, significantly affect perceived service value, which is the final antecedent to customer satisfaction in the banking industry. An investigation by Sweeney and Swait (2008: 180) focuses on the important role of brand of bank, in managing the churn of current customers and improving their satisfaction. In addition, the importance that customers place on service quality attributes is the driver of satisfaction. Satisfied customers, according to Zairi (2000: 389–394), could possibly share their experiences with five or six people, while dissatisfied clients might inform another ten.

Measures to increase customer satisfaction are set out by Saiz and Pilorge, (2010: 22), as follows:

- There are some services that customers are receiving and not expecting, therefore retail banks should identify opportunities to cut costs and ensure customers receive the service through their preferred channel;
- Customers are demanding improved access to personal advisors: this does not mean retail banks must invest in more branches, instead they should improve access and communications using remote channels, and increase customer perception
- Due consideration should be given by retail banks to the services they promise to customers versus what they actually deliver, and deficiencies need to be addressed; and
- Retail banks should spend more resources on identifying and engaging customers as advocates.

In conclusion, Ernst and Young (2011: 25), suggest that banks should learn from their satisfied customers' experiences through feedback, to gain insights so as to ensure increased satisfaction across the entire customer base. Wirtz (1994: 155) states that service providers (Retail banks) have significant opportunities to manage the interactions that together form the experience. In addition, the importance customers place on service quality attributes is the driver of satisfaction (Vanniarajan and Anbazhagan, 2007).

3. 7. Building a customer-experience in retail banking

A customer experience is an interaction between an organisation and a customer, as perceived through a customer's conscious and subconscious mind (Shaw, Dibeehi and Walden, n. d.). It is a blend of an organisation's rational performance, the senses stimulated and the emotions evoked and intuitively measured against customer expectations, across all moments of contact.

At the heart of understanding customers' needs, attitudes, expectations and behaviors, is the ability to gather real, practical data from the customer. This information may, at a quantitative level, be based on customer interaction data and the developing of customer-specific measurements. According to Haeckel, Carbone and Berry (cited in Drotskie, 2007: 121), the total experience of the customer influences perceptions of the value directly, along with word-of-mouth backing and continued client support. Besides that, customer analytics should be part of the input. In this sense, customer information should be based on customer perspectives and applied to the capabilities design process.

The retail banks should, as recommended by Schur and Heffernan (2008: 13), implement or effect the following actions in building customer-experience:

- **Create and/or repurpose customer research capabilities** to capture and analyze customer perspectives, on key interactions, across contact channels and drive customer focused enterprise improvement initiatives.
- **Work directly with customers** to help articulate their "moments of truth" and use their feedback to improve their experiences.
- **Collect more customer experience information** for example, selection reasons, key banking goals and needs.

- **Embed customer experience metrics into the organisation** and correlate operational and financial performance factors to changes in customer advocacy scores and customer profitability.
- **Structure a data governance capability** that allows the information to be easily retrieved and used by the corporation to provide a single view of the customer.

On the other hand, Smalltree (2012) suggests the following step of improving customer experience:

- **Obtain employee buy-in** (employees are the key to optimizing the customer experience). First, retail banks need to ensure they have hired loyal employees who are committed to the company and fully understand the company's mission.
- **Run an open, transparent business:** Openness in business and transparency build the trust of customers, and most experts agree that customer trust has a significant impact on the customer experience. The more open-minded, inclusive and transparent a company can be, the better.
- **Deliver consistent customer experiences:** every area of the retail bank that the customer interacts with should have the same, updated customer information, so that the customer doesn't need to give their information to the company more than once.
- **Train customer-facing employees:** this training needs to be more customized to reflect the retail banks' brand, desired customer experience and relationships with customers. Matters to cover in training include: The principles of customer experience; the concept of delivering memories and not just transactions; and the basics of customer segmentation.
- **Give customers a personalized experience:** the customer database is the backbone of a retail banks' relationship with the customer, and the

information stored inside should be shared with every staff member of the bank, that way, regardless of who the customer calls, they receive a consistent, personalized customer experience.

- **Take the customer's point of view:** By taking the customer's point of view, retail banks should stop focusing on the way the customer looks to them, and begin focusing on the way they appear to the customer. This can lead to more relevant, trustworthy and worthwhile business practices.

In conclusion, for retail banks to succeed on a long-term basis, the customer experience needs to be holistic. It is the sum-total of how customers engage with the bank and its brand, not just as a snapshot in time, but throughout the entire arc of being a customer (Richardson, 2010). The literature advocates that retail banks can gain a competitive advantage by civilizing the service quality accessible to customers. Retail banks should, therefore, understand customer expectations and perceptions of service quality.

3.8 Strategies used by retail banks to build customer devotion

Retail banks that embark on a customer devotion programme should strongly deliberate introducing a reward structure into their strategy, because retail banking is a connection business (Szűts and Tóth, 2008); and true devotion is based on arousing friendship, as well as a source of competitive advantage (Garcia Gómez, Gutiérrez, and Gutiérrez Cillíán, 2006: 388). Customer devotion, and ultimately retention, can only be attained by willingness to constantly adapt strategy, processes and technology, in order to address the issues that are vital to customers.

Keeping up with technological developments, to make it easier for customers to use mobile banking, should be a pre-requisite, while regulators have to overcome concerns about privacy and security, in light of the increase in Internet

banking: retail banks should develop a consistent control management approach. Whether in the branch, online, by phone, via ATMs or through the mail, the overall brand experience should be consistent.

3.8.1 Standard bank (STD Bank)

Standard Bank reduced the actual cost of banking for the consumer by making the expansions of its physical, electronic and mobile banking infrastructure more convenient.

MTN and STD Bank launched one of the first branchless banking services anywhere in the world in 2005 and invested an estimated USD 80 million in the service, but fell afoul of the regulator around their application of KYC standards and saw a very low uptake. As a result, MTN quietly exited from the service in 2010, and STD Bank is employing lessons learnt from the exercise in their Inclusive Banking roll-out (Bank monitor, 2012).

The STD Bank ATM network has been aggressively expanded, with 663 points representation, according to Schlebusch, (2010). The bank also introduced Auto Money, a low cost transactional device that has been distributed to more than 800 points of representation across the country.

Furthermore, STD Bank continues to refine and expand its bundled offerings to consumers. Three quarters of STD Bank's current account customers make use of bundled options. These transactional options provide consumers with access to the full spectrum of banking services and facilities, at lower cost. Consumers have access to free Internet and telephone banking and receive up to 120 electronic and branch transactions free per month (Schlebusch, 2010).

3.8.2 Amalgamated banks of South Africa (ABSA)

ABSA is one of the big four consumer banks in South Africa. As one of South Africa's largest financial service institutions, it offers an inclusive variety of banking solutions such as wealth management, investment management, retail and commercial banking, as well as financial and insurance services and products.

Customers who make use of Absa's in-store banking, are able to transact at the merchant retail stores, to withdraw from or deposit money into their accounts, purchase air-time, obtain mini-statements and check balances at point-of-sale machines. Currently, the only bank providing these services is ABSA.

In-store banking forms part of ABSA's overall Branchless Banking strategy, which aims to provide comprehensive banking services outside of the banks' traditional branches and to extend these services to its growing base of seven million entry level customers. Absa also uses smartphones for branchless banking. New delivery channels allow customers to open an Absa bank account using a Samsung tablet in less than ten minutes, instead of having to visit a branch (Kamhunga, 2011).

Twigg (2011), Managing Executive of ABSA's Entry Level and Inclusive Banking (ELIB), explains that ABSA does not only try to be at the forefront in terms of providing financial services. He states that, as the leading bank in South Africa, ABSA also has to take their broader responsibility into account, in helping to ensure the inclusion of so many "previously unbanked and under-banked" South Africans.

The need exists for retail banks to provide easier and cheaper options that will aid in bringing this sector of the market into formal banking, according to Twigg (2011). The author further states that ABSA could, by taking advantage of their

extensive retail footprint, extend its in-store banking facility to many of the existing retailer's countrywide. This would ensure maximum reach and accessibility to a larger customer base.

3.8.3 First national bank (FNB)

FNB has developed a product that allows customers to send money from their account to the "mobile wallet" of an unbanked recipient, in an effort to bridge the gap between the 'banked' and the 'unbanked' (Bank Monitor, 2012).

Furthermore, FNB believes the extensive ATM network in South Africa could be used more efficiently if the SASWITCH fees, paid by customers for using another bank's ATM, were eliminated. Customers would then use any bank ATM they wanted, without paying the SASWITCH fee. FNB is also certain that this would enable the industry to broaden national access to banking services and achieve more efficient utilization of the ATM infrastructure. These benefits would be passed on to customers in the form of savings in SASWITCH fees, which are estimated at over R500m annually across the banking sector, (Nxasana, 2006).

In addition, FNB's banking application via Facebook allows customers to check their balances, purchase prepaid products including airtime, SMS and BlackBerry bundles, as well as an option to view Lotto and Power-Ball results (Clark, 2012). This came about within a week of news that Facebook, in partnership with the Australian Commonwealth Bank, has developed a full online banking service that will be available on the site.

3.8.4 Nedbank

Nedbank is one of the largest banks in South Africa; however it is one of the newest banks to incorporate customer devotion strategies in South Africa. Several retail chains have been signed up by Nedbank, including PEP stores, who will open accounts and do cash-in and cash-out transactions (Bank Monitor, 2012).

Nedbank also launched an innovative ATM, known as the Intelligent Depositor, which enables customers to make large cash deposits, with immediate access to the funds, as it operates in real-time (Duguid, 2011). Nedbank customers can now make cash deposits daily, even after traditional hours of banking, helping them save time in long queues.

3.9 Conclusion

In summary, the strategies used by retail banks to build customer devotion, includes that of ABSA launching in store-banking, with the purpose of building long term relationships with their customers. On the other hand, Nedbank has launched an innovative ATM, known as the Intelligent Depositor, which enables customers to make large cash deposits, with immediate access to the funds, as it operates in real-time.

STD Bank provides consumers with access to the full spectrum of banking services and facilities, at lower cost. Consumers have access to free Internet and telephone banking with STD Bank and receive up to 120 electronic and branch transactions free per month. FNB, however, believes the industry should broaden national access to banking services and in doing so, achieve more efficient utilization of the ATM infrastructure. These benefits would be passed onto customers in the form of savings in SASWITCH fees.

The main purpose of all these strategies is to provide excellent service quality to the customer. The literature advocates that high service quality considerably improves financial performance in terms of profit margins, return on assets, and profit per employee, as well as capital sufficiency. Service quality and price are the foremost features motivating customers to switch their main bank.

An imperative ingredient impacting customers' satisfaction levels, service quality is also a key driver of retention and devotion in the banking industry. This further highlights the view that banks can no longer hope to keep today's customer, without providing quality services; these services offer benefits that seek to meet and exceed the perceived or expressed needs of the customer. Service quality is, furthermore, the biggest cause of customer attrition. Retail banks employ different strategies in ensuring that all customers and consumers are satisfied with the service they provide. A global consumer banking survey, shows service quality as the biggest cause of customer attrition; with 48 percent of worldwide customers, who are planning to change their main bank, citing this as the reason. Other key reasons are product and service offerings, the proximity of branches, and a lack of trust in the existing bank.

The research methodology followed by the study, is set out in Chapter four.

Chapter 4

Research Methodology

4.1 Introduction

The purpose of the study is to investigate service quality at four retail banks in Durban, with specific emphasis on identifying the level of satisfaction with customer service, received from retail banks in Durban.

The researcher used a quantitative measurement framework, with which to depict the measurability of a service quality in a retail banking environment, in the study. The results of the measured service quality can be utilized to understand the importance for the retail bank to provide excellent service quality in a retail banking environment.

This chapter portrays the research design and methodology applied in the study, to measure service quality in retail banking. The understanding gained through the literature review, as depicted in chapters two and three, plays a significant role in the formulation of the research problem, the development of the measurement framework and its contents, along with the questionnaire development.

A problem statement is a clear and precise statement of the question or issue to be investigated, with the aim of finding an answer, as described by Van der Wal (cited in Van Ravesteyn, 2005: 81). The success of the research and its relevance depends intensely on this part of the study process (Cooper and Schindler, 2001). The problem is defined clearly and it supports the remaining portion of the research.

4.2 Background to the research design and methodology

The measurement of service quality and customer satisfaction is a well-known research argument in the financial services and, more specifically, the retail banking environment. Throughout the 1980s the SERVQUAL measurement approach was developed, as described by Parasuraman et al., (1990: 34). This approach measures service quality gaps by computing the divergence among separate measures of customer expectations and perceptions. The SERVQUAL model reflects attributes in five service dimensions, namely tangibles (appearance of physical facilities, equipment, personnel and communication materials), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt serve), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence) and empathy (caring).

4.3 Research Design

Research design is the framework that directs marketing research efforts and is also classified as either exploratory or conclusive (Shao, 1999: 65), whereas Zikmund and Babin (2007: 493), Hair, et al (2006: 63) and Wiid and Diggins (2009: 54), define research design as a master plan that specifies the methods and procedures for collecting and analyzing the needed information. It should be added, that there is never one right or wrong design, as there are always many ways to tackle a problem (Churchill, 1996: 114). Therefore, this study was classified as descriptive research because it identifies the general nature of the problems and the related variables.

4.4 Population and sampling

When finding answers to research questions, more harm than good can be done if the population is not correctly targeted. The process of selecting the right individual for study is known as sampling (Sekaran, 2003: 264). The population target in this study, as well the sampling method is discussed in this section.

4.4.1 Population

The target population is the population to which the researcher ideally would like to generalize the results. In attitude surveys, population validity is extremely important; therefore, great care should be taken to obtain a representative sample in order to prevent a biased result (Welman and Kruger, 2005: 18). Furthermore, the word 'population' refers to the entire group of people under investigation (Sekaran, 2003: 265). Therefore, the population for this study is all customers of the selected retail banks, these being STD Bank, ABSA, FNB, and Nedbank.

4.4.2 Sample Selection

The basic idea of sampling is that by selecting some of the elements in a population, the researcher may draw conclusions about the entire population. There are a number of good reasons to make use of a sample. These include lower cost, greater accuracy of results, and greater speed of data collection, and availability of population elements (Cooper and Schindler, 2001: 163).

4.4.2.1 Selecting the sampling method: Quota sampling

This type of sampling is done when the sample is divided into quotas, of which the characteristics of interest represent the population (Cant, 2003: 128). The objective of quota sampling is to have proportional representation of the strata of the target population for the total sample, where certain characteristics describe the dimensions of the population (Cooper and Schindler 2001). In quota

sampling, the researcher defines the strata of the target population, determines the total size and sets a quota for the sample elements from each stratum. The findings from the sampling cannot be generalized because the choice of elements is not made using probability sampling methods.

Quota sampling was used in this study in order to improve representativeness. This type of sampling involves selecting the characteristics required in the sample and then sampling until adequate representation of each category is achieved. It means that distributing questionnaires to a certain group would be stopped after the prescribed quota is reached. It is often used when a researcher tries to represent a large population (Maylor and Blackman, 2005; 197).

A systematic sampling method was also used in order to prevent selection bias. The number seven was selected by using a list of random numbers. Interviewers were then requested to select every seventh member (both male and female), of the population that entered the campus. Once the interviewer completed an interview, they would begin counting again. This served to spread selections through the sampling frame, as opposed to having interviews with a group of friends.

4.5 Sampling Size

According to Cavana, Delahaye, and Sekaran (2001: 279), a sample size that is too large (for example, over 500) could result in inaccurate research findings, as it is possible for weak relationships to reach significant levels. Quota sampling was used in this study, because of the following reasons:

- It is easier to organize as compare to random sampling;
- More reliable than random sampling; and each group to be researched is included in the sample.

Therefore, a sample of 448 was decided on as appropriate for this study. The controls used to guide final selection are shown in Table 4.1

Table 4.1: Quota sampling for this study was used as follows:

University	Retail Banks	Female	Male	Total	University	Retail Banks	Female	Male	Total
Campus					Campus				
DUT-ML Sultan Campus	STD Bank	7	7	14	DUT-Steve Biko Campus	STD Bank	7	7	14
	ABSA	7	7	14		ABSA	7	7	14
	FNB	7	7	14		FNB	7	7	14
	Nedbank	7	7	14		Nedbank	7	7	14
DUT-City Campus	STD Bank	7	7	14	DUT-Ritson Campus	STD Bank	7	7	14
	ABSA	7	7	14		ABSA	7	7	14
	FNB	7	7	14		FNB	7	7	14
	Nedbank	7	7	14		Nedbank	7	7	14
UKZN-Westville Campus	STD Bank	7	7	14	UKZN-Howard Campus	STD Bank	7	7	14
	ABSA	7	7	14		ABSA	7	7	14
	FNB	7	7	14		FNB	7	7	14
	Nedbank	7	7	14		Nedbank	7	7	14
KZN-Edgewood Campus	STD Bank	7	7	14	MUT-Umlazi Campus	STD Bank	7	7	14
	ABSA	7	7	14		ABSA	7	7	14
	FNB	7	7	14		FNB	7	7	14
	Nedbank	7	7	14		Nedbank	7	7	14
Total number of quotas sample: 448									

4.6 Data collection

4.6.1 Introduction

A communication study was carried out and researchers questioned the subjects and collected their responses by personal means. A discussion, of how the data collection instrument was derived, follows;

4.6.2 Data Collection Instrument

Surveys are especially useful for capturing facts, opinions, behaviors or attitudes. They are also one of the quickest and cheapest ways of finding out information (Maylor and Blackman, 2005; 182), being more practical if a large number of responses is required, which you wish to analyse statistically. For these reasons, it seemed to be the ideal method to achieve the objectives of this study.

Data was gathered by means of questionnaires, administered to eight campuses: Durban University of Technology: (DUT) M L Sultan campus, DUT Steve Biko campus, DUT City Campus, DUT Ritson campus, University of KwaZulu Natal (UKZN) Westville campus, UKZN Howard campus, UKZN Edgewood campus and Mangosuthu University of Technology (MUT). (Questionnaire - Appendix A).

4.6.3 Source of instrument

A draft questionnaire was developed by making use of the information gathered during the literature review. The results and analysis of various similar studies were available from the literature, with questions all being closed-ended. According to Maylor and Blackman (2005: 191) a number of advantages are attached to this method:

- There is less likelihood of mistakes occurring.
- It is quick and easy to download data from the questionnaire.
- Interviewers can record the answers and respondents can answer these questions fairly speedily.

The interviewers that were employed ran a pilot test of five respondents each. These respondents were made up of individuals that were representative of the population. Interviewers were also requested to time the whole procedure, in order to find out if it was too long. This was important so that the whole process was not annoying when a promise such as 'it will take ten minutes of your time' was made. Finally, the Co-Supervisor and Supervisor of this research project read the questionnaire before it was distributed to the eight targeted Campuses. Final revisions were then made.

4.6.4 Structure of questionnaire

Standardised questionnaires were used in order to investigate service quality at retail banks in Durban and to draw conclusions based on the data collected.

The questionnaire started with a brief introduction explaining what the research was about. This questionnaire consists of four sections.

Section one: made up of six questions, required in order to establish the socio-demographic make-up of the respondent. As no names were required, the respondent's confidentiality was ensured.

Section two: labeled 'service expectation', it is based on customer experience. This section assisted with answering sub-objectives one and three. Question ten consists of 22 statements, from which the respondents were asked to indicate whether they receive what they expect from their banks. The respondents could choose from a range of four Likert scale options, ranging from "strongly disagree" on one end to "strongly agree" on the other.

Section three: headed as 'service perceptions' and helped to answer sub-objectives two and three. Question 11 consists of 22 statements, from which respondents were asked to indicate whether their banks in Durban have features described by the statements. The respondent could choose from a range of four Likert scale options, with "strongly disagree" on one end and "strongly agree" on the other end. All these questions were derived from previous results, obtained from studies that were noted during the literature review process.

Lastly, interviewers were instructed to thank respondents for their time and cooperation.

4.7 Data analyses

On completion of the fieldwork, data were verified and descriptive and inferential statistics extracted from the study. According to Welman and Kruger (2005: 194), once research has been conducted according to its planned design, the results obtained must be interpreted. The data was treated and edited using the latest statistical package, SPSS 17 for Windows, which reflected data as graphical presentations. Frequency tables were also utilized to contribute to the accuracy and efficiency of processing the data.

4.7.1 Descriptive statistics

Welman, Kruger and Mitchell (2005: 231) suggest that descriptive statistics are used to describe the basic features of the data in the study. Descriptive statistics refer to the organizing, summarizing and describing of quantitative data. The objective of descriptive research, as mentioned by Armstrong and Kotler (2006: 103), is to describe things, such as the market potential of a product or the demographics and attitudes of consumers who buy the product or service.

According to Welman et al (2005: 229), frequencies determine if the distribution is even across categories or if they cluster around one or two categories. Frequencies can be displayed in bar diagrams or pie charts; responses can be skewed towards one end of the scale. Based on the data collected, descriptive statistics were used. Graphical representation was used in the form of graphs depicting the results.

4.7.2 Inferential statistics

Inferential statistics are concerned with inferences that are made about population indices, on the basis of the corresponding indices obtained from samples drawn randomly from the population (Welman et al 2005: 236). Inferential statistics is the form used to test the Chi-square, and also calculate

the expectation and perception means, which were ultimately applied to the SERVQUAL calculation, so as to compute Gap scores for each of the five service quality dimensions.

4.7.3 Validity

Welman et al (2005: 142), define validity as the extent to which the research findings accurately represent what is really happening in the situation. In this study, validity was ensured by the following methods:

4.7.3.1 Face validity – This is an indication of whether the items being presented in the questionnaire are clear and understandable. This was ensured by pilot testing the questionnaire with a number of different groups of respondents, in order to assess their understanding of the requirements. This included researchers at the DUT: Department of Marketing, who could be classified as having expert opinions.

4.7.3.2 Content validity – This is an indication of whether the measures include a representative set of items that measure the concepts being addressed. This was ensured by confirming that all questions were derived from the literature review, including some which were directly derived from previous research results, reflected in the literature. Many of the results obtained from the literature were from professional consultants who had carried out commercial research.

4.7.3.3 Reliability

Reliability refers to the property of a measurement instrument that causes it to give similar results for similar inputs (Lind, Marchal, and Mason, 2004). Cronbach's alpha is a measure of reliability. Mathematically, reliability is defined as the proportion of variability in the responses to the survey; the result of differences in the respondents. In other words, answers to a reliable survey will

not differ because respondents have different opinions, not because the survey is confusing nor has multiple interpretations.

The computation of Cronbach's alpha is based on the number of items on the survey (k) and the ratio of the average inter-item covariance to the average item variance. Under the assumption that the item variances are all equal, this ratio simplifies to the average inter-item correlation, and the result is known as the Standardized item alpha (or Spearman-Brown stepped-up reliability coefficient). It must be noted that the Standardized item alpha is computed only if inter-item statistics are specified.

In this study, triangulation was used to confirm the reliability of decision making. Furthermore the researcher also ensured reliability by training the interviewers and motivated them to carry out the research. Interviewers were also closely supervised.

4.8 Conclusion

In this chapter, the research methodology used for the data analysis was addressed. The used of empirical study was explained as well as the structure and type of questionnaires used to collect the data. Factor analysis was used for the data interpretation. The findings from the empirical study will be discussed in the next chapter (chapter 5), together will graphical illustrations.

CHAPTER FIVE DATA ANALYSIS AND DISCUSS OF RESULTS

5. 1 Introduction

In the preceding section of this study (Methodology), the approach adopted in conducting the research was explained and the reliability and validity of the research study examined.

This chapter presents the results and discusses the findings obtained in this study from the questionnaire. Data collected from the responses was analyzed with statistical package SPSS, version 20.0. The results will be presented in the form of graphs, cross tabulations and other figures.

5. 2 Results of the questionnaire

Section one of the questionnaire consisted of six questions; required in order to establish the socio-demographics of the respondents. As no names were required, respondents' confidentiality was ensured.

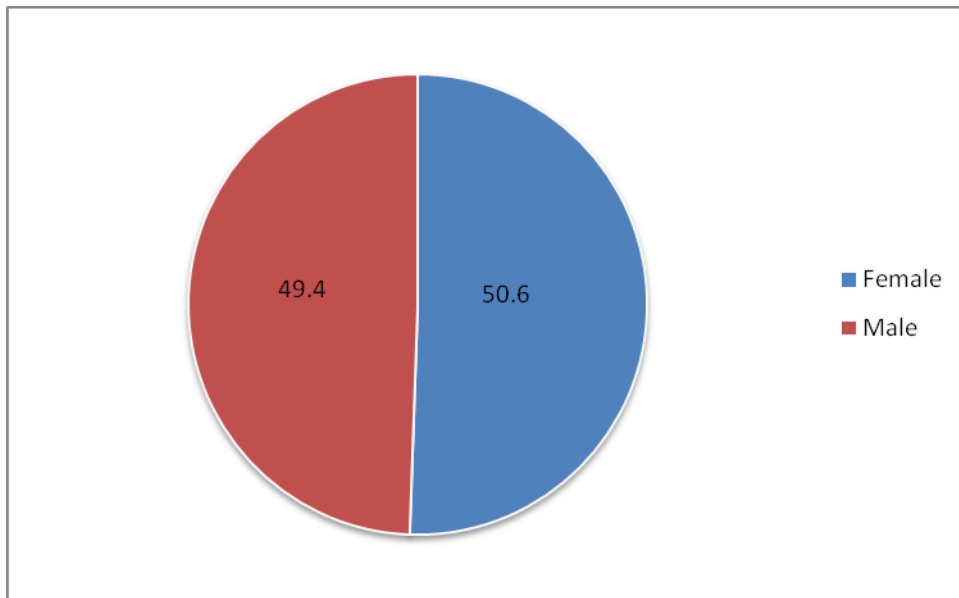
TABLE 5.1: Summary of results GENDER

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	181	50.4	50.6	50.6
	Male	177	49.3	49.4	100.0
	Total	358	99.7	100.0	
Missing	System	1	.3		
	Total	359	100.0		

According to Table 5.1, it is evident that the majority of the respondents were female (50.6%; n = 181). The rest of the respondents consisted of 177 males (49, 3%).

The figure below indicates the gender composition of the sample.

Figure 5.1: Gender composition



The gender percentage of the respondents is depicted in Figure 5.1, reflecting that 50, 6 percent of the respondents are female, while 49,4 percent of the sample is represented by males. Therefore, the ratio by gender was almost 1:1. The sample was chosen from students at campuses in the Durban vicinity. Table 5.2 indicates the distribution by campus.

Table 5.2: Campuses Respondents

Campus Name		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DUT ML Sultan Campus	51	14.2	14.3	20.7
	DUT Steve Biko Campus	58	16.2	16.2	46.5
	DUT City Campus	23	6.4	6.4	6.4
	DUT- Ritson	46	12.8	12.9	75.1
	UKZN Westville Campus	56	15.6	15.7	62.2
	UKZN - Howard Campus	39	10.9	10.9	100.0
	UKZN - Edgewood Campus				
	Campus	50	13.9	14.0	89.1
	MUT	34	9.5	9.5	30.3
	Total	357	99.4	100.0	
Missing	System	2	.6		
	Total	359	100.0		

Figure 5.2: Respondents by Campus

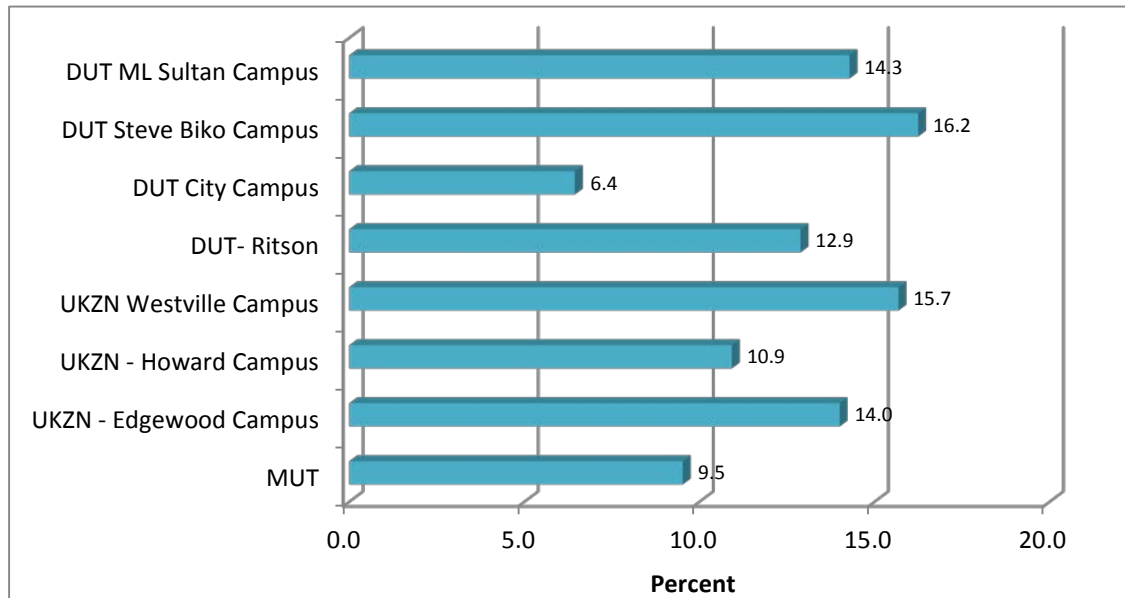


Table 5.2 and Figure 5.2 on respondents by campus illustrates the number of respondents who were able to complete and return the questionnaires is 359 (80 percent) from a total of 448, which left only 20 percent (n = 89) of the

respondents who didn't return the questionnaires. DUT's Steve Biko Campus reflected a high return at 16.2 percent (n = 56), followed by UKZN's Westville Campus with 15.7 percent (n = 56). Only 6.4 percent (n=56) of those respondents who were able to return the questionnaires were from the DUT City Campus; this represents the smallest number of respondents. Furthermore, it is noted that for the most part, there is a proportional representation of the students by campus size.

The length of time respondents have held accounts with various banks is illustrated in Table 5.3.

Table 5.3: Years of being a client of current bank

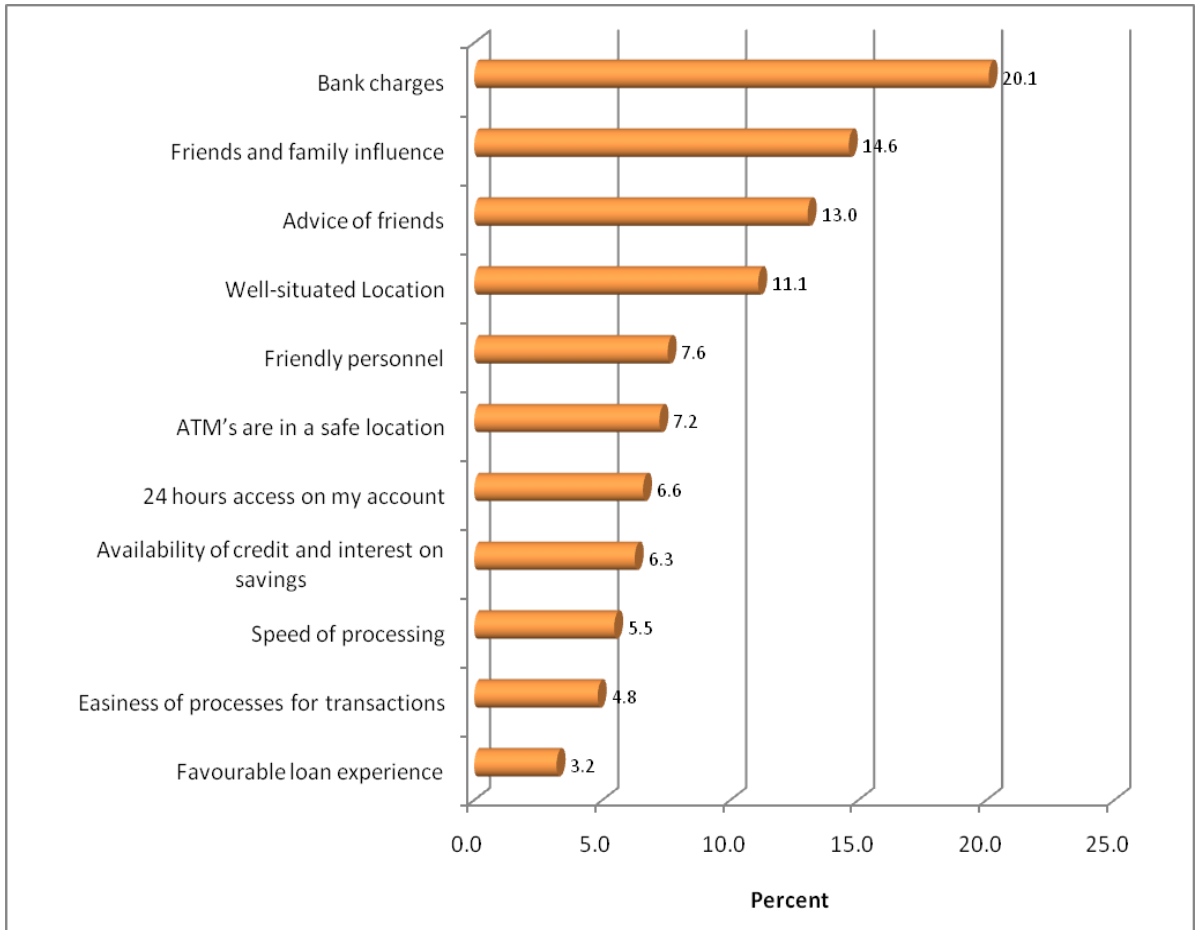
Question		How long have you had your bank account?				Total
Bank name and response		Less than a year	1 - 3 years	4 - 6 years	7 - 10 years	
Standard Bank	Count	33	67	29	2	131
	% of Total	9.0	18.2	7.9	0.6	35.6
ABSA Bank	Count	14	40	27	5	86
	% of Total	3.8	10.9	7.3	1.4	23.4
First National Bank	Count	15	33	22	3	73
	% of Total	4.1	9.0	6.0	0.8	19.8
Nedbank	Count	21	36	15	6	78
	% of Total	5.7	9.8	4.1	1.7	21.2
Total	Count	83	176	93	16	368
	% of Total	22.6	47.8	25.3	4.3	100.0

More than a third of the respondents (35, 6 percent, n = 131) hold accounts with Standard Bank. Nearly half of the respondents (47, 8 percent) have operated their accounts for between one to three years. More than a quarter (25, 3 percent), have held their accounts for between four to six years. Respondents who have retained accounts for between seven to ten years are at 3, 5 percent

and only 0, 8 percent of the respondents have had a bank account for more than 12 years.

Some of the reasons that were given, as to why respondents chose their respective banks, are illustrated below in Figure 5.3.

Figure 5.3: Determinant factors in selecting a bank



The single most important reason given, when choosing a bank, was financial. Approximately one-fifth (20, 1 percent) indicated that low or reasonable bank charges were the primary motivating factor. The influence of family and friends, and advice given by friends (combined total of 27,6 percent) also play an important role in choosing a bank. Only 18, 2 percent of respondents confirmed

that they select a bank because of the ATM's being located safely and the bank being in a well-situated area. Additionally, Figure 5.3 shows that easiness of processes for transactions (4, 8 percent); speed of processing (5, 5 percent) and a favourable loan experience (3, 2 percent), although important, these factors are not the main determinants in selecting a bank.

5.3 Factor Analysis

Used to study the patterns of relationship among many dependent variables, factor analysis has the goal of discovering something about the nature of the independent variables that affects them; even though those independent variables are not measured directly. In this research, the five dimensions are the independent variables and the statements that constitute them are the dependent variables. The inferred independent variables are called *factors*.

Certain components are divided into finer components. This is explained below in Table 5.4, which illustrates the rotated component matrix.

Table 5.4: Rotated Component Matrix

	Rotated Component Matrix	Expectations					Perceptions				
		Component					Component				
		1	2	3	4	5	1	2	3	4	5
Tan1	An excellent Bank must have modern-looking equipment	.046	.799	.184	-.111	.072	.707	.317	-.011	.032	.128
Tan2	Self-service machines like ATM, self-service terminal (SST) must be easily usable	.054	.794	.133	.095	.045	.757	.220	.117	.150	.038
Tan3	Ordinary people must be able to read and understand bank statements, and deposit slip	.246	.824	.141	.045	.033	.794	.138	.123	.127	.028
Tan4	All staff members must appear professionally dressed	.319	.759	.150	.156	.012	.084	.107	.161	.033	.948
Rel5	Communicate effectively	.304	.769	.145	.277	.009	.734	.245	.320	.081	.030
Rel6	Listen effectively to my needs	.373	.724	.120	.286	.031	.690	.211	.363	.199	.022
Rel7	Excellent bank will insist on error free records	.309	.564	.213	.525	.064	.647	.132	.330	.414	.023
Rel8	Employees in an excellent bank will tell customers exactly when service will be performed	.203	.497	.368	.515	.087	.476	.273	.185	.651	.048
Rel9	When a customer has a problem, an excellent bank will show a sincere interest in solving it	.392	.384	.350	.422	.080	.505	.422	.215	.391	-.044
Resp10	Employees in an excellent bank will tell customers exactly when services will be performed	.130	.091	.095	.065	.977	.447	.489	.153	.325	.237
Resp11	Employees in an excellent bank will give prompt service to customers	.649	.208	.169	.419	.108	.475	.641	.154	-.044	.132
Resp12	Employees in an excellent bank will always be willing to help customers	.731	.144	.258	.280	.036	.495	.600	.284	-.124	.108
Resp13	The behaviour of employees in an excellent bank will instil confidence in customers	.709	.224	.280	.221	.051	.324	.657	.262	.159	.138
Assur14	Employees show consideration and respect	.688	.243	.307	.282	.030	.131	.755	.285	.293	.001
Assur15	Employees treat all customers as a valued customer	.752	.241	.329	.062	.045	.190	.750	.342	.103	-.035
Assur16	Employees in an excellent bank will be consistently courteous to customers	.765	.198	.271	.027	.077	.220	.566	.411	.335	.109
Assur17	Employees in an excellent bank will have knowledge to answer customers' questions	.665	.287	.404	-.183	.072	.423	.388	.508	-.135	.038
Emp18	An excellent bank will give customers individual attention	.514	.185	.595	-.113	.048	.242	.453	.635	.082	.083

Emp19	Excellent bank will have operating hours convenient	.429	.255	.605	.127	.068	.371	.313	.702	-.178	.034
Emp20	An excellent bank will have employees who give customers personal attention	.311	.289	.709	.121	.064	.230	.364	.658	.231	.101
Emp21	Employees in an excellent bank will understand the needs of their customers	.272	.206	.742	.126	.034	.293	.277	.699	.275	.124
Emp22	An excellent bank will offer a queuing service such as Q-entertainment service and Q-education	.334	.002	.634	.311	.039	-.027	.101	.787	.153	.070

It is noted that only the variables that constituted the component of Empathy for both Expectations and Perceptions, loaded perfectly along one factor. This was also true for Tangibles and Assurance for Expectations. This indicates that the questions (variables) that constituted these components perfectly measured the component. That is, the component measured what it was meant to measure. However, the other components have factors that overlap, indicating a mixing of factors. This means that the questions in the overlapping components did not specifically measure what was set out to measure or that the components split along themes. One possibility is that respondents did not clearly distinguish between the questions constituting the components. This could be with respect to interpretation or the inability to distinguish what the questions were measuring.

5.4 Dimensions analysis with gap score

The tables and graphs below indicate the accepted and perceived scores in addition to the gap for each question for each dimension. The discussion that follows below answer the third research sub-objective “To measure the gaps between customer expectations (E) and perceptions (P) of service quality, using a modified version of the SERVQUAL model”

Table 5.5: Table of the mean and gap scores

		E	P	Gap
TAN1	An excellent Bank must have modern-looking equipment	3.2841	3.3580	-0.07
TAN2	Self-service machines like ATM, self-service terminal (SST) must be easily usable	3.3362	3.4159	-0.08
TAN3	Ordinary people must be able to read and understand bank statements, and deposit slip	3.3048	3.3853	-0.08
TAN4	All staff members must appear professionally dressed	3.3295	3.3879	-0.06
REL5	Communicate effectively	3.3229	3.3664	-0.04
REL6	Listen effectively to my needs	3.3517	3.3837	-0.03
REL7	Excellent bank will insist on error free records	3.2933	3.3423	-0.05
REL8	Employees in an excellent bank will tell customers exactly when service will be performed	3.2486	3.2784	-0.03
REL9	When a customer has a problem, an excellent bank will show a sincere interest in solving it	3.3112	3.3174	-0.01
RESP10	Employees in an excellent bank will tell customers exactly when services will be performed	3.3631	3.2946	0.07
RESP11	Employees in an excellent bank will give prompt service to customers	3.2406	3.2679	-0.03
RESP12	Employees in an excellent bank will always be willing to help customers	3.2886	3.3155	-0.03
RESP13	The behaviour of employees in an excellent bank will instil confidence in customers	3.2421	3.3015	-0.06
ASSUR14	Employees show consideration and respect	3.2870	3.3363	-0.05
ASSUR15	Employees treat all customers as a valued customer	3.2841	3.3049	-0.02
ASSUR16	Employees in an excellent bank will be consistently courteous to customers	3.2171	3.2689	-0.05
ASSUR17	Employees in an excellent bank will have knowledge to answer customers' questions	3.2507	3.2913	-0.04
EMP18	An excellent bank will give customers individual attention	3.2951	3.2333	0.06
EMP19	Excellent bank will have operating hours convenient	3.2312	3.2356	0.00
EMP20	An excellent bank will have employees who give customers personal attention	3.2277	3.2394	-0.01
EMP21	Employees in an excellent bank will understand the needs of their customers	3.2155	3.1875	0.03
EMP22	An excellent bank will offer a queuing service such as Q-entertainment service and Q-education	2.9222	2.9313	-0.01

Table 5.5, provides a summary of the mean expected (E) and perceive (P) scores by dimension. The different between these score provide the gap scores

5.4.1: Tangibles

This dimension refers to the facilities, equipment and material used, which must reflect positively on the organisation (Brink and Berndt, 2005: 60); this includes the appearance of the employees. Furthermore, Zeithaml, Bitner and Gremler, (2006: 122) state that the circumstance of the physical surroundings is tangible verification of the care and attention to feature, that are exhibited by the retail bank. Table 5.6 reflects the tangible factors expected and perceived by retail bank customers, in addition to the relevant gap for each question.

Table 5.6: Tangibles mean scores and frequencies

Service Quality Dimension And Statements		Expectations		Perceptions		Gap Score	Average Gap Score
		Mean	Std. Deviation	Mean	Std. Deviation		
TAN1	An excellent Bank must has modern-looking equipment	3.28	0.77	3.36	0.73	-0.07	-0.07
TAN2	Self-service machines like ATM, self-service terminal (SST) must be easily usable	3.34	0.77	3.42	0.68	-0.08	
TAN3	Ordinary people must be able to read and understand bank statements, and deposit slip	3.30	0.77	3.39	0.65	-0.08	
TAN4	All staff members must appear professionally dressed	3.33	0.78	3.39	0.67	-0.06	

The scores in Table 5.6, between expectations and perceptions, are shown to be similar for both. Hence, the gap scores are similar as well. Tables of mean scores and frequencies are also presented by dimension.

5.4.1.1 Comprehensive statistics of statements

The following paragraphs are the comprehensive statistics based on the four intangible dimension statements.

5.6.1.1.1 Statement one: An excellent bank has modern-looking equipment

The data reflected in Figure 5.4 reveal the expectations and perceptions of respondents in this study, in terms of retail banks providing modern-looking equipment. The aim of Statement one is to gain the expectations and perceptions regarding the modernity of the retail bank's equipment. The expectation's mean score was 3.28 and the perceived mean score was 3.36. The mean gap score was -0.07. This finding reveals that the gap is relatively small and it can, therefore, be concluded that retail bank customers are satisfied with the equipment at the retail banks.

5.4.1.1.2 Statement two: Retail banks have self-service machine facilities

The objective of Statement two is to determine the customers' expectations and perceptions, as to whether retail banks provide their customers with self-service machine facilities, such as ATMs and Self-Service Terminals (SST). As indicated in Figure 5.4, respondents' mean scores for expectations were 3.34 and perceptions were 3.42. The mean gap score for this Statement was -0.08. This exhibits that retail bank customers are satisfied with this Statement. Dhurup, Singh and Surujlal (2006: 47) endorse that visually appealing facilities in the retail banks are important in the evaluation of a service.

5.4.1.1.3 Statement three: Ordinary people are able to read and understand bank statements, and deposit slips

The data shown in Figure 5.4 reflects the expectations and perceptions of respondents in this study in terms of whether ordinary people are able to read and understand bank statements fill deposit slips out easily. As indicated in Figure 5.4, respondents' mean scores for customer expectations were 3.34, whereas customer perceptions means were 3.39. The gap for this Statement was a mean of -0.08, which is relatively small, suggesting that retail bank customers still have a problem when it comes to reading and understanding bank statements and they need more assistance with regards to filling out a deposit slip.

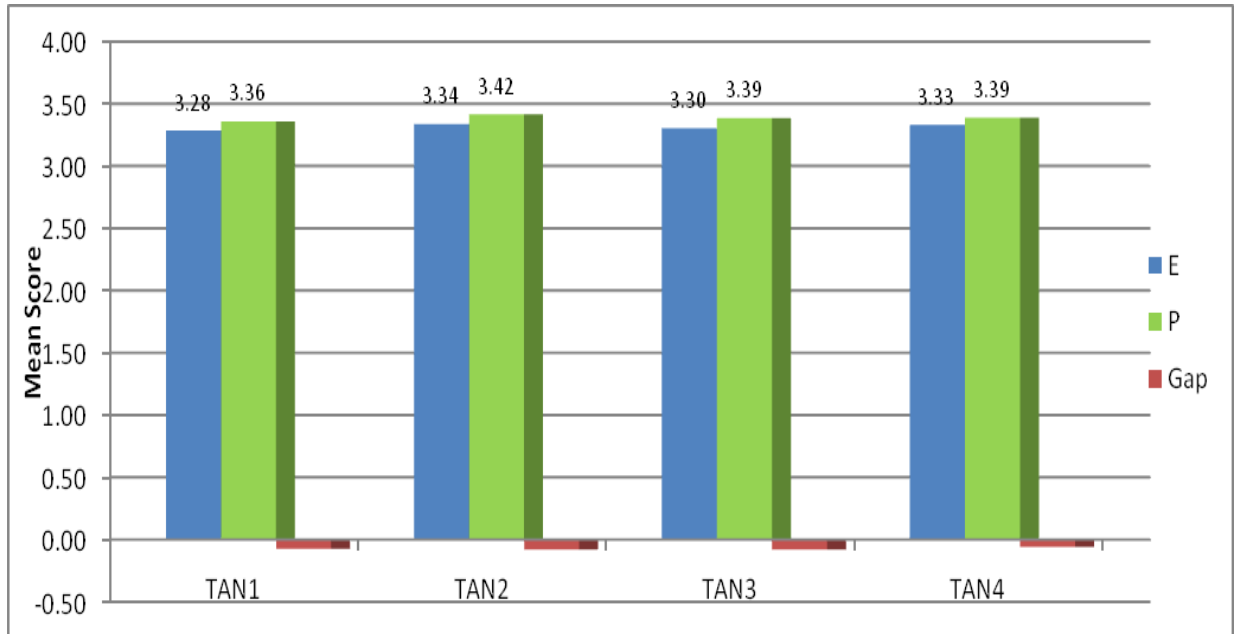
5.4.1.1.4 Statement four: Employees are neat in appearance

As indicated in Figure 5.4, respondents' mean scores regarding employees' appearance for customer expectations were 3.33 and customer perceptions were 3.39. The mean gap score between the expectations and perceptions was -0.06. Comparing all gaps in the tangibility dimension, this Statement shows the smallest gap. The results suggest that retail bank employees are neat in appearance.

It was observed that the average gap score for the tangible dimension was -0.07. This is very small, indicating that the expectations of the respondents have, for the most part, been met, with respect to the physical (tangible) attributes of the bank. The average score values are greater than three, implying more respondents agreed with the statements than disagreed. This can be verified by using the individual frequency tables for each statement (for each dimension). This dimension can be achieved, if complaints of all customers are handled in a proficient and professional manner by the retail banks employees.

The graphical output of the table values are depicted in Figure 5.4.

Figure 5.4: Expected and perceived tangible scores.



The expected and perceived tangibles scores for four statements are illustrated, as is the tangible gap score (Figure 5.4). It was observed that the average gap score for the tangible dimension was -0.07. This is very small, indicating that the expectations of the respondents have, for the most part, been met, with respect to the physical (tangible) attributes of the bank.

5.4.2 Reliability

Statements used to assess the reliability of service quality of retail banks in the greater Durban area, are set out below. Table 5.7 shows the expected and perceived retail bank scores for the reliability dimension. This dimension concerns the ability to perform services consistently and precisely.

Table 5.7: Expected and perceived reliability scores

		Expectations		Perceptions		Gap Score	Average Gap Score
		Mean	Std. Deviation	Mean	Std. Deviation		
REL5	Communicate effectively	3.32	0.75	3.37	0.61	-0.04	-0.03
REL6	Listen effectively to my needs	3.35	0.76	3.38	0.61	-0.03	
REL7	Excellent bank will insist on error free records	3.29	0.69	3.34	0.64	-0.05	
REL8	Employees in an excellent bank will tell customers exactly when service will be performed	3.25	0.69	3.28	0.69	-0.03	
REL9	When a customer has a problem, an excellent bank will show a sincere interest in solving it	3.31	0.67	3.32	0.64	-0.01	

The average gap for this dimension is 0.03. This gap is also very small and implies that similar ratios of respondents agreed (and disagreed) with the statements regarding expectations and perceptions.

5.4.2.1 Comprehensive statistics of statements

The following paragraphs are the comprehensive statistics based on the five reliability dimension statements.

5.6.2.1.1 Statement five: Communicate effectively

The purpose of making this Statement is to find out how well the retail banks communicate with their customers. Figure 5.5 reveals the customer expectations means and customer perception means of retail bank customers. The mean scores for respondents' expectations were 3.32 and for perceptions 3.37. The gap score was -0.04, which is relative big, suggesting that retail bank customers have a problem when it comes to communication.

5.4.2.1.2 Statement six: Listen effectively to my needs

Statement six aims to assess whether the retail banks employees are able to listen to the needs of their customers. The mean score for customer expectations and customer perceptions were 3.35 and 3.38, respectively. Figure 5.5 illustrate that the gap score was -0, 03.

5.4.2.1.3 Statement seven: Excellent bank will insist on error free records

Statement seven aims to determine whether retail banks assist their customers with error free records. The mean scores for customer expectations and customer perceptions were 3.29 and 3.34, respectively. Figure 5.5 shows that the gap score was -0.05, indicating retail banks keeps accurate records.

5.4.2.1.4 Statement eight: Employees in an excellent bank will tell customers exactly when service will be performed

The aim of Statement eight is to determine whether prompt service is provided to retail bank customers. The means scores for customer expectations and customer perceptions were 3.25 and 3.28, respectively. The gap score, shown

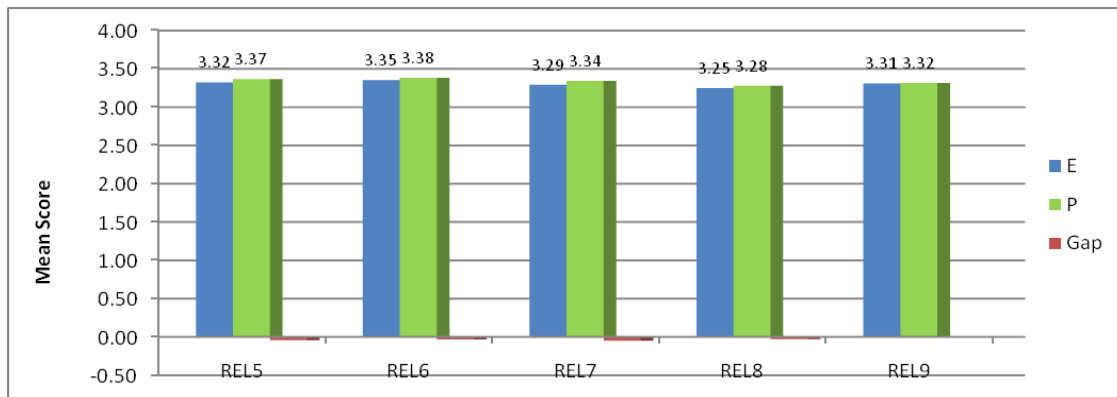
in Figure 5.5 to be -0.03, indicates the biggest gap in the reliability dimension of service quality. Blose and Tankersley (2004: 78) suggest that service providers (retail banks) are evaluated on the extent to which service is timeously delivered.

5.4.2.1.5 Statement nine: When a customer has a problem, an excellent bank will show a sincere interest in solving it.

Statement nine aims to assess whether retail banks shows a sincere interest in problem solving. All the respondents expect the retail banks to show a sincere interest in solving their problems, as per table 5, 7. The perception is that retail bank do show a sincere interest in solving their customer problems as all of the respondents did agree with the statement, as indicated in table 5.7 and also illustrated in figure 5.5.

The figure below (Figure 5.5) is a graphical representation of the data.

Figure 5.5: Expected and perceived reliability scores



The scoring patterns reflected are consistent with the small gap score. It implies that the levels of expectation were not far off the levels of reliability received. The average values being greater than three also indicate that for both expectations and perceptions, more respondents agreed with the statements than disagreed.

5.4.3 Responsiveness

This dimension is about willingness to help and providing prompt service to the customers (Bitner and Gremler, 2006: 117). The only way of keeping customers, is that retail bank employees must be willing to help customers and they must try, by all means, to avoid keeping customers waiting for no apparent reason, this can help to create the necessary positive perceptions of service quality (Brink and Berndt, 2005: 60). Both Table 5.8 and Figure 5.6 illustrate the expected and perceived retail bank scores for the responsiveness dimension, in addition to the gap for each Statement.

Table 5.8: Expected and perceived responsiveness mean scores and frequencies

		Expectations		Perceptions		Gap Score	Average Gap Score
		Mean	Std. Deviation	Mean	Std. Deviation		
RESP10	Employees in an excellent bank will tell customers exactly when services will be performed	3.36	2.29	3.29	0.67	0.07	-0.01
RESP11	Employees in an excellent bank will give prompt service to customers	3.24	0.69	3.27	0.66	-0.03	
RESP12	Employees in an excellent bank will always be willing to help customers	3.29	0.71	3.32	0.66	-0.03	
RESP13	The behaviour of employees in an excellent bank will instil confidence in customers	3.24	0.68	3.30	0.67	-0.06	

5.4.3.1 Comprehensive statistics of statements

The following paragraphs are the comprehensive statistics based on the four responsiveness dimension statements.

5.4.3.1.1 Statement ten: Employees in an excellent bank will tell customers exactly when services will be performed

Statement ten aims to assess whether retail banks are able to inform the customers exactly when the service will be performed. Figure 5.6 reveals the expectations and perceptions of respondents in terms of retail bank employees, how well they inform customers about the service provided to them. The mean scores for respondents' expectations and perceptions were 3.6 and 3.29, respectively. The gap score was 0.07. There indicate that there is room for improvement in this regard.

5.4.3.1.2 Statement eleven: Employees in an excellent bank will give prompt service to customers

Statement eleven aims to reveal the retail bank customers' expectations and perceptions with regard to the turnaround time in responding to their requests and queries. . Figure 5.6 indicates the expectations and respondents in terms of responsiveness of the staff. The mean scores for customer expectations and perceptions were 3.24 and 3.27, respectively. The gap score for this Statement was -0.03.

5.4.3.1.3 Statement twelve: Employees in an excellent bank will always be willing to help customers

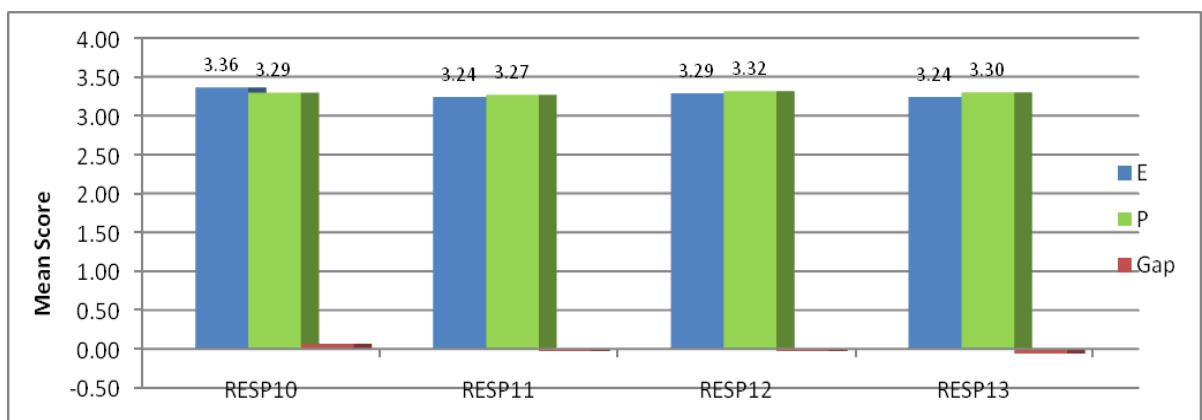
The aim of Statement twelve is to assess if employees are willing to help customers. Figure 5.6 reveals the expectations and perceptions of respondents in of responsiveness of retail bank employees. The means scores for expectations and perceptions were 3.29 and 3.27. The gap score for this Statement was -0.03.

5.4.3.1.4 Statement thirteen: The behaviour of employees in an excellent bank will instil confidence in customers

The aim of this Statement thirteen is to estimate whether the retail bank employees can instill confidence in customers. As shown from figure 5.6, the mean scores for expectations and perceptions were 3.24 and 0.67. The score was -0.06. This was smallest gap in this dimension of service quality.

The figure below is a graphical representation of the data values in the table above.

Figure 5.6: Expected and perceived responsiveness scores



This dimension shows (the joint) lowest gap value of 0.01. This implies that the mean expectation score perfectly matches the mean perception score.

5.4.4 Assurance

Bruhn and Georgie (2006; 52) make it clear that, Guarantee refers to the retail bank's capability to deliver the output, specifically in terms of the politeness and trustworthiness of the retail bank employees; whereas, Yeo (2008: 281) support this statement. The author holds that Guarantee in the retail bank should be determined by sufficient guidance given to customers in all aspects. Table 5.9 and Figure 5.7 depict the expected and perceived retail bank scores for the assurance dimension, in addition to the gap for each Statement.

Table 5.9: Expected and perceived mean assurance scores

		Expectations		Perceptions		Gap Score	Average Gap Score
		Mean	Std. Deviation	Mean	Std. Deviation		
ASSUR14	Employees show consideration and respect	3.29	0.70	3.34	0.61	-0.05	-0.04
ASSUR15	Employees treat all customers as a valued customer	3.28	0.70	3.30	0.64	-0.02	
ASSUR16	Employees in an excellent bank will be consistently courteous to customers	3.22	0.70	3.27	0.64	-0.05	
ASSUR17	Employees in an excellent bank will have knowledge to answer customers' questions	3.25	0.66	3.29	0.64	-0.04	

5.4.4.1 Comprehensive statistics of statements

The following paragraphs are the comprehensive statistics based on the four assurance dimension statements.

5.4.4.1.1 Statement fourteen: Employees show consideration and respect

Figure 5.7 illustrates that the respondents' expectation and perception mean scores regarding the employees showing respect to customers, were 3.29 and 3.34, respectively. The gap score was -0.05.

5.4.4.1.2 Statement fifteen: Employees treat all customers as a valued customer

This Statement aims to determine how the retail bank employee treats their customer. Are they treating their customer as equal? Figure 5.7 shows that the responded expectation and perceptions mean score 3.28 and 3.30, respectively. The gap score -0.02.

5.4.4.1.3 Statement sixteen: Employees in an excellent bank will be consistently courteous to customers

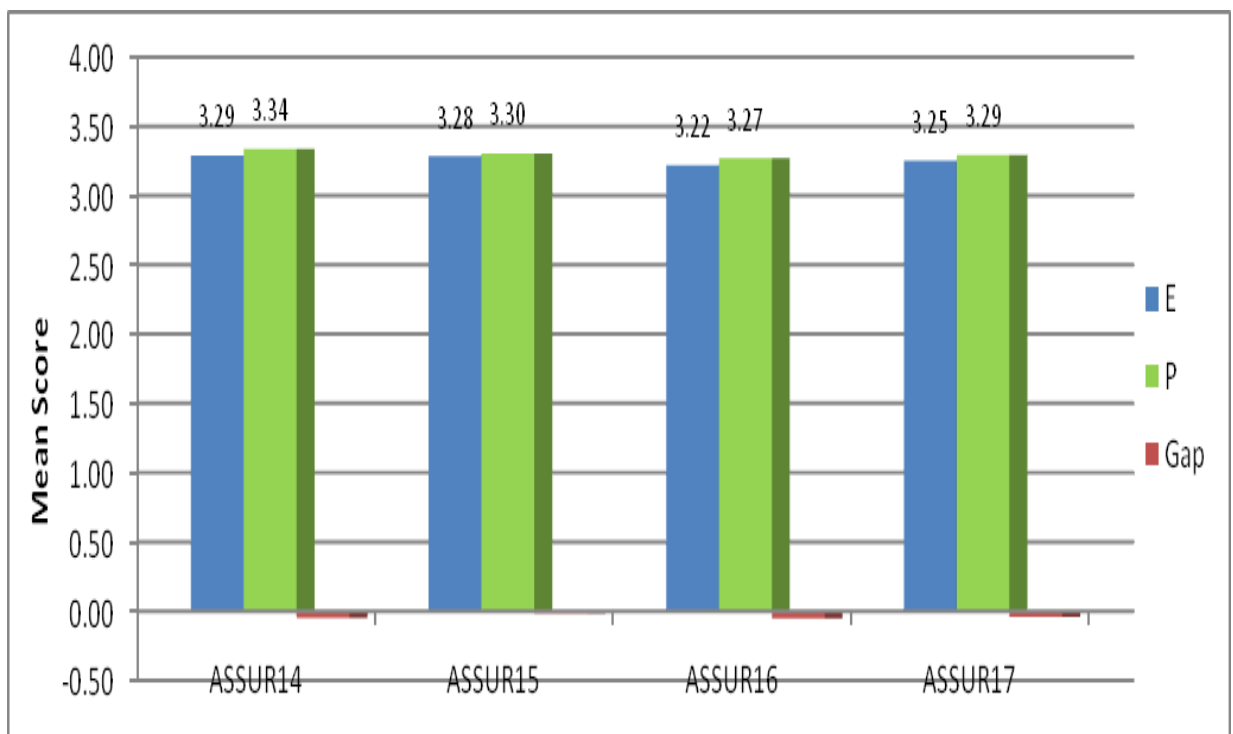
The purpose for this Statement is to find out how consistent the retail bank employees assist customer. The expectations mean score was 3.22, and the perceived mean score was 3.27. The gap score was -0.05. This finding shows that retail bank employees are courteous to their customers.

5.4.4.1.4 Statement seventeen: Employees in an excellent bank will have knowledge to answer customers' questions

The data in figure 5.7 reveals the expectations and perception of respondents in term of professional knowledge of employees. The expectations mean score was 3.25 and the perceptions score was 3.29. The gap score was-0.04. As retail bank employees are at the touch-point of interaction, the character and deliverable service of the employees was essential importance.

The below figure illustrate the results for all four statements

Figure 5.7: Expected and perceived assurance scores



The mean gap score for this dimension is only slightly higher than in the previous section. The value is small, which again indicates that there is a match in the scoring patterns between the expectations and perceptions

5.4.5 Empathy

Dhurup, Singh and Surujlal (2006: 42); and Zeithaml, Bitner and Gremler (2006: 120), they clearly state that, tolerant convey to caring and individualizing attention that retail banks provides to their customers. Table 5.10 and Figure 5.8 reveals the expected and perceived retail bank mean scores for the empathy dimension, in addition to the gap for each Statement.

Table 5.10: Expected and perceive empathy mean scores

		Expectations		Perceptions		Gap Score	Average Gap Score
		Mean	Std. Deviation	Mean	Std. Deviation		
EMP18	An excellent bank will give customers individual attention	3.30	0.64	3.23	0.72	0.07	0.03
EMP19	Excellent bank will have operating hours convenient	3.24	0.68	3.23	0.68	0.01	
EMP20	Employees in an excellent bank will understand the needs of their customers	3.22	0.69	3.19	0.70	0.03	
EMP21	Employees in an excellent bank will understand the needs of their customers	3.22	0.68	3.19	0.69	0.03	
EMP 22	An excellent bank will offer a queuing service such as Q-entertainment service and Q-education	2.93	0.87	2.92	0.88	0.01	

This section also has the only average positive gap score. Levels of perceptions exceeded expectations for two statements: “An excellent bank will give customers individual attention” and “Employees in an excellent bank will understand the needs of their customers”.

5.4.5.1 Comprehensive statistics of statements

The following paragraphs are the comprehensive statistics based on the four empathy dimension statements.

5.6.5.1.1 Statement eighteen: An excellent bank will give customers individual attention

The data in figure 5.8 indicates the expectations and perceptions of respondents, in terms of retail bank customers receiving individual attention. Respondents rated their expectation as a score of 3.30 and their perception of what they receive as 3.23. The gap score for this Statement was 0.07. This score suggests that retail bank employees should be concerned about the attention paid to customers, to improve service delivery. According to Bruhn and Georgie (2006: 52), the retail banks' willingness and capability to respond to individual customer wants is vital in the delivery of excellent service quality.

5.4.5.1.2 Statement nineteen: An Excellent bank will have operating hours convenient

Figure 5.8 reveals the expectations and perceptions of respondents in terms of convenience of operating hours. The respondents' expectations and perceptions mean scores were 3.24 and 3.23, respectively. The gap showed a score of -0.01. The result suggests that retail banks are providing beyond acceptable operating hours for their customers. This will have a positive impact on the valuation of service quality for this dimension.

5.4.5.1.3 Statement twenty: Employees in an excellent bank will understand the needs of their customers

The intention of this Statement twenty was to estimate the influence employees have in understanding the needs of the retail bank customers. The respondents mean scores for expectations and perceptions were 3.22 and 3.19, respectively. The gap mean score for this dimension of service quality was 0.03. This finding suggests that retail banks employees should consider changes to practice to enhance the empathy shown to retail banks customers.

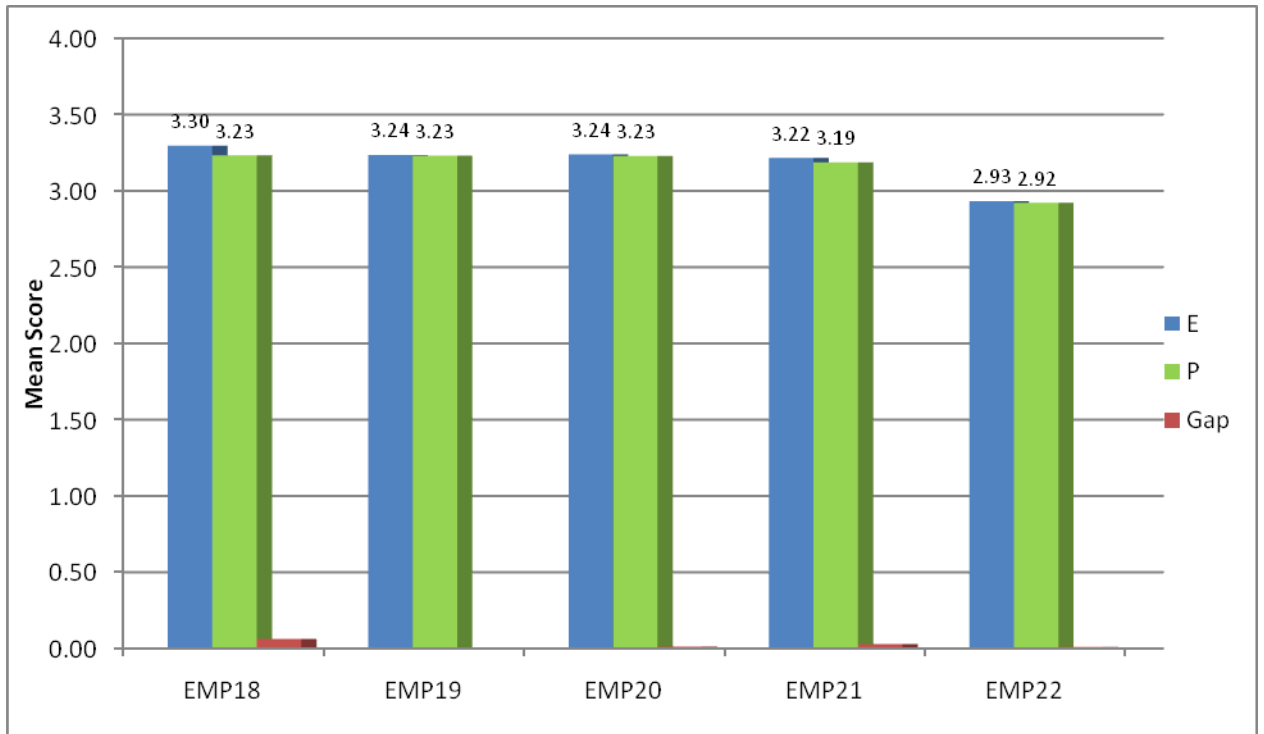
5.4.5.1.4 Statement twenty-one: Employees in an excellent bank will understand the needs of their customers

Statement 21 reveals that the perception and expectations of respondents in this project in terms of knowing what the needs of their customers are. The respondents mean scores for expectations and perception were 3.22 and 3.19, respectively. The gap score for this dimension of service quality was 0.03.

5.4.5.1.5 Statement twenty-two: An excellent bank will offer a queuing service such as Q-entertainment service and Q-education

Customers are more likely to pay attention to digital signage and have a better idea of what they want when they reach the front of the line, spending less time at the counter and decreasing the wait times for everyone (Esker, 2011). The mean aim for this statement is to evaluate whether the customer are happy with this service. Figure 5.8 shows the expectations and perceptions of respondents in terms of queuing services such as Q-entertainment and Q-education. The respondents' means scores were 2.93 and 2.92, respectively. The gap indicated a score of 0.01.

Figure 5.8: Expected and perceive empathy



The lowest ranked empathy statement was that for the very last one regarding “An excellent bank will offer a queuing service such as Q-entertainment service and Q-education”. The average score is close to three, the level of agreement, but indicates that not all banks provide these facilities.

To conclude this section, the results reveal that the young customers they expect more from the retail banks and the retail banks provide less for their customers. It is also noted that, most of the young customers they prefer to open their account with one bank (standard bank), then with other banks. This can mislead the outcomes for this study. Further research is recommended on this issue.

5.5 Assessment of quality dimension

Table 5.11 summarises the gap scores per statement for the study.

Table 5.11: Comparison of service quality Gaps

		Gap Score	Average Gap Score
TAN1	An excellent Bank must have modern-looking equipment	-0.07	-0.07
TAN2	Self-service machines like ATM, self-service terminal (SST) must be easily usable	-0.08	
TAN3	Ordinary people must be able to read and understand bank statements, and deposit slip	-0.08	
TAN4	All staff members must appear professionally dressed	-0.06	
REL5	Communicate effectively	-0.04	-0.03
REL6	Listen effectively to my needs	-0.03	
REL7	Excellent bank will insist on error free records	-0.05	
REL8	Employees in an excellent bank will tell customers exactly when service will be performed	-0.03	
REL9	When a customer has a problem, an excellent bank will show a sincere interest in solving it	-0.01	
RESP10	Employees in an excellent bank will tell customers exactly when services will be performed	0.07	-0.01
RESP11	Employees in an excellent bank will give prompt service to customers	-0.03	
RESP12	Employees in an excellent bank will always be willing to help customers	-0.03	
RESP13	The behaviour of employees in an excellent bank will instil confidence in customers	-0.06	
ASSUR14	Employees show consideration and respect	-0.05	-0.04
ASSUR15	Employees treat all customers as a valued customer	-0.02	
ASSUR16	Employees in an excellent bank will be consistently courteous to customers	-0.05	
ASSUR17	Employees in an excellent bank will have knowledge to answer customers' questions	-0.04	
EMP18	An excellent bank will give customers individual attention	0.07	0.03
EMP19	Excellent bank will have operating hours convenient	0.01	
EMP20	An excellent bank will have employees who give customers personal attention	0.03	
EMP21	Employees in an excellent bank will understand the needs of their customers	0.03	
EMP22	An excellent bank will offer a queuing service such as Q-entertainment service and Q-education	0.01	

It is noted that the empathy dimension Gap score (0.03) is greater than other dimension Gap (Responsibility dimension Gap score: -0.01; Reliability dimension Gap score: -0.03; Assurance dimension Gap score: -0.04; and Tangible dimension Gap score: -0.07, this is smallest gaps (illustrated in table 5.11). This finding simply means that the “tangibles” dimension is relatively less important in comparison with the other dimensions of service quality.

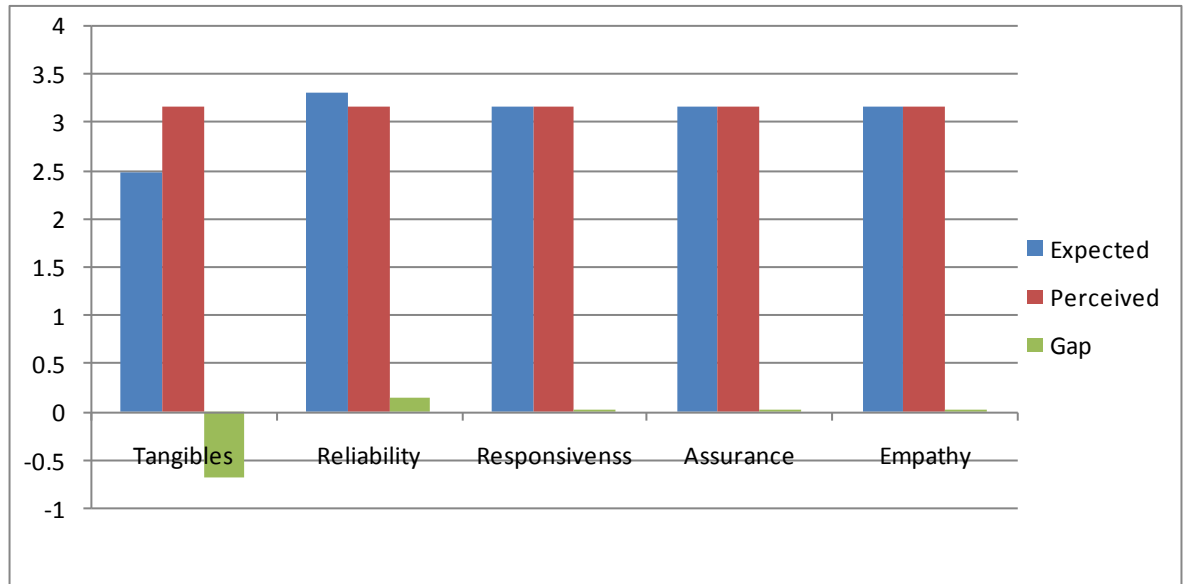
The average scores per dimension are given below:

Table 5.12: Assessment of service quality dimension mean

	Expected	Perceived	GAP
Tangible	2.4812791	3.165444	-0.68416
Reliability	3.3055334	3.1654	0.1401
Responsibility	3.1783432	3.165444	0.012899
Assurance	3.1783432	3.165444	0.012899
Empathy	3.1783432	3.165444	0.012899
Total	3.06436842	3.1654352	-0.10106678

The bar chart below illustrates the comparison of five service quality dimensions.

Figure 5.9: Assessment of quality dimension



In investigative the mean gap of service expectations and perceptions, it can be observed that “tangibles” is the lowest. This outcome does not mean imply that “tangibles” is not important. This outcome simply means that the “tangibles” dimension is relatively less important in comparison with the other dimensions of service quality.

In figure 5.9 illustrate that reliability dimension produced the largest gap between the customer expectations and customer perception. It is noted that other three service quality dimensions (Responsibility, Assurance and Empathy).

5.6 Hypothesis Testing

The traditional approach to 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 in yellow.

A paired t-test was performed to determine whether the differences between the **overall** Expected and Perceived scores were significant. The null hypothesis claims that the means are the same. The results are illustrated in table 5.13 below.

Table 5.13: Table paired samples t-test

		Sig. (2-tailed)
Pair 1	An excellent Bank must have modern-looking equipment - An excellent Bank must have modern-looking equipment	.051
Pair 2	Self-service machines like ATM, self-service terminal (SST) must be easily usable - Self-service machines like ATM, self-service terminal (SST) must be easily usable	.150
Pair 3	Ordinary people must be able to read and understand bank statements, and deposit slip - Ordinary people must be able to read and understand bank statements, and deposit slip	.062
Pair 4	All staff members must appear professionally dressed - All staff members must appear professionally dressed	.417
Pair 5	Communicate effectively - Communicate effectively	.414
Pair 6	Listen effectively to my needs - Listen effectively to my needs	.724
Pair 7	Excellent bank will insist on error free records - Excellent bank will insist on error free records	.444
Pair 8	Employees in an excellent bank will tell customers exactly when service will be performed - Employees in an excellent bank will tell customers exactly when service will be performed	.544
Pair 9	When a customer has a problem, an excellent bank will show a sincere interest in solving it - When a customer has a problem, an excellent bank will show a sincere interest in solving it	.776
Pair 10	Employees in an excellent bank will tell customers exactly when services will be performed - Employees in an excellent bank will tell customers exactly when services will be performed	.581
Pair 11	Employees in an excellent bank will give prompt service to customers - Employees in an excellent bank will give prompt service to customers	.518

Pair 12	Employees in an excellent bank will always be willing to help customers - Employees in an excellent bank will always be willing to help customers	.823
Pair 13	The behaviour of employees in an excellent bank will instil confidence in customers - The behaviour of employees in an excellent bank will instil confidence in customers	.197
Pair 14	Employees show consideration and respect - Employees show consideration and respect	.240
Pair 15	Employees treat all customers as a valued customer - Employees treat all customers as a valued customer	.511
Pair 16	Employees in an excellent bank will be consistently courteous to customers - Employees in an excellent bank will be consistently courteous to customers	.224
Pair 17	Employees in an excellent bank will have knowledge to answer customers' questions - Employees in an excellent bank will be consistently courteous to customers	.816
Pair 18	An excellent bank will give customers individual attention - An excellent bank will give customers individual attention	.185
Pair 19	Excellent bank will have operating hours convenient - Excellent bank will have operating hours convenient	.770
Pair 20	An excellent bank will have employees who give customers personal attention - An excellent bank will have employees who give customers personal attention	.878
Pair 21	Employees in an excellent bank will understand the needs of their customers - Employees in an excellent bank will understand the needs of their customers	.726
Pair 22	An excellent bank will offer a queuing service such as Q-entertainment service and Q-education - An excellent bank will offer a queuing service such as Q-entertainment service and Q-education	.603

None of the p-values are less than 0.05, the level of significance. This implies that the mean values obtained are not significantly different between the expectations and perceptions.

5.7 Reliability

Cronbach's alpha measures how well a set of items (or variables) measures a single uni-dimensional, latent construct. When data have a multidimensional structure, Cronbach's alpha will usually be low. Technically speaking, Cronbach's alpha is not a statistical test - it is a coefficient of reliability (or consistency).

Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. For conceptual purposes, the formula for the standardized Cronbach's alpha is:

$$\alpha = \frac{N \cdot \bar{c}}{v + (N - 1) \cdot c}$$

Here N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

One can see from this formula that when the number of items is increased, so is the Cronbach's alpha. Additionally, if the average inter-item correlation is low, alpha will be low. As the average inter-item correlation increases, Cronbach's alpha increases as well.

This makes sense intuitively - if the inter-item correlations are high, then there is evidence that the items are measuring the same underlying construct. This is really what is meant when someone says they have "high" or "good" reliability. They are referring to how well their items measure a single, uni-dimensional, latent construct.

Thus, if the data is multi-dimensional, Cronbach's alpha will generally be low for all items. In this case, a factor analysis was run to see which items load highest

on which dimensions, and then the alpha of each subset of items was taken separately.

Reliability is computed by taking several measurements on the same subjects. A reliability coefficient of 0.70 or higher is considered as “acceptable”.

The results are presented below.

The overall reliability of the construct, for the different sections of the construct, is shown in Table 5.14.

Table 5.14: Overall reliability

	Cronbach's Alpha
Service Expectation	.875
Service Perceptions	.926
Overall	.909

A separate reliability table was done for the expectations and perceptions.

Table 5.15: Reliability scores - Expectations and Perceptions

	Expectations	Perceptions
Tangibles	.867	.530
Reliability	.909	.877
Responsiveness	.379	.848
Assurance	.883	.835
Empathy	.855	.861
Overall	.911	.926

The overall reliability scores for each section are high (0.911 for Expectations and 0.926 for Perceptions). This indicates a high degree of acceptable, consistent scoring for the different categories for this research (UCLA Academic Technology services, 2002).

All of the categories showed high, acceptable reliability values, except for two, which had values lower than the norm.

5.8 Conclusion

The results of the empirical study were presented and analysed in this chapter. The chapter presented a number of different methods of quantitative analysis applied to obtain descriptive statistics. The results were presented in the form of charts and tables which helped to provide a detailed analysis. A comparison of the service quality expectations and perceptions for retail banks was determined and presented. According to the gap analysis of service dimensions, the gaps between the expectations and perceptions of the retail banks customers were also presented and analysed. Furthermore, the results identified service quality dimensions that require further attention.

The Cronbach alpha figures, as presented in table 5.15, of 0.867 (Tangibles), 0.909 (Reliability), 0.379 (Responsiveness), 0.883 (Assurance), and 0.855 (Empathy) for the perception, suggest that the items present reliable measures for each of the dimensions and thus support the SERVQUAL instrument.

In general, all the dimensions of the service quality are proved significant. The overall reliability score for customer expectations (E) were 0.911 and 0.926 for customer perceptions (P), the score gap -0.015 [(E) 0.911- (P) 0.926], therefore, can be concluded that the retail banks provide excellent service the quality to their customers.

The next chapter (Chapter 6) will be presenting a discussion of the analysis of results. It will also summarize the meaning of the analysis, showing clearly what can be understood from the results and the implication thereof.

CHAPTER 6

SUMMARY, DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

6. 1 Introduction

Chapter five analysed the data from the empirical study with the aid of inferential and descriptive statistics. As summary of research, chapter six discusses in-depth the results and findings in respect to the objectives of the study. Subsequently, limitations of this research and key recommendations for improving service quality in retail banks in Durban are presented.

6.2 Summary of the theoretical study.

The focus of the study was to determine the retail bank customer's expectation and perception of service quality at retail banks in Durban. The aim of this research was to offer management insight into improving the efficiency and effectiveness of the service quality and the opportunity to address any issues impacting the delivery of quality service at retail bank in Durban. In doing so, retail banks will increase their retention of existing young customers and signing up new young customers to acquire a large share of the market.

As discussed in chapter two (section 2.12), the GAP analysis is the fundamental for management (retail banks managers) to identify the customer service problems or service disappointment experience by the customers. Many research studies on service quality focus on Gap five: "how to reduce the gap between customers' expectations and their perceptions". This study may provide management with important insight about the lack of understanding of customer satisfaction levels at retail banks. One of the major objectives of such performance measurement is to allow action to be taken to close major gaps in service provision. Retail banks should do a Follow-up on this gap; this will allow

retail banks management to track whether the measures taken have closed gaps and to discover other new gaps appearing.

Chapter two gave an overview of the related literature regarding service quality in retail banks. The literature discussed the characteristics and dimensions of service quality and the importance for retail bank to maintain high standards according to customers' expectations and perceptions. The literature review also highlighted the fact that customer service is a key issue to induce customer satisfaction and sustain the retail banks profitability in the long-term.

Chapter two also presented the five service quality dimensions, developed by Parasuraman, Zeithami and Berry (1983: 13). The Gaps Model of service quality indicated how the gaps can occur. Gap five, the difference between customers' expectations and perceptions of service quality, was highlighted as the most important gap to be closed to improve service quality in the retail bank. The overall gap scores from reliability (-0.03) statements suggest that retail bank managers should be more on improving all items regarding this dimension.

The responsiveness dimension refers to the retail bank potential to responds to and gratifies the customer's desires. The statements in this dimension have the second largest average gap score of -0.01. For retail banks to improve on the responsiveness dimension, the retail banks needs to have a responsive front-line staff in all contact positions, and promptness in dealing with customer's requests, complaints and problems. "Assurance" held the third largest gap score of -0.04 whereas "Empathy" had a score of 0.01. "Tangibles" held the smallest gap score of -0.07, which indicates a fair degree of agreement with the statements that constitute this dimension.

Chapter three gave an overview of retail banking with regards to service quality in retail banking; determinant aspect of customer's retail bank selection; packages offered to students by big four retail banks; customer satisfaction as a key success factor in retail banks; Customer experience in the retail banking; and the Innovation strategies used by retail banks in building customer devotion.

As shown in chapter five, the results of the gap analysis revealed that young retail bank customers' perceptions' were consistently lower than their expectations. The negative gaps indicate that the delivery service level was falling below young retail bank customers' expectations of service quality at retail bank in the greater Durban area.

As shown in section 5.4, the Gap analysis revealed that customers' expectations were less than customer perception. Table 5.5 indicates the ranking of all the statements from the most positive gaps to the statements where the biggest gaps (most negative gap) occur. These negative gaps indicate that the delivery service quality level is more than the customer's expectation, whereas, the positive gaps show indicated that service quality level is less than the customer expectation at retail bank.

In retail banking industry there are facing strong competition to increase their market share and profitability. Therefore, the marketing focus for these managers is to increase the number of repeat customers and attract new customers. The resultant quality gaps obtained from this study will form the basis for future service developments. By analyzing expectations and perceptions of service quality, it can provide a starting point for retail banks to develop and formulate marketing strategies to meet the needs of each specific dimension more effectively. Using the findings of this study will contribute towards the improvement of quality service delivered to customers, to identify

existing problems and to ensure sustainability and induce long-term success within retail banks in Durban.

6. 3 Summary of the empirical study

This research study was conducted on general aspects of customer services quality at retail banks. Customers are becoming more conscious of their consumer rights and of the gaps between their expectation of service delivery and the actual delivered service. The basis of this research was to determine if a gap exists between customers' expectations of service quality and the actual service delivered by retail banks.

Chapter 5 analysed, interpreted and presented results of the study undertaken. The study was qualitative in nature as 359 questionnaires were used to extract information from young retail banks customers (from eight campuses) in Durban area. From the results, it is noted that there are important aspects of service quality that retail banks, in Durban area, must address in order to provide improved customer services and satisfaction. The analysis of data from respondents and the interpretation of study results as well as report writing.

6.4 Discussion on accomplishment of research objectives

In this section the findings from the field survey will be integrated with the theoretical foundation and literature review. The accomplishment of research objectives are discussed below:

6.4.1 To identify the customers' expectations in terms of quality services provided by retail banks.

Chapter two researched literature and provided an understanding of the essential characteristics and the five dimensions of service quality. Young retail bank customers' expectations, in terms of service quality at retail banks, were tested and analysed, with results set out in chapter five. The Gap between young retail bank customers' expectations and perceptions was measured. This was done according to young retail bank customers' expectations of the delivery of five service quality dimensions: tangibility, reliability, responsibility, assurance and empathy.

The results indicated that the respondents did not view the delivery of service quality at retail banks in the greater Durban area as being outstanding. Therefore, the main objective "To identify the customers' expectations in terms of quality services provided by retail banks" has been achieved.

6.4.2 To ascertain the perceptions of customers towards the service provided by retail banks.

As indicated in the literature review, the process of service quality is influenced by the five dimensions: tangibility, reliability, responsibility, assurance and empathy. The literature review explained all five dimensions, and highlighted their importance the delivery of service quality. Young retail bank customers' perceptions, in terms of service quality at retail, were tested and analysed in chapter 5. The results indicated that the respondent's perceptions of the five service quality dimensions of the retail banks were not what they expected. This show that young retail bank customer are not receiving the quality service delivery at retail banks in Durban. Therefore, the sub-objective one "To ascertain the perceptions of customers towards the service provided by retail banks" has been achieved.

6.4.3 To measure the gaps between customer expectations and perceptions of service quality, using a modified version of the SERVQUAL model.

The conceptual model presented in chapter two, Figure 2.7, supports the objectives set to measure the gaps between customer expectations and perceptions of service quality. The model describes the gaps of service quality dimensions. The first important aspect is to understand the concept of service quality. Service quality is the ability of the retail banks to determine customer expectations correctly and to deliver the service at a quality level that equals these expectations.

The basis of this research was to determine whether a gap exists between younger retail bank customers' perceptions of service quality and the actual service delivery at retail banks in Durban. Chapter two presented a review of the research of Parasuraman, Zeithaml and Berry (1988: 13) on the Gaps Model of service quality, which uses SERVQUAL as the preferred instrument in measuring the gap between customers' expectations and perceptions. Service quality was evaluated on five dimensions: tangibility, reliability, responsibility, assurance and empathy. Furthermore, in chapter five, a statistical analysis showed the calculations and measurements of the data collected from the respondents. Twenty-one statements were measured using SERVQUAL. The recommendations on how to improve service delivery are presented and, therefore, this sub-objective two "To measure the gaps between customer expectations and perceptions of service quality, using a modified version of the SERVQUAL model" has also been achieved.

6.5 Restrictions of the study

The study focused only on the greater Durban area, but the findings are much broader in their application. The study was conducted at eight Campuses: Durban University of Technology: (DUT) M L Sultan campus, DUT Steve Biko campus, DUT City Campus, DUT Ritson campus, University of KwaZulu Natal (UKZN) Westville campus, UKZN Howard campus, UKZN Edgewood campus and Mangosuthu University of Technology (MUT).

There is no substantial amount of data as there are few current publications of service quality in retail banks in South African context, but there is an adequate amount of information about service quality around the world.

6.6 Recommendations

6.6.1 Recommendations based on research design

Based on the research findings, the following recommendations are made:

6.6.1.1 Sample-Geographical Region

In this study, respondents were selected from the eight campuses in Durban areas only. It will be beneficial to extend the study to other Retail banks in other provinces in order to assess the impact of service quality of these respondents in further studies. The opinions of young retail bank customers in other areas will enable the researcher to compare the results between geographical regions.

6.6.1.2 Sampling Technique

Quota sampling was used in this study. It would be advisable to use the stratified sampling technique in future studies. McDaniel and Gates (2002: 410) suggest that stratified sampling is the probability sample that is forced to be more representative through simple random sampling of mutually exclusive and exhaustive subsets. Stratified samples are statistically more efficient because one source of variation has been eliminated. This technique will also allow the researcher to compare results across different retail banks and provinces.

6.6.2 Recommendations based on findings

6.6.2.1 Reliability

It is essential to implement reliability both in the interest of customer satisfaction and of high quality service, which means observing the agreed deadlines, solving problems, being faultless and handle all customers' complaints in a professional and fair manner.

6.6.2.2 Building customer experience

As indicated in figure 5.19, the results show that retail banks they don't met the customer expectations. Therefore, it is important that retail bank give all customers an individual attention. Greater confidence has to be inspired in the customer, by providing up-date-date, professionally correct, fast information and help needs to be provided to them in every situation, also paying more attention to customer. This connection has to be sustained by taking care of the customer's future requests. Furthermore, in order to build customer experience the retail bank should create and/or repurpose customer research capabilities to capture and analyze customer perspectives on key interactions across contact channels and drive customer focus enterprise improvement initiatives.

6.6.2.3 Queuing service such Q-entertainment service and Q-education

The findings indicated that retail bank failed to meet the customer expectations. It is recommended that the retail banks should offer queuing service such as Q-entertainment and Q-education. This service will help the customers to learn more about the other service offered by the retail bank. The retail bank they can use this service to promote other new product/service and they educate their customer which other safety ways of banking.

6.6.2.4 Facilities for the disabled

It is recommended that retail bank should improve facilities and educate staff on how to provide above average service quality for disabled young customers. Findings indicate that young retail bank customers do not feel that there is adequate facilities and assistance for disabled young customers. The results suggest that retail banks neglect this important element in the service quality process. Retail banks should have the capacity to customize service for dealing with their customers' special needs. By providing these facilities, Retail bank can attract more potential young customers who require these facilities. In addition, retail banks should bear in mind that, if the build long term relationship with young customers; this can help their banks to grow.

6.6.2.5 Assisting young customers and providing staff with knowledge

Retail banks should recruit and select skilled and competent staff. Furthermore, they need formal training in service quality to deal with different types of young customers and their needs. Assisting young customer and providing employees with the relevance knowledge about the important of banking with them are the most important factors that retail bank need to improvement. This improvement can be achieved by hiring employees that are more skilled in banking or training the existing employees. It is therefore, imperative that training of employees should be addressed to enhance efficient and effective customer service.

6.6.2.6 Interest shown in young customers

Retail banks in the greater Durban area should enhance empathy of their branches in three ways. Firstly, employees need to increase their ability to show young customers that are interested and concerned with young customers' growth. For example, if the young customers open the student account, the retail bank employees should also advice or inform the young customers about the importance of investments and other product/services offered by the bank. Results findings indicated that, there are few young customers who save.

Secondly, the management of the retail bank should develop procedures to ensure that product/service that is offered to young customers has got all the benefits that will motivate the young customer stay with the bank. Thirdly, retail bank managers should consider procedures for dealing with young customers' needs. Employees should have the social skills to approach young customers. It is recommended that retail bank in the greater Durban areas take into consideration the seriousness of young customers as findings have indicated that young customers are not willing to stay with the banks for more than 12 years

6.6.2.7 Retail bank employees address the customers exactly when service will be performed.

Figure 5.6 indicates that retail banks they don't tell customers exactly when the service will be performed. Therefore, it is recommended that retail bank employee should provide all the information to their customers in order to for the customer to get all the information about the service provided by the retail bank.

6.6.3 Recommendations for further research

It is recommended that another study must be done of a qualitative nature that will explore, in depth, more about service delivery and its impact on young customer at retail banks. It was noted that some of the young customer wanted to elaborate more about the service delivery they receive but the questionnaire was not designed to allow for further recording of information.

The study raises new questions for research. First, in this study, the empathy dimension was found to be relatively more important than reliability, responsiveness, assurance and tangibles, this finding highlights the fact that care and individual attention is the important factor in service delivery for retail banks in the greater Durban area.

Furthermore, future research may also look at whether the perceived and expected service quality levels differ between educated and non-educated young customers. Future studies may investigate other types of young customer characteristics. Therefore, further research is recommended. At the end, in this competitive market, service quality is one of the key elements which bring value added for retail banks.

6.6.4 Concluding remarks

This study has highlighted the expectations and perceptions of young customer at retail bank in Durban. Issues relating to the delivery of service quality and the gap scores were discussed. The importance of service delivery is crucial in retail banks. In today's unpredictable economy, providing excellent service delivery can be the critical difference in any retail banks' success. In order to accomplish profits, retail banks need to constantly review the quality of their service delivery. The recommendations and conclusions discussed in this chapter represent some of the measures that could possibly be taken by retail bank in Durban to improve the delivery service quality. This study will have a positive impact on the delivery of service quality, which assists retail bank managers to increase customer satisfaction at retail banks in Durban.

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Appendix: Research Questionnaires



Research Questionnaire on service quality

We would be grateful if you could spare a few minutes to complete this research questionnaire to help us ensure that your bank provides you with excellent customer service wherever possible. The information will be confidential and your name is not required. This questionnaire is based on service quality provided by retail banks to their customers.

SECTION ONE: ABOUT YOURSELF

1. Gender:

(01) Female (02) Male

2. Please indicate which campus you are on:

(01) DUT City Campus (02) DUT MLS Sultan Campus (03)
MUT

(04) DUT Steve Biko Campus (05) UKZN Westville Campus (06)
DUT-Ritson

(07) UKZN-Duty Campus (08) UKZN-Howard Campus

3. Please indicate which retail bank you have an account with: (you can choose more than one answer).

(01) Standard Bank (02) ABSA Bank (03) Nedbank (04) First
National Bank

4. Please indicate the type of a bank account that you have at your Bank (you can choose more than one answer)

(01) Current Account (02) Cheque Account (03) 32 day Account
(04) Investment (05) Students account (06) other, please
specify: _____

5. How long have you had your bank account?

Less than a year	1 - 3 years	4 - 6 years	7 - 10 years
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6. What made you select the bank? (You can choose more than one answer)

(01) Well-situated Location (02) Friendly personnel (03) ATM's are in a safe location
(04) Favourable loan experience (05) Advice of friends (06) Speed of processing,
(07) Bank charges (08) 24 hours access on my account (09) Friends and family influence. (10) Availability of credit and interest on savings. (11) Easiness of processes for transactions.

SECTION TWO: SERVICE EXPECTATION

8. Directions for service expectations questionnaire

Based on your experience as a customer; please consider what you believe is quality service **[BY TICKING]**. What is your expectation of service that should be provided to you as customer? **Please tick the appropriate box to indicate your degree of expectation.**

Where: 1 = Strongly Disagree, 2 = Disagree, 3 = Agree, 4 = Strongly Agree

		EXPECTATIONS QUESTIONNAIRE			
		Strongly Disagree	Disagree	Agree	Strongly Agree
1	An excellent Bank must have modern-looking equipment.	1	2	3	4
2	Self-service machines like ATM, self-service terminal (SST) must be easily usable	1	2	3	4
3	Ordinary people must be able to read and understand bank statements, and deposit slip.	1	2	3	4
4	All staff members must appear professionally dressed	1	2	3	4
5	Communicate effectively	1	2	3	4
6	Listen effectively to my needs	1	2	3	4
7	Excellent bank will insist on error free records	1	2	3	4
8	Employees in an excellent bank will tell customers exactly when service will be performed	1	2	3	4
9	When a customer has a problem, an excellent bank will show a sincere interest in solving it.	1	2	3	4
10	Employees in an excellent bank will tell customers exactly when services will be performed	1	2	3	4
11	Employees in an excellent bank will give prompt service to customers	1	2	3	4
12	Employees in an excellent bank will always be willing to help customers	1	2	3	4
13	The behaviour of employees in an excellent bank will				

	instil confidence in customers	1	2	3	4
14	Employees show consideration and respect	1	2	3	4
15	Employees treat all customers as a valued customer	1	2	3	4
16	Employees in an excellent bank will be consistently courteous to customers	1	2	3	4
17	Employees in an excellent bank will have knowledge to answer customers' questions	1	2	3	4
18	An excellent bank will give customers individual attention	1	2	3	4
19	Excellent bank will have operating hours convenient	1	2	3	4
20	An excellent bank will have employees who give customers personal attention.	1	2	3	4
21	Employees in an excellent bank will understand the needs of their customers	1	2	3	4
22	An excellent bank will offer a queuing service such as Q-entertainment service and Q-education.	1	2	3	4

SECTION THREE: SERVICE PERCEPTIONS

9. Directions for service perceptions Questionnaire

Shows the extent to which you believe your bank in Durban has the features described by the statement. Selecting one (1) means you **strongly disagree** that your retail bank has that feature, and circling a four (4) means that you **strongly agree**. If your feelings are less strong, then select one of the numbers in between. There are no wrong or right answers, only your perceptions about your bank are important.

		PERCEPTIONS QUESTIONNAIRE			
		Strongly Disagree	Disagree	Agree	Strongly Agree
1	An excellent Bank must have modern-looking equipment.	1	2	3	4
2	Self-service machines like ATM, self-service terminal (SST) must be easily usable.	1	2	3	4
3	Ordinary people must be able to read and understand bank statements, and deposit slip.	1	2	3	4
4	All staff members must appear professionally dressed.	1	2	3	4
5	Communicate effectively.	1	2	3	4
6	Listen effectively to my needs.	1	2	3	4
7	Excellent bank will insist on error free records.	1	2	3	4
8	Employees in an excellent bank will tell customers exactly when service will be performed.	1	2	3	4
9	When a customer has a problem, an excellent bank will show a sincere interest in solving it.	1	2	3	4
10	Employees in an excellent bank will tell customers exactly when services will be performed.	1	2	3	4
11	Employees in an excellent bank will give prompt service to customers.	1	2	3	4
12	Employees in an excellent bank will always be willing to help customers.	1	2	3	4
13	The behaviour of employees in an excellent bank will instil confidence in customers.	1	2	3	4
14	Employees show consideration and respect.	1	2	3	4

15	Employees treat all customers as a valued customer.	1	2	3	4
16	Employees in an excellent bank will be consistently courteous to customers.	1	2	3	4
17	Employees in an excellent bank will have knowledge to answer customers' questions.	1	2	3	4
18	An excellent bank will give customers individual attention.	1	2	3	4
19	Excellent bank will have operating hours convenient.	1	2	3	4
20	An excellent bank will have employees who give customers personal attention.	1	2	3	4
21	Employees in an excellent bank will understand the needs of their customers.	1	2	3	4
22	An excellent bank will offer a queuing service such as Q-entertainment service and Q-education.	1	2	3	4