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# **Determining the effectiveness of relationship banking within Absa medium business segment**

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## **ABSTRACT**

South African commercial financial institutions have during the past years witnessed tough economic conditions, whilst competition between the banks have continued to increase as well, with each commercial bank trying to optimize its sales capabilities in the most effective and efficient manner. Absa medium business banking division has also been exposed to these tough economic conditions, coupled with intense competition from other local financial institutions. In attempt to ensure future success of Absa medium business bank, it would be prudent for Absa to determine the effectiveness of relationship banking within Absa medium business bank.

The literature review that has been done parallel to the research studies, provides a conceptual framework of the attributes that are directly related to relationship banking, whilst it also outlines the important role which the concept of relationship banking fulfils within a service-oriented organisation such as Absa bank. Empirical studies in the form of qualitative and quantitative research have been performed, in which the data that have been collected from market research information, has statistically and analytically been done and assessed, which provided valuable insight information in support of the objectives of the study proposal.

The study also provided for opportunities for additional research to be undertaken in respect of concepts relevant to relationship banking and relationship marketing, but not limited to service-oriented departments within Absa, but also to any other organisation striving to be client-centric, and striving to enhance its sales-force effectiveness, productivity and efficiency within the “eyes” of the customer.

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## **LIST OF ABBREVIATIONS**

<b>ABSA</b>	<b>ABSA BANK LIMITED</b>
<b>ACBB</b>	<b>ABSA CORPORATE AND BUSINESS BANK</b>
<b>RE</b>	<b>RELATIONSHIP EXECUTIVE</b>
<b>SBU</b>	<b>SERVICE BUSINESS UNITS</b>

## **LIST OF KEY TERMS**

- **RELATIONSHIP MARKETING**
- **RELATIONSHIP BANKING**
- **CUSTOMER LOYALTY & SATISFACTION**
- **SERVICE EXCELLENCE & DIFFERENTIATION**

# **CHAPTER ONE**

## **NATURE AND SCOPE OF THE STUDY**

### **1.1 INTRODUCTION**

Marketing could be simply defined as developing profitable customer relationships in return of creating value for customers, whilst the objective of marketing has shifted from the old traditional marketing style of concluding a sale with a customer towards the emphasis now being placed on ensuring that client needs and requirements are continually satisfied (Kotler & Armstrong, 2010:28). The traditional marketing mix has evolved in banking to a new marketing approach of relationship building and marketing which could be regarded as the cornerstone of a bank's marketing strategy, as it focuses on various marketing attributes. Relationship banking is an enabling strategy that banks have used to enhance its competitiveness within the market place. During the past two decades, the concept of relationship banking has been utilised as part of the bank's business strategies to focus on customer retention and loyalty in an attempt to secure long-term profits for the banks (Ackermann & van Ravesteyn, 2006:149-152).

Relationship banking is an effective strategy, which enables a bank to satisfy the financial needs of a client, whilst the effectiveness of the concept depends mostly on whether both relevant parties involved within the relationship, fully understand the functions of the relationship in order for both parties to mutually benefit from this relationship (Peltoniemi, 2004:13). The dynamics of relationships are also been influenced by the fact the parties involved within a relationship should consist of certain capabilities that would enable the relationship to develop and evolve (Peelen, 2005:35).

Relationship banking occurs once a bank provides financial services to its clients and repeatedly deals with the same customer thereafter (Freixas, 2005:4), whilst it also relates to continuous interactions between the bank and its clients in order to create a long-term mutually beneficial relationship for both the parties (Mukherjee & Nath, 2003:5). Relationship banking does have an impact on credit reporting of repayment behaviour, as relationship banking could be utilised by a bank not only as marketing tool but also as disciplinary device, motivating borrowers towards timely repayments. Research has also shown that relationship banking enhances the accessibility of credit to borrowers (Brown & Zehnder, 2007:1885).

The world economy has been exposed to tough economic times, especially during the past two years but for a business to attain and maintain a service level that is on par with excellence, would most definitely assist with its survival within competitive markets, and would lead to the retention of existing clients whilst new business in the form of clients would be acquired from competitors as well (O'Sullivan, 2010:xi). One of the challenges banks are being exposed to, is the ability to differentiate itself from its competitors as the differentiation usually occurs from price and cost, which could be seen as short-lived strategies. Banks could establish and maintain a competitive advantage within the market place by ensuring that they form and maintain strong relationships with existing and potentially new customers (Ackermann & van Ravesteijn, 2006:150). The business banking division of Absa Bank Limited (Absa), based its customer experience strategy on customer service awareness and also the building of a customer centric culture amongst the employees, whilst Absa business bank strives to equip its front-line staff with the necessary knowledge & skills to be highly effective in the eyes of its customers (Owen, 2010:2).

The individual responsibility or role for building and maintaining a long-term profitable relationship on behalf of the bank with a customer, is called a relationship manager, relationship banker, account manager, or a portfolio manager (van Ravensteijn, 2005:35). For the purpose of this study, the individual responsible for building and maintaining long-term profitable relationships on behalf of Absa with its clients, will be referred to as a relationship banker.

## 1.2 PROBLEM STATEMENT

Retention of clients by striving to build and develop relationships with a client is viewed to be important to obtain and maintain a competitive advantage within the market place (Abbratt & Russel, 1999:5). Banks should therefore, understand the impact that long-term relationships has on the future success of the bank, whilst customer loyalty remains critical to the bank's sustainability and future profitability (Ackermann & van Ravesteyn, 2006:150). The successful relationship that exists between a relationship banker and the client leads to higher levels of customer loyalty, whilst relationship banking has a dominant impact on the quality of the relationship that exists between the bank and its customers (Colgate & Smith, 2004:144). Relationship banking could alleviate certain competitive pressures such as pure price competition imposed by competitor banks, as the effective use of a relationship orientation strategy could ensure that its clients view its service offering to be more unique than its competitors (Boot, 2000:18-19).

It is evident from the aforementioned statements, that the concept of relationship banking fulfils an important role within the modern world of banking and the marketing of a bank's financial services and product offering. The Absa medium business banking division should therefore, ensure that its current relationship banking business model provides adequate opportunities and the capacity for its relationship executives to secure long-term profitable relationships with its customers, at the same time enabling them to penetrate the market efficiently.

The Absa medium business relationship banking business model (Du Preez, 2010:2) strives to enable relationship bankers to act as Absa medium business bank's first line of contact with its clients, whilst the aforementioned model allows each relationship banker to be assisted by a range (Annexure C, Figure 10) of product and support specialists, who all are responsible to assess and solve the clients specific financial and transactional banking needs. Absa medium business bank (Carstens & Owen, 2010) views the existing relationship banking business model (Annexure C, Figure 10) to be client centric, in which the Absa medium business bank is well-represented with relationship bankers strategically positioned within the local market place.

Consulta Discover Scientific Research has, on behalf of Absa performed research studies on the concept of client service satisfaction for Absa business bank. The marketing survey was conducted during the year 2009 in which a sample of 1444 Absa medium business banking clients participated in a marketing survey (Annexure A, Table 13). The marketing survey revealed (Annexure B, Table 14) that more than half of the customers who participated in the survey, expressed an average rating on the quality of service which they've received from Absa medium business relationship bankers and almost the same number of respondents perceived a moderate rating on the overall quality of the relationship which they have with their relationship bankers.

**Table 1: Absa medium business bank: Key critical service problem categories, 2009**

<b>Key Problem Categories</b>	
Sample (n) = 254	% of Total Mentions
1. Availability of staff	30%
2. Staff Attitude	25%
3. Feedback to Clients	22%
4. Waiting Time / Delays	17%
5. Campaign Communication	15%
6. Staff Knowledge	13%

**(Source: Consulta Discover Scientific Research)**

The survey results raised various other concerning aspects (Jansen van Rensburg, 2009:11), which related directly to the quality of service offered by Absa medium business bank relationship bankers to customers. The key service problem categories that have been identified, could be described as follows (Table 1).

- The most critical service problem categories identified, were the availability and attitude of the relationship bankers.
- Customers also expressed dissatisfaction on the feedback provided by relationship bankers to the bank's customers and delayed time-frame in solving clients' needs and requirements, which are all important aspects contributing to service excellence (O'Sullivan, 2010:36).

The Absa medium business executive committee should take cognisance of these concerning results, especially in view of the important role that relationship bankers fulfil within a relationship-oriented bank such as Absa.

It is also important to determine from a service point of view, whether the current relationship banking business model creates and offers an effective and sufficient capacity to enable relationship bankers to effectively live the Absa business bank customer centric vision (Owen, 2010:15) and successfully attain the key objectives in terms of customer service that have been set by the bank.

Based on the services problem categories that have been identified (Jansen van Rensburg, 2009:18), it would appear that the front-line staff in the form of relationship bankers is too much internally focussed, with a large amount of emphasis placed on internal compliance requirements which could have a negative impact on the time being spent in serving customers and the level of customer service being offered. A statement of this nature at this stage is to pre-mature, and would only be validated once further research has been performed.

### **1.3 OBJECTIVES OF THE STUDY**

The main objective of this research is to establish whether the current relationship banking business model used by Absa medium business banking division is effective from a service level point of view, based on the quality of customer service being offered by the Absa medium business banking relationship bankers to its existing customers.

The objectives of the study are divided into primary and secondary objectives.

### **1.3.1 Primary objective**

The purpose of this research study is to determine whether the level of service that Absa medium business banking relationship bankers offer, are perceived to be of a high standard in an attempt to enhance loyalty amongst existing customers. The primary objective is to determine the level of “customer perceived value” and satisfaction amongst existing Absa medium business banking clients.

### **1.3.2 Secondary objectives**

The secondary objectives would be to focus on the following.

- Does the Absa medium business bank’s existing relationship banking business model provide sufficient opportunities and the capacity for each relationship banker to create and add value for its customers?
- To determine whether the level of customer service being offered, has enhanced loyalty amongst existing customers.
- Based on the views expressed by existing customers whether relationship bankers have the necessary skills and professionalism to fulfil and perform the role of a relationship banker effectively.

## **1.4 RESEARCH METHODOLOGY**

The research method will comprise both a literature review and an empirical study.

### **1.4.1 Literature review**

The literature review comprises an in-depth study of the key concepts of the research proposal, whilst the literature review provides the reader with a basic understanding of the theory, and form a conceptual framework of the research objectives. Prior research done on the topic has been recognised, whilst specific reference has been made to the following key term concepts.

- What does the concept Relationship Marketing refer to?



- What does the concept Relationship Banking refer to?
- What are the benefits and disadvantages of the concept Relationship Banking?
- Provide a brief overview and dynamics of various key attributes of customer service.

Research studies relating to the key term concepts were consulted and analysed from primary and secondary sources, in which information and data were sourced and utilised, especially from the following.

- Literature obtained from textbooks and published articles.
- Other research done in this field of study.
- Related articles on the world-wide web.
- Interviews conducted with the Absa Senior Management responsible for customer service.

#### **1.4.2 Empirical research**

Empirical research methodology was applied with a combination of quantitative & qualitative research methods in the form of structured questionnaires and semi-structured telephonic interviews designed to obtain data relevant to the primary and secondary objectives of the research proposal. Qualitative research techniques are often used by researchers, whose objective is to understand and obtain ideas and insights into the market place (West, 1999:40), whilst quantitative research techniques are being exploited, once researches have put in a considerable amount of effort on numerical measurement and the interpretation of the numerical values and analysis which have been obtained (Zikmund & Babin, 2010: 94).

The method, by which empirical research was undertaken, will be discussed in terms of research instrument, sampling method and data analysis, used for the study research.

#### **1.4.2.1 Research instrument**

Data collections involves gathering of information on various business related features. One of the most efficient ways to collect data, is through questionnaires, whilst interviews could also be regarded as a widely used technique to collect data (Cummings & Worley, 2008:121-124). Based on the flexibility and popularity (Szwarc, 2005:61) a technique such as telephonic interviews offers researchers, in which self-administered questionnaires (Zikmund & Babin, 2010:166) allows respondents with flexibility and responsibility to read and answer questions in their own time at their own convenience; the research instrument that have been exploited to obtain data from both population groups consisted in the form of tailored questionnaires. Both questionnaires were comprised mostly of quantitative related questions, with each questionnaire being concluded with an open-end question. Each of the questions have specifically been designed to conduct and complete research studies relevant to the key concepts of the study, and in support of the research proposal.

#### **1.4.2.2 Sampling method**

A sample survey provides opportunity for samples of people from a specific population to respond to questionnaires, which enables researchers to make conclusions pertaining to the population's behavior (Kreitner & Kinicki, 2007:22). Service effectiveness could be best measured if a representative sample of customers is being selected on a random basis, in order to participate in the research exercise. Research has also confirmed that a clear connection exists between staff morale and satisfaction and the quality of external service being offered to customers (Cook, 2004:15). It is against this background that the sample survey format has been used with two separate sample survey techniques that have been conducted in support of the objectives of the study.

The survey techniques have been applied on the following basis.

- The sample survey technique involving semi-structured interviews as an intermediate to gather information, has been selected and applied with a sample of existing Absa medium business banking customers.
- The sample survey technique involving structured questionnaires has been utilised and conducted with a sample of existing Absa medium business bank relationship bankers, in an attempt to gather inside information relevant to the research proposal and objectives.

#### **1.4.2.3 Participants**

Empirical investigations consisted of a two-fold research exercise, in which existing clients of Absa medium business bank as well as existing Absa relationship bankers participating in the research investigations. A sample of (n=65) businesses was randomly selected from the population of existing Absa medium business bank clients, in which each business owner, financial manager or key person within each business was telephonically interviewed. Businesses that participated as part of the research study had to adhere to the following requirements.

- Each business had to be an existing Absa medium business bank client.
- Each business was operant in a specific geographical area that forms part of Absa medium business Gauteng, Western Region.
- Each business generated a minimum annual turnover in excess of R10.0 million per annum.

The second part of the empirical investigations involved a sample of (n=41) existing Absa Bank relationship bankers, selected from a population of Absa business bank personnel. Absa business bank staff that agreed to participate in the research investigations, had to fulfil the following requirements.

- Each staff member has to perform an existing role of a medium business relationship banker.
- Each staff member has to be part of a specific geographical area that forms part of Absa medium business bank Western Gauteng Region.

#### **1.4.2.4 Data analysis**

Data that have been collected from research instruments, were assessed and analysed by using the SAS (2003), Statistica (2009) and SPSS (2009) computer packages, conducted by North West University, Statistical Department.

### **1.5 RESEARCH LIMITATIONS / ANTICIPATED PROBLEMS**

The Absa group structure (Absa Report, 2009) has been divided into five predominant focus areas namely, retail banking, corporate and business banking, investment banking, Bancassurance, as well as other business activities. The medium business banking segment forms part of Absa corporate & business bank division.

The medium business banking segment is strategically positioned with seven representative regional offices spread across the face of South Africa. Due to logistics & cost constraints, it is very difficult to conduct surveys with existing Absa clients and relationship bankers based and geographically spread all across South Africa, in order to formalise research studies for the entire Absa medium business banking division.

Thus, for the purpose of the research, surveys have been conducted with a sample of clients and relationship bankers forming part of the Absa medium business Gauteng, Western region. This study was limited to the Absa medium business banking Gauteng, Western region segment, and assumptions and findings could be made only from research that has been conducted from this specific area.

## **1.6 CHAPTER DESIGN**

The chapters in this mini-dissertation are presented as follows:

Chapter 1: Nature and Scope of Study

Chapter 2: Literature study

Chapter 3: Empirical study

Chapter 4: Conclusions and Recommendations.

## CHAPTER TWO

### LITERATURE STUDY

#### 2.1 INTRODUCTION

Competition within international banking industry has increased during the last two decades due to the emergence and growth of Globalisation, whilst deregulation has encouraged consumers to embark in banking activities across borders of Europe, as well interstate in the United States (Boot & Thakor, 2000:679). These factors have forced banks to establish and maintain close relationships with large corporate clients (Zineldin, 1996:14).

The highly competitive banking environment, generated by aggressive competitors offering newly developed products and services, coupled with uncertain market conditions, have enabled banks to realise that *change* is required in the way they do business with their customers. Banks investing in long-term relationships needs to lead to patience, as benefits could only start to materialise after numerous persistent efforts and over a period of time (Zineldin, 1996:14-15). It has been viewed that banks used to have “family-like” relationships with its clients, whilst the concept of relationship banking has lost its importance, due to the entry and presence of investment banks, which have become more sophisticated with the development and offering of more flexible debt products that compete directly with the ordinary and standard type of bank loans and credit facilities (Nadler, 2003:42).

A relationship that has been fully optimised does, however, offer benefits to both parties, especially in cases whereas both parties understand the functions and benefits of relationship banking, whilst the concept of relationship banking has been viewed to be a highly effective strategy especially, within the small business environment (Peltoniemi, 2004:13). Relationship marketing has, however, become very popular mainly because the role it fulfils within a services environment on customer satisfaction, which is regarded to be essential to customer loyalty and also an organisation’s sustainability and future success (Abratt & Russel, 1999:5).

## 2.2 RELATIONSHIP MARKETING

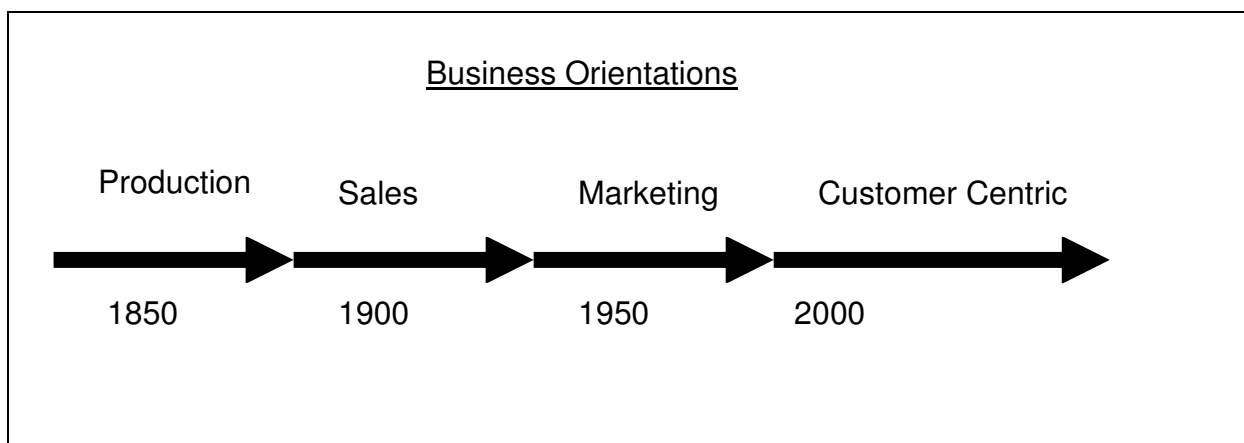
Relationship marketing is a marketing activity that occurs on a repeated basis in which various marketing tools and processes are required in order for a firm to successfully establish and develop relationships with clients (Gordon *et al.*, 1998:444; Gronroos, 2004:39-40).

### 2.2.1 Definition of relationship marketing

Research suggested that organisations operating within a highly competitive environment adopt a relationship marketing approach in forming long-term relationships with customers whom could also be regarded as key stakeholders of a business. Relationship marketing entails that the marketing exchange that occurs between the buyer and seller, is an ongoing process that progresses over a long period of time (Arnett *et al.*, 2003:89). It has also been suggested, that effective relationship marketing efforts could have a positive impact on the company's performance and returns and enhance consumer relationships (Palmatler *et al.*, 2006:139). Relationship marketing furthermore, refers to the continuous interaction that occurs between the two parties involved, in an attempt to try and establish and maintain a long-term, mutually beneficial relationship between each other (Mukherjee & Nath, 2003:5).

### 2.2.2 Overview of relationship marketing

**Figure 1: Business orientation since 1800 century**



(Source: Ahmed, 2009:1)

The marketing paradigm has evolved over years from a transactional point of focus to a more relationship-specific focus, with companies are striving to attain the competitive advantage by way of adopting a new business orientation approach (Figure 1) called the customer centric approach. The aforementioned approach entails that each customer is treated by a service organisation as a unique and special individual or business (Ahmed, 2009:1). In a service-oriented environment, relationship marketing and selling forms an integral part to the success of the organisation; especially when the service is complex and customised, buyers are relatively uninformed of the features and benefits of the service being offered, whilst technical assistance is required in terms of the product and service outcome (Eisingerich & Bell, 2006:88).

In the context of banking, relationship marketing has been referred to as relationship banking, in which banks strive to enter into and maintain long-term relationships with customers, in order to gain maximum benefits from its relationship with the client (Mukherjee & Nath, 2003:5). Financial service firms offering multi-product offerings, should endeavour to draw the client close to the service production and delivery process, in which the firm can benefit in the form of establishing deeper relationships with clients and at the same time increase profitability through various cross-sell opportunities (Eisingerich & Bell, 2006:87).

#### **2.2.2.1 Importance of trust**

Trust could be regarded as the willingness to rely on someone else (Gronroos, 2004:37), whilst the confidence that parties involved within an exchange relationship has of each other's integrity and ability to perform, fulfil a critical role as marketing tools for any organisation and also forms an integral part to the success of any long-term relationship (Palmatler *et al.*, 2006:139). The success of relationship marketing constitutes and relies mostly on the level of trust that has been created and exists between the seller and the buyer (Palmatler *et al.*, 2006:139).



## **2.3 RELATIONSHIP BANKING**

### **2.3.1 Relationship Banking: background and definitions**

The concept of relationship banking is not a new concept introduced to the world of banking, as certain United State banks has done since the 18<sup>th</sup> century entered into relationships with their clients. Specific loan records reflect that certain clients benefited from lower credit pricing and less collateral offered, due to the comprehensive relationships which the clients have had with banks at the specific point in time (Peltoniem, 2004:16).

Relationship Banking relates to financial services offered by a financial institution in which the financial intermediary gains highly confidential and sensitive information from its customers and at the same, assesses the viability of all the information gained by way of interacting with the same customer on various occasions (Boot, 2000:10). Relationship banking offers benefits to both parties involved in the relationship, whilst the concept has been referred to as interaction and connection that stretch beyond simplified financial transactions (Peltoniem, 2004:16). Relationship lending provides clients with opportunities to source credit from banks that are accessible once the need arises and could assist clients in times when liquidity is scarce due to strict lending conditions imposed by financial institutions (Andrew, 2005:24).

The important role that relationship banking fulfils in the success of a bank, could be well described by a bank that has the deepest and strongest partnership relationship with its clients and would also enhance a bank opportunity to retain the key client transactions (Zineldin,1996:14). The enhancement of relationships within a banking environment in which all parties gain value from the relationship, could be based on the establishment and development of relationships between independent parties, in which economic and other benefits could derive from the relationship, mainly caused by the promises and commitments that have been made and fulfilled by each party (Gronroos, 2004:26).

### **2.3.2 Overview of relationship banking**

Reference has been made to the fact that the concept of relationship banking was already introduced by certain financial institutions in the United States during the late 1800's (Peltoniemi, 2004:16), however this paradigm has led to a breakthrough in banking theory during 1990's. For relationship banking to materialise, the following attributes need to occur:

- The bank should strive to enhance its competitive advantage amongst its competitors by offering services that are more attractive than the rest of the market place (Freixas, 2005:4).
- Banks and clients could obtain information which could enable them through relationship banking to re-enter and negotiate loan contracts (Freixas, 2005:4); and.
- Information collected by the lender, is readily available and easily accessible, whilst the information that is ascertained by the lender from the borrower, is treated as confidential (Boot, 2000:10-12).

The concept of relationship banking and its effectiveness within relationship oriented banks, does however, face competition due to the developments occurring especially in capital and transactional markets (Boot & Thakor, 2000:679-670). The demand for relationship lending has during the mid-2000's shown a decline in European countries, as corporate clients have started to make use of alternative financiers, in which borrowers benefited from the cost of finance being lower when compared to finance raised from relationship-oriented banks, whilst the availability of credit lines and liquidity also increased due to the entry of alternative financiers within the market place (Andrew, 2004:24-28). The focus is being shifted mainly on the transaction itself rather than forming long-term relationships with clients, whilst banks have started to engage in both transactional banking through capital market lending and relationship banking, dependent mostly on each bank's strategic vision, choice, availability of resources, as well as regulation (Boot & Thakor, 2000:670-679).

Despite the fact that alternative financing measures are available in the market place for potential borrowers to utilise, the concept of relationship banking remains a valuable aspect to banks as the accessibility of confidential information, enhances a bank's competitive advantage with its customers (Boot, 2000:10-12). Large, to corporate size companies are much more independent on commercial banks than small to medium size companies, as larger business entities tend to operate with multiple financial institutions. The smaller size types of firms are much more dependent on financial assistance provided by a single bank, hence the reason for smaller firms to build and maintain a long-term relationship with a bank. Despite the fact that large corporate clients fulfil an important facet of a bank's success, the important role that small-to medium-size companies has for a bank, should not be disregarded due to its size, as medium-sized firms could develop to tomorrow's large-sized firms, and become extremely valuable, from a profitability point of view, to a bank (Zineldin, 1996:14).

For a bank to enter into a constructive and meaningful relationship with its client, the bank should invest in the development of expertise of sector-specialisation which could add value to the clients and their businesses. The development of such sector specialists could however, be a costly exercise (Boot & Thakor, 2000: 684). Relationship bankers, also called relationship managers, are the bank's personnel responsible to fulfil and satisfy the banking needs of an individual or business client, whilst these personnel act as the main or first point of contact for the customers with a specific bank. Research has shown that relationship bankers that have built and maintain successful relationships with their clients, has led to higher levels of customer loyalty amongst clients, when compared to relationship between the bank and the clients in which no relationship banker has been assigned to a client (Colgate & Smith, 2004:143-144).

### **2.3.3 Relationship life-cycle**

A partnership relationship life-cycle entails the establishment of a close relationship between two parties and various stages that a relationship develops and evolves until it reaches a matured stage (Zineldin,1996:18). Forming relationships with customers, suppliers and other partners, is an important aspect of the business, whilst these relationships do not just occur, as it needs to be earned and developed (Gronoos, 2004:234).

The relationship between the bank and its clients is a dynamic process, in which both parties actively participate in regular interactions with one another. Each party may also benefit from having a relationship with another in the form of reduced costs, lowered pricing, reduction of uncertainty, as well as increased profitability. The bank would throughout the life-cycle of the relationship with the client, endeavour through a series of transactions to satisfy the financial and banking needs that the clients might have, which then enables the client to evaluate the quality of the service being offered by the bank during a period of time (Zineldin, 1996:18). Financial institutions would benefit if they could succeed in moving customers quickly through the relationship life-cycle, as it is believed that the ability to enhance loyalty, does offer various benefits specifically to a bank (Hinshaw, 2006:15).

### **2.3.4 Advantages of relationship banking**

Relationship banking offers various benefits to commercial banks, hence the reason for various banks to adopt a relationship banking strategy. The concept of relationship banking offers the following benefits to a financial institution.

- Relationship lending offered by banks to borrowers, adds more value to the borrowers, due to the expertise being offered by each relationship banker (Boot & Thakor, 2000: 680).

- Parties that are involved in a mutual relationship and that fully optimise the functions of relationship enjoy various economic benefits in the form of easier accessibility to credit, obtaining lower cost of credit and identifying positive opportunities for stock markets (Peltoniemi, 2004:13).
- Banks striving to enhance and develop relationships with clients, could be regarded as a critical success factor in establishing and maintaining a competitive edge in the market place (Abratt & Russel, 1999:5).
- Clients could benefit from having a relationship with a bank by way of enjoying the pleasure of banking and reducing stress as well (Abratt & Russel, 1999:17).
- Banks that adopt to relationship banking strategies, are better equipped to compete within the market place with pure price competition launched by interbank competitors, hence the reason that various banks opt to change their strategies from a transaction-lending model to a relationship-lending business model (Boot & Thakor, 2000:681).
- Companies forming relationships with their clients, are regarded to be the company's major assets. It's believed that a bank incur six to nine times additional costs in order to acquire the business of a new customer, than to retain the business of existing customers, which indicates the value of a relationship, and the important role relationship marketing fulfils in creating shareholder value (Duncan & Moriarty, 1998:3).
- Clients that have a long-standing relationship with a company, would be more willing to accept a premium pricing and cost structure, which could lead to higher profitability per customer (Duncan & Moriarty, 1998:3).
- Relationship banking could assist borrowers with the repayment of debt. Relationship bankers could provide banks with insight information of a firm's financial performance in terms of liquidity and cash flow constraints experienced by borrowers, in which banks could restructure loan facilities in order to try and alleviate the borrower's financial position (Boot & Thakor, 2000:683).

- A bank that specialises in certain industries, has insight information into a specific industry, its outlook and the operators operating within the industry. By having access to insight information, banks, without violating borrower confidentiality, could through relationship banking provide valuable advice to its clients in the form of product pricing, inventory planning and capital budgeting, which could enhance and improve the client's financial position and its ability in the repayment of the debt that it has with the lender (Boot & Thakor, 2000:684).
- The evolution of information technology, does benefit banks as information on borrowers are easy accessible and borrowers experience a sense that they are being informationally captured with the bank (Niskanen & Niskanen, 2000:257). Due to the relationship that exists between the bank and the borrower, the borrower could be reveal confidential information to banks without facing the risk that it could be leaked and be disclosed in the open market place, whilst in the case of a transaction-oriented interaction, a client runs the risk that once the confidential information has been shared within the financial markets, it might spill over to its competitors (Boot, 2000:12-13).
- The bank has opportunities throughout the life cycle of the relationship to gather comprehensive and accurate information of the client's business and future financial and investment plans, which could be used to the advantage of the bank in fulfilling and solutioning a client's specific financial future needs and requirements (Zineldin, 1996:16).
- Relationship banking provides banks with unique bargaining power over its clients, as a relationship-orientated bank could endeavour to secure a return on investment from its borrowers by forming some kind of monopoly power (Ranseyer & Miwa, 2005:263).
- Relationship banking provides banks unconditionally the right to rescue potential financially high-risk clients, and are able to penalise these borrowers by charging above-market rates (Ranseyer & Miwa, 2005:263).

- Banks offering financial products in the form of deposit and investment accounts through its relationship banking offering, could assist the Banks in its assessment to ascertain the borrower's loan repayment capabilities and to enhance a banks comparative advantage in lending decisions (Boot, 2000:11); and.
- Banks are able to enhance its sustainability by way of imposing covenants on the borrowings that are being advanced to clients, with the main purpose to guide the relationship that exist between the bank and the borrower, whilst furthermore credit facilities that are been advanced could be secured by a form of collateral which could be monitored by the relationship lender and its bankers (Boot, 2000:12-14).

It is evident from the above statements, that the concept of relationship banking offers various benefits not only to the consumer but also to financial institutions. Adopting a relationship banking strategy could, enhance an organisation's competitive advantage within the market place by way of enabling the organisation to secure long-term profitable relationships with its clients, which could have a direct positive impact on the sustainability and future growth of the organisation.

### **2.3.5 Opposing views of relationship banking**

- Banks that offer relationship banking to the market, incurs greater costs due to banks responsibility to develop costly expertise in order to create value for the clients (Boot & Thakor, 2000:680).
- Banks offering relationship banking services, face competition from investment banks, which have started offering debt products that are flexible and suitable for financial credit needs of clients (Nadler, 2003:42).
- Forming a close relationship with a lender, could lead to information asymmetries which could have a negative impact on the borrowers' credibility and creditworthy status that he has with the Bank (Ferrie et al., 2001:5).

- Borrowers experiencing financial difficulties may approach banks for further financial assistance, in which the banks may in actual fact decide to make additional credit available to these specific clients, in anticipation that previous credit advances made to the clients would be recovered and fully repaid. Banks however, face the risk that borrowers could manipulate the situation in an attempt to gain additional benefits from existing loan agreements that are in place (Boot, 2000:16-17); and.
- Banks do have insight and access into various sensitive information as part of their relationships with clients, which could provide the bank with an information monopoly (Boot, 2000:16-17).

The concept of relationship banking could impose various risks and negative factors to both consumer and financial institutions, however; it would appear from the above statements that the benefits of adopting a relationship banking approach far exceeds the potential negative side of the concepts. It would furthermore appear that it is imperative for a financial institution operating within a service-oriented market to endeavour and adopt a relationship banking strategy, especially if the organisation strives to become client-centric, in an attempt to influence the experience that the client has with the organisation.

## **2.4 CUSTOMER EXPERIENCE**

### **2.4.1 Overview of customer experience**

Banking has over the years evolved into becoming a highly competitive industry, especially in view of high demands that have been made on high service levels and standards from customers, whilst a bank that is able to differentiate customer experience, would be able contribute to its overall success (Hinshaw, 2006:4). An organisation that understands how the customer operates and what the customer values, and through each interaction which it has with a customer, strives to offer a consistent, high-quality customer experience, would be able to enhance customer experience and differentiate itself within a competitive market (Smith & Wheeler, 2002:xiv).



Banks have developed and re-aligned themselves to interact with their customers on a regular and efficient basis to try and establish the client's exact needs and requirements, in which clients are then divided into segments, with specific products and value propositions being developed for each one. Despite being highly sophisticated with the information that have been gathered, the question that many banks should ask themselves, is whether their focus is still to be client-centric. A customer-centric bank based its business strategies on all aspects of the customer, whilst the focus of a customer-centric bank remains on the overall customer experience, instead of focusing only on revenue (Sieviewright, 2006:1).

#### **2.4.2 Dynamics of customer experience**

Service quality is practically affected by past service encounters, whilst the prediction thereof is represented by customer experience and a consumer's desired expectation creation (Johnson & Mathews, 1997:301). Research has shown that banks would be able to outperform competitors especially in regards of the growth of advances, once the bank is able to offer top quality customer experience on an individual basis to each of its customers (Nelsestuen, 2006:44). It has been viewed that the dynamics of customer experience is being influenced by six laws (Temkin, 2008:3-10), which could be outlined as follows.

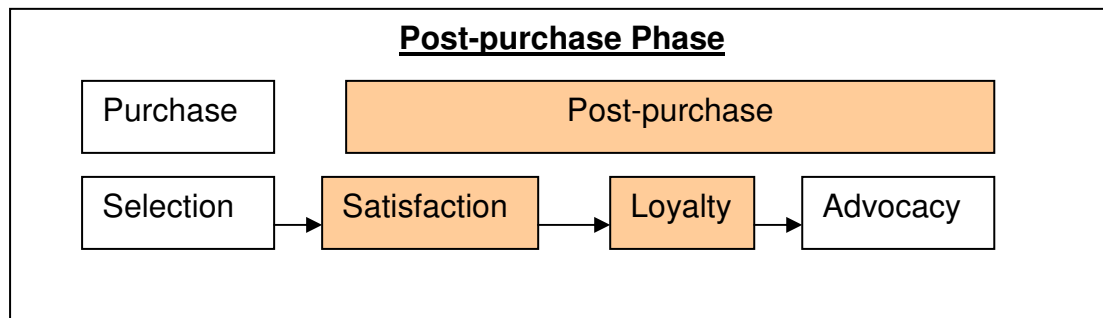
- The importance of each interaction.
- Customers remain self-centred.
- Alignment of organisational structure.
- Creating employee cohesiveness.
- Employee motivational forces; and.
- Management to set the example.

The recent negative economic climate has made clients more aware of the value received on the services being offered by financial institutions, As a result thereof clients have become very demanding on the quality of service in exchange for the costs incurred for the service being offered by a financial institution (Owen, 2010:3).

It is against this background, that the aforementioned laws would provide a financial institution with a detailed framework on aspects that would impact upon and influence the dynamics of customer experience in a positive manner.

## 2.5 CUSTOMER SATISFACTION AND LOYALTY

**Figure 2: Extract of post-purchase phase of selling concept**



(Source: Hinshaw, 2006:10)

It has been viewed that the selling concept consists of 3 phases, which are the pre-purchase phase, purchase phase and post-purchase phase (Hinshaw, 2006:10). With reference already made to the fact that marketing has evolved over the years, with the focus now shifted to satisfying customer needs and requirements for the purpose of this study, it would be prudent to focus on the post-purchase phase (Figure 2), which involves two key concepts in the form of customer satisfaction and customer loyalty (Kotler & Armstrong, 2010:33).

### 2.5.1 Definition of customer satisfaction

Companies that are able to provide a high level of service through effective relationship management, would be able to create customers that are delighted in return (Kotler & Armstrong, 2010:45). Customer satisfaction could be regarded as the degree in which a product or service performance is aligned to the buyer's anticipated expectation (Kotler & Armstrong, 2010:G2), and could be used as measurement to determine product and service performance in comparison to consumer expectation (Hill & Alexander, 2002: 2).

### **2.5.2 Overview of customer satisfaction**

Customer satisfaction is being influenced by the value and experience derived from an organisation's product and service offering, coupled by the comparing it to the reputation of another organisation trading in the same industry within the market place (Szwarc, 2005:6). It has been viewed that the quality of service could be measured by customer perceptions, which implies that customer satisfaction should remain an important service research aspect within a service-oriented organisation. Customer satisfaction is furthermore regarded as one of the primary factors contributing to the establishing and maintaining of relationships with consumers, and the quality of service could be examined, based on the extent in which an organisation has a relationship with the client over a period of time (Rust & Chung, 2006:570).

Customer satisfaction also provides various beneficial features to an organisation as it leads to increased revenue, enhances customer profitability, whilst being ranked as the frontrunner in customer satisfaction could be the key to maintaining market leadership (Wibberley & Macfarlane, 2008:3-16). The downside of customer satisfaction is the fact that it does not guarantee future business growth or success whilst satisfied customers are not always loyal (Hinshaw, 2006:11).

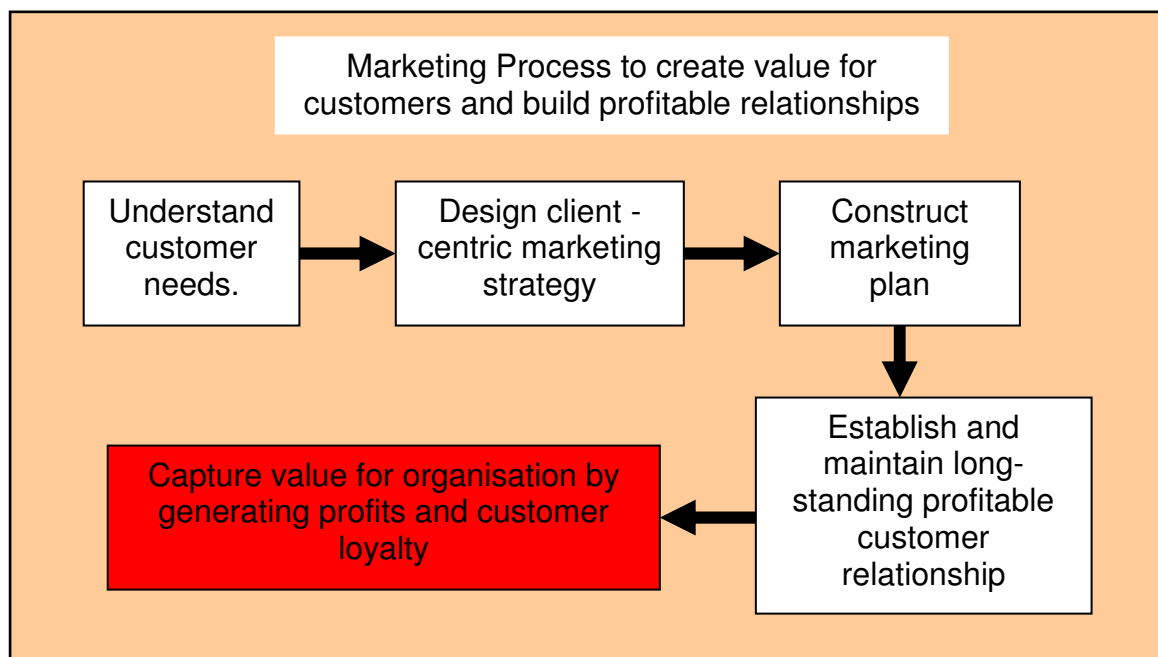
Thus it leads to the argument that a financial institution does not always have the assurance or guarantee that satisfied customers would not switch banking business to one of the competitor financial institutions (van Ravesteyn, 2005:7). Absa's view is that customer trust has eroded during the past few years, which has been caused by many factors; however, the bank should rectify this and strive to enhance trust by ensuring that the bank offers a transparent customer experience to its clients going forward (Owen, 2009:7). From the above it is evident, that although customer service is regarded as an important component contributing to the overall success of a organisation, it would not be prudent for an organisation to base its retention strategy only on customer satisfaction, but would need to focus on aspects such as customer loyalty and service excellence in order to build a sustainable business.

### 2.5.3 Definition of customer loyalty

Customer loyalty could be well-described by the fact that customers become unknowingly advertisers for the exchange partner's business. Customers also have a commitment to a specific exchange relationship partner, and are therefore willing to enhance the relationship by investing into the relationship and making personal sacrifices for it (Ackermann & van Ravesteyn, 2006:153-154). Loyalty could furthermore be described by an individual's commitment to a specific brand, product or service, despite external efforts in an attempt to influence the behaviour of an individual to switch to another brand, product and service (Peelen, 2005: 32).

### 2.5.4 Overview of customer loyalty

**Figure 3: Marketing process leading to customer loyalty**



(Source: Kotler & Armstrong, 2010:29)

The marketing process consists of 5 stages (Kotler & Armstrong, 2010:29-45) in which the initial four stages (Figure 3) evolves around the process of understanding the client needs and requirements, establishing and building relationships with the client. The final stage leads to the main and final objective of creating value for customers with a return that the clients that are satisfied with the level of service and products which they receive and become loyal to the organisation. The concept of customer loyalty (Lowenstein, 1997: 14) is often misinterpreted within the market place with the concept of customer satisfaction, in which loyalty specifically focuses on the client's needs and value criteria, whilst customer service are perceived to be re-active.

Various types of loyalty exist, which enable organisations to retain the business of existing customers (Hill & Alexander, 2002:14). However, research has shown that customers tend to be more loyal from a behavioural point of view than attitudinally with specific reference made to financial service institutions (van Ravensteyn: 2005:47).

Aspects such as products, branding and costs do have an influence on customer loyalty and retention, whilst the most important aspect that enhances customer loyalty, is the manner in which customers are being serviced and treated (O'Sullivan, 2010:94). Loyal customers that remain with an organisation (Bejou & Palmer, 2005:33), would continue to acquire new products and services and at the same time act as good advocates on behalf of the organisation (Campbell, 2006:46).

Despite the importance of customer satisfaction within the success of an organisation, in which each organisation strives to satisfy the client needs and requirements, research has shown that a high level of customer satisfaction does not necessary guarantee repeated sales of products and services (Griffin, 1995:4), hence the reason that the measurement of customer loyalty has become a very important aspect within the business environment (Campbell, 2006:46). Adopting a relationship banking strategy could enable a bank to strive for and create a sense of customer loyalty and retention amongst its customers (Ackermann & van Ravesteyn, 2006:153).

An organisation that is able to satisfy customer needs and requirements with the product or service which has been offered could create an intangible asset, and thus could lead to future income streams for the organisation (Fornell, 2007:45). In view thereof it is imperative for the organisation to realise that they should ensure their customers are satisfied with the value which they receive from the product and service offering, as part of its strategy to enhance client loyalty which could lead to long term sustainable financial benefits for the organisation.

### **2.5.5 Advantages of customer loyalty**

It has been viewed that the enhancement of loyalty amongst clients could be utilised as a proven predictor for future transactional activity and sustainability, whilst the following has been viewed as economic and financial benefits caused by customer loyalty:

- It's believed that customer satisfaction leads to increase in customer loyalty, whilst customer loyalty increase customer retention, as loyal customers would have no need to shift relationship to another financial institution (Hinshaw, 2006:15).
- The relationship that a bank owns with a client, could be extended as a result of the fact that the client remains loyal to his bank (Hinshaw, 2006:15).
- Customers that are loyal to a bank, familiarise themselves with the bank's procedures and structures, which could lead to them being less price sensitive (van Ravesteyn, 2005:57).
- The cost involved in the acquisition of new customers far exceeds the cost in retaining existing loyal customer (Gronroos, 2004:130).
- It has been perceived that an increase in customer loyalty enhances the company's performance (Kotler & Armstrong, 2010:37).

- Customers that are delighted at the service or the products which they receive, would remain loyal, and would also talk favourably of the company and its offering in the market place, which could lead to business expanding by way of gaining new customers and enhance its sustainability (Kotler & Armstrong, 2010:29-45); and.
- Clients that are loyal to an organisation would be more agreeable for the cross-selling of products, and would become more cost-effective for a business to service these loyal clients (Ackermann & van Ravesteyn, 2006:153-154).

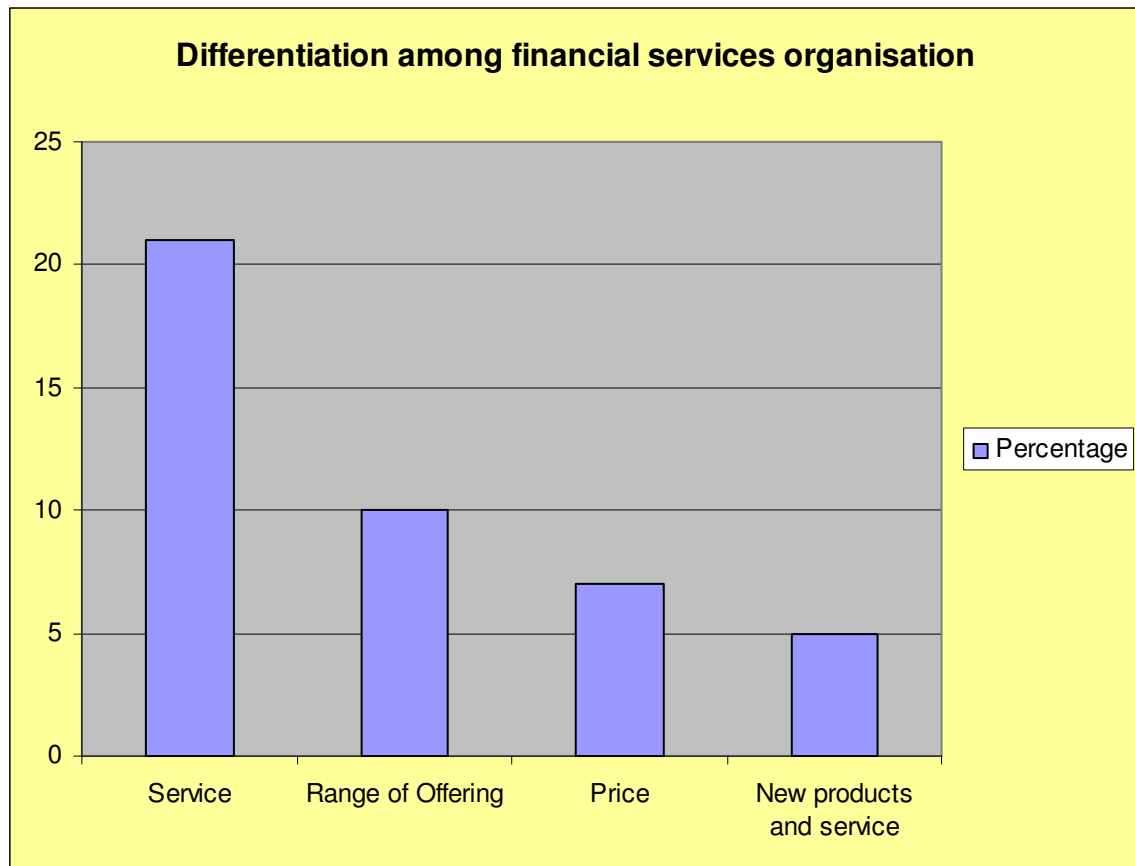
Based on the abovementioned statements, companies should strive to migrate and convert clients from being satisfied to being loyal as quick as possible, as not only does it offer various benefits in the form of financial rewards and sustainability, but it also enables the clients to become advocacies (Figure 2) on behalf of the organisation, which could offer opportunities for the acquisition of new customers.

## **2.6 SERVICE DIFFERENTIATION AND EXCELLENCE**

A service could be regarded as an activity which is intangible, offers various benefits and satisfaction to a consumer but not owned by the consumer or provider thereof (Kotler & Armstrong, 2010:G8). Service does not relate only to products and sales, but also to the ability to fully understand the client's exact needs, requirements and priorities (O'Sullivan, 2010:36). The perceived quality of the service being offered to consumers, depends mostly on the tangible and intangible attributes of the entire service offering (Ndubisi, 2006:134).

### 2.6.1 Overview of service differentiation

**Table 2: Greatest source of differentiation among financial services organisations**



**(Source: Corporate Executive Board, 2004:6)**

Research previously conducted (Table 2), indicated that financial institutions operating within a services environment shared a common view in terms of differentiation, as the most popular way to differentiate itself from its competitors is by way of providing superior services to the market place (Corporate Executive Board, 2004:6). It has been stated that differentiation offers an opportunity for a more profitable competitive edge over a longer period of time. Differentiation that has been attained on the basis of innovation of products and services, and enhancement of product quality and technology, are perceived to be differentiated attributes that are more challenging to counterparts or better by competitors (Thompson *et al.*, 2010:150).



Service orientated companies which are being exposed to an intense price-competition market, could differentiate their service delivery offering by way of enlarging its front-line staff compliment, develop an effective service process, and lastly striving to offer persistent higher quality service compared to being offered by the rest of the market place (Kotler & Armstrong, 2010:272).

### **2.6.2 Definition of service excellence**

Service excellence has been achieved once the need, requirement and priority of the client have through the service offering not only been fulfilled and met, but exceeded (O'Sullivan, 2010:36). From the service provider's point of view, it is believed that personal choice embraces change and once positive approaches have been adopted an individual would be able to deliver service excellence (Radford & Columnist, 2009:114).

### **2.6.3 Overview of service excellence**

The success of service excellence depends on whether the organisation based its focus on client-centricity, in which the organisation not only meets customer expectation, but ensures that they exceed it as well (Clark & Baker, 2004:3). The ability to achieve a consistent high level of service excellence could be based on various strategic focus areas that could be adopted by individual's fulfilling service-related roles in striving to provide a high level of service excellence to their customers (O'Sullivan, 2010: 137-308). It's been viewed that organisations operating within a competitive industry could differentiation themselves by delivering consistent high levels of service, attain operational excellence, meet customer expectations and view and address aspects from the client's point of view (Corporate Executive Board, 2004:10-20; Quin & Byron, 1999:3).

The aforementioned strategies are being regarded to be essential to the success of the business; however, it has been stressed that none of these strategies provides opportunities for continuous differentiation. Maintaining service excellence over a period of time is far more challenging than to maintain the quality of a product over a period of time (Lowenstein, 1997:14).

It is, however, believed that creating and maintaining a high service excellence culture within an organisation should be driven by management, in which each employee should align his or her common commitment on client-centricity by way of offering high levels of service standards. The end-result thereof should be the overall experience which the client has experience with each interaction with the organisation.

## **2.7 CLIENT SERVICE MEASUREMENT**

### **2.7.1 Importance of customer service measurement**

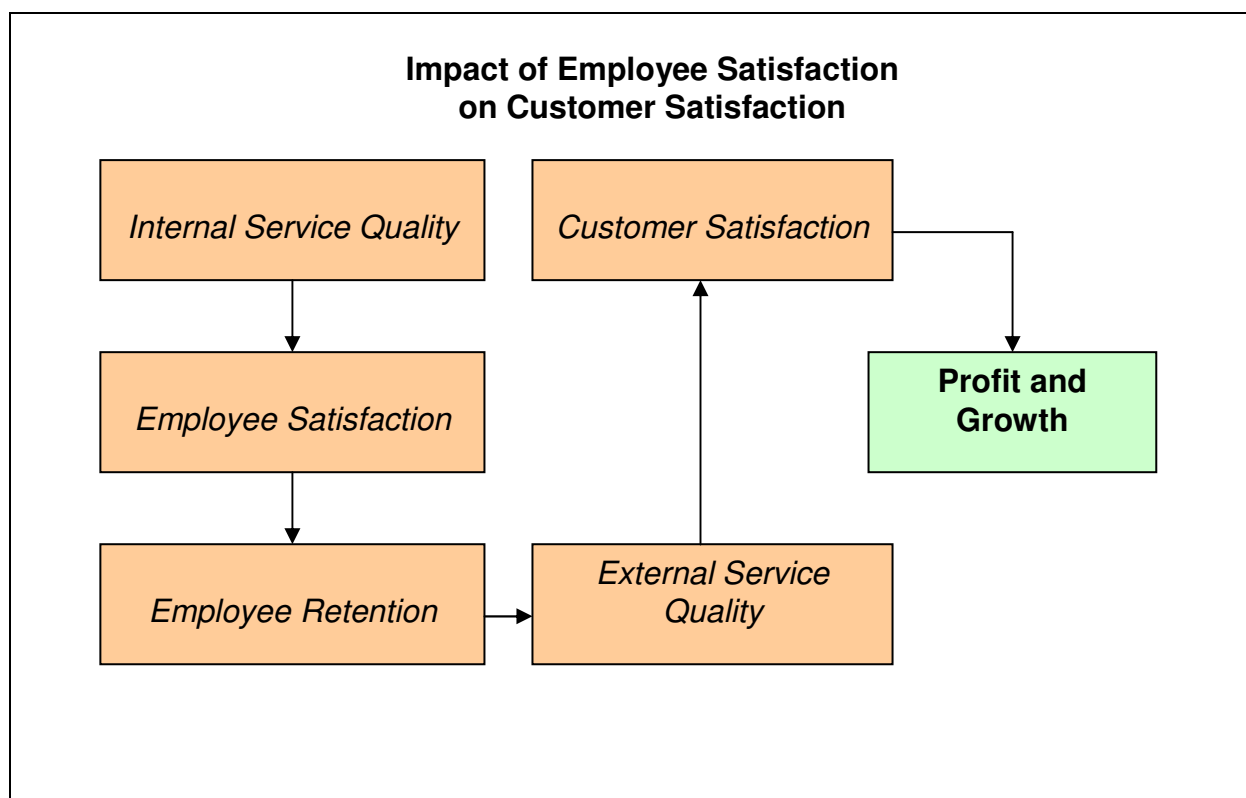
For a service organisation to be successful, the firm needs to align its vision and strategies to be solely focused on the customers, whilst customer service measurement fulfils a crucial role as part of an organisations overall approach in serving customers (Cook, 2004:3). It has been viewed, that the objective of market research aims to provide an organisation with a clear view and understanding of what excites the customer in terms of its value proposition offering, in which the organisation has the opportunity to enhance or redefine its offering (Clark & Baker, 2004:15).

Customer satisfaction measurements are viewed to fulfil a key role in the success of any service-orientated organisation (Rust & Chung, 2006:570), whilst customer measurement tools that effectively focus on customer satisfaction, loyalty and quality would enable an organisation to improve its financial performance (Szwarc, 2005:12). Customer satisfaction leads to future revenues, whilst being valued by customers in terms of the level of service being offered is the key component in acquiring and maintaining a status as a leader within the market place (Wibberley & Macfarlane, 2008:16).

### 2.7.2 Overview of customer measurement

Customers that acknowledged their willingness to recommend the bank and act as a reference for the bank could be viewed as good predicting measure of loyalty as these customers indicate that they are satisfied with the level of value receive from the bank (Hinshaw, 2006:21-22). Customer opinions offer various benefits to the organization, as it not only allows the organisation to customize its offerings according the needs and desires of the client, but also could lead to the development of a social bond between the organisation and the client (Eisingerich & Bell: 2006: 88).

**Figure 4: Linkage between employee satisfaction and customer satisfaction**



(Source: Cook, 2004:5)

Proper customer feedback derived from client service measurement tools, offers an organisation a range of opportunities, in which the following have been highlighted.

- Provide opportunities to effectively listen to the client's needs and desires, re-align business structures and processes to be more clients centric focused (Cook, 2004:1); and.
- Provide opportunities to identify service gaps within an organisation that could improve customer retention rates in an attempt to increase the bottom line of an organisation (Hill & Alexander, 2002:11).

Research has, however, confirmed that once the organisation creates a sense of loyalty and satisfaction amongst its customers, derived mostly from internal service excellence and at the same time succeeds in creating employee loyalty and satisfaction (Figure 4) could enable the organisation to attain growth and profits (Cook, 2004:5). Based on the aforementioned statement, it is believed that an organisation would be able to start reaping financial benefits once the leaders of the organisation creates a motivational climate amongst employees which would have a direct positive impact on the client service excellence, client retention and loyalty.

## **CHAPTER THREE**

### **EMPIRICAL STUDY**

#### **3.1 RESEARCH METHODOLOGY**

The research comprises of a literature review, as well as an empirical study.

##### **3.1.1 Literature review**

The literature review comprises of an in-depth study of key concepts related to the research proposal, and provides the reader with basic understanding of the theory, also forming a conceptual framework of the research objectives. Research studies relating to the key term concepts were gathered, consulted and recognised from primary and secondary sources. Information and data have been sourced from literature and published articles, other research studies done in this field of study, related articles obtained on the World Wide Web, as well as interviews conducted with the Absa senior management personnel responsible for customer service within the Absa business banking division.

##### **3.1.2 Empirical study**

Empirical research methodology was applied with a combination of quantitative & qualitative research methods in the form of structured questionnaires and semi-structured telephonic interviews designed to obtain data relevant to the primary and secondary objectives of the research proposal. The method, by which empirical research was undertaken, will be discussed in terms of research design and instrument, population and sample frame, data collection and statistical techniques, used for the study research.

### **3.1.2.1 Research design**

The research study proposal comprised of a combination of both qualitative and quantitative research elements, whilst part of the qualitative research method has been based on exploratory research. Exploratory research focuses on contributing factors that impact on customer satisfaction (Hill & Alexander, 2002:66). Part of the empirical study allowed customers with an opportunity to express their opinion on how they believe Absa medium business bank should improve its service levels offered to business clients. Small-scaled research in the form of one-on-one semi-structured interviews was conducted with Absa medium business bank employees, to determine critical factors that form part and influence the objectives of the research proposal. It has been viewed that adopting exploratory approach as part of research study, could provide the researcher with a more fundamental understanding on the data required in order to conduct quantitative research (Cook, 2004:29).

Quantitative research comprises the measurement of data which could be obtained in many forms and techniques from a sample of respondents (Szwarc, 2005:55) and provides opportunities for an organisation to ascertain and determine what the average client needs and requirements are (Clark & Baker, 2004:15). A combination of both quantitative & quantitative questions was included in the questionnaires in order to obtain data in support of the primary and secondary objectives of the research proposal.

### **3.1.2.2 Population and sample frame**

The research proposal focused on two distinct population groups, which comprised of existing Absa medium business bank clients as well as existing Absa business bank employees, fulfilling the role as relationship bankers.

### Client sample.

A stratified sampling approach has been adopted in support of the research proposal, which enables the present researcher to divide customers into separate segments as stipulated according to the criteria, avoids complications (Szwarc, 2005:113) that certain categories from the sample of respondents could be excluded, and could provide data to the pertaining level of perceived customer satisfaction for each segment (Hayes, 1997:90).

Research studies that have been conducted with Absa medium business bank clients consisting of a sample of sixty five client (65) clients. Each of the clients credentials, qualify to form part of the Absa medium business bank value proposition. The selection of each client from each of the Absa medium business Western Gauteng seven different business units provided according to the following selection criteria.

- Twelve (12) business clients were randomly selected from each of the seven business units forming part of medium business Western Gauteng Region.
- In each business unit, clients were divided into three strata.
- The stratum allocation of each business client was done from Absa business bank internal income rating tool, referred to as “VAPM”. More specifically, on the grounds of the “VAPM”, clients were divided into the “top”, “medium” and “bottom” income range segments.
- Three (3) business clients were selected from the top, middle and bottom income range bracket respectively by selecting the top three clients (highest income) in each of the segments. If one of those clients were not available, the next client in that segment (with the fourth highest income), was interviewed. This process was applied until responses of three clients in each segment were gathered.
- The clients that were randomly selected to participate in the research survey in the sense that they did not belong to any specific industry.

- Characteristics that lead to the selection of the informants, responsible to conduct the survey on behalf of each business client, were based on individuals' fulfilling key roles within their respective organizations; and.
- Each individual that participated as respondent was actively involved in regular interactions on behalf of their respective organisations (i.e. the business client) with Absa business bank.

#### Staff sample.

The research studies that have been conducted with Absa medium business bank relationship bankers consisted of a sample of forty one (41) staff members, in which each staff member currently fulfills the role of a relationship banker within Absa medium business bank (Western Gauteng Region). The whole population was included.

#### **3.1.2.3 Data collection**

For the purpose of the study and in support to determine the effectiveness of relationship banking within Absa medium business bank, the researcher collected data by way of making use of semi-structured interviews and questionnaire research techniques. These research instruments were developed and designed by the researcher himself, with the emphasis placed on some of the key concepts that have been discussed and described within the literature review.

#### **3.1.2.4 Pre-assessment of questionnaire**

In order to ensure effectiveness of the research instruments that have been designed in support of the research proposal, both research instruments were pre-assessed by five personnel members from Absa business bank. Each of the personnel members fulfilled middle to top managerial roles within Absa medium business bank, whilst the other two members currently fulfil the role as relationship banker within Absa medium business bank.



Both research instruments were also pre-assessed by a statistician who represents North West University's statistical consultation services.

### **3.1.2.5 Research instrument**

#### **3.1.2.5.1 Client survey**

The research instrument (Annexure D) used to collect data from respondents forming part of the sample of the Absa business bank client population was conducted in the form of a semi-structured telephonic interview. The benefits of this specific research method includes the high response rate a researcher is able to achieve as compared to some of other research methods available (Cook, 2004:58), whilst open-ended questions could be formulated and asked by the interviewer to the interviewee, in which providing flexibility in the sense that qualitative questions could be combined with quantitative (Szwarc, 2005:62). The questions that were asked in the form of a semi-structured questionnaire consisting mostly of quantitative questions, whilst the questionnaire ended with the last question, being a qualitative question. The semi-structured questionnaire was designed as follows.

#### **Section A: Client background information**

This section specifically focused on obtaining background information pertaining to each client, in which data in the form of industry knowledge, years of banking relationship with Absa, as well as respondents' specific role within the organisation having been obtained.

#### **Section B: Customer satisfaction**

This section focused on determining whether the customer is satisfied with level of service which they received from their relationship banker and his or her support team.

The questionnaire also determined whether each client believed that the relationship bankers that served them, were skilful, passionate in offering high levels of service and also added value to each client's business.

## **Section C: Customer loyalty**

The last section focused mostly on customer loyalty in which specific questions have been designed to try and determine whether clients were loyal to Absa business bank, whilst each client offered the opportunity to offer advice in terms of how they thought Absa business bank could enhance their level of service which they offered business clients.

### **3.1.2.5.2 Employee survey**

The research instrument (Annexure E) was used to collect data from respondents, who all fulfilled the roles of relationship bankers within Absa medium business bank, was conducted in the form of a structured questionnaire, with an open-ended question at the end. Each respondent had the choice to complete the questionnaire in their own time. The questionnaire also contained mostly quantitative questions, in which respondents were given the opportunity to rate items on a 1-to-10 point Likert Scale. Likert scale is regarded to be a popular form of a response scale, due to its flexibility that it could be used in many forms of research exercises (Meyers, 1999:120).

The last part of the questionnaire ended with an open-ended question, encouraging each respondent's feedback in terms of suggestions they believed Absa should impose to improve the level of service being offered by relationship bankers to clients. The questionnaire was designed for the purpose to obtain data from Absa employees, and had been structured as follows.

## **Section A: Demographic information**

The aim of this section was to determine the highest level of qualification attained by each staff member, the period each individual has been acting in role of a relationship banker and also the period each employee had been employed by Absa medium business bank.

## **Section B: Service and operational excellence**

This section determined whether each employee perceived that the support offered by peers, supporting staff as well as the existing operating model provided sufficient opportunities for each relationship banker to offer a high level of service to each business client.

## **Section C: Staff morale**

This section concentrated mostly on staff morale, in which the questions strived to determine whether each relationship banker was passionate in fulfilling the duty as a relationship banker and at the same time showed of the necessary skills, attitude and knowledge to offer a high level of service to each client.

## **Section D: Customer feedback and loyalty**

The objective of this section is to try and determine, whether each relationship banker believes that he or she adds value to the client's business, as well as to determine whether they believe that the client which they serve, are loyal Absa clients and satisfied with the level of service which they offer them.

## **Section E: General**

The final section prompts each relationship banker with an opportunity to express his or her opinion and suggestions on changes he or she would impose in order to enhance the role of relationship banker. and became more effective in the eyes of the customer by way of offering high level of service to each client.

### 3.1.2.6 Statistical methods used

The following statistical methods have been used in support of conducting empirical studies.

#### 3.1.2.6.1 Descriptive statistical analysis

Descriptive statistics techniques have been used in the analysis and presenting of data, as descriptive techniques provide basic forms of statistics that enable the user thereof to collect, summarise and present data in an effective manner (Levine *et al.*, 2008:3). These measures include frequency tables and the calculation of means and standard deviations.

#### 3.1.2.6.2 Index action model

The index action model (Bisschof & Hough, 1995:11) converts Likert Scale response values into percentage format, in which the interpretation of the results could be applied by way of the following suggestion.

**Table 3: Index Action Model**

<u>Values</u>	<u>Action to be taken</u>
<i>Below 0.60</i>	Critical Area (Requires immediate action)
<i>0.6 – 0.70</i>	Area of Development (Development phase)
<i>Above 0.75</i>	Area of Excellence (Retention phase)

(Source: Bisshoff & Hough, 1996:10)

#### 3.1.2.6.3 Cronbach's alpha

Cronbach's alpha statistical analysis has been used, as it gives an indication of reliability, which enables the researcher to combine a range of internally consistent questions and combine the answers into a single numerical value (Bland & Alman,

1997:572). In other words, Cronbach's alpha indicates whether the statements within the questionnaire are interrelated (Hayes, 1997:49).

#### **3.1.2.6.4 The coefficient of correlation**

A correlation coefficient statistical method has been used to determine whether a linear relationship (Levine *et al.*, 2008:3) and the degree of relationship (Myers, 1999:66) exists between key concepts within a client survey. Spearman's rank order correlation coefficient was used to measure monotone relationship between two variables (Field, 2005:129).

#### **3.1.2.6.5 Effect sizes**

Effect size provides a measure of practical significance (Ellis & Steyn, 2003:1) and is also regarded as an objective measurement of the effect of various variables (Field, 2005:32).

### **3.2 RESEARCH RESULTS**

#### **3.2.1 Introduction**

The data that have been analysed by way of quantitative research methods, have been presented in the form of various descriptive statistics techniques, whilst data results have been interpreted in a simplistic manner according to each sub-section of each questionnaire. All analyses were done by using the SAS (2003), Statistica (2009) and SPSS (2009) computer packages.

#### **3.2.2 Client survey**

Data that were obtained from semi-structured telephonic technique have been analysed in simplistic statistical methods.

### 3.2.2.1 Overview of the data: Frequencies and descriptive statistics

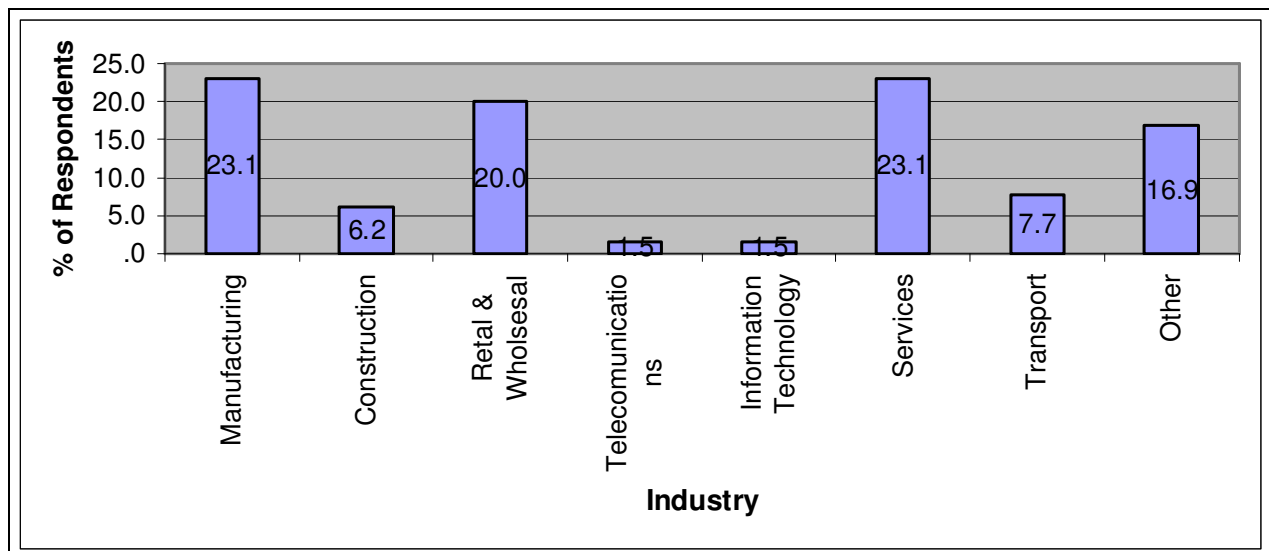
Descriptive statistics & frequencies have been used in the analysis and presenting of data. These measures include frequency tables and the calculation of means and standard deviations.

#### 3.2.2.1.1 Section A: Client background information

- Industry

The respondents whom were selected and participated in the research study, represent various industries. The purpose of industry analysis was to determine, which industry was mostly represented by the respondents.

**Figure 5: Respondent industry analysis**

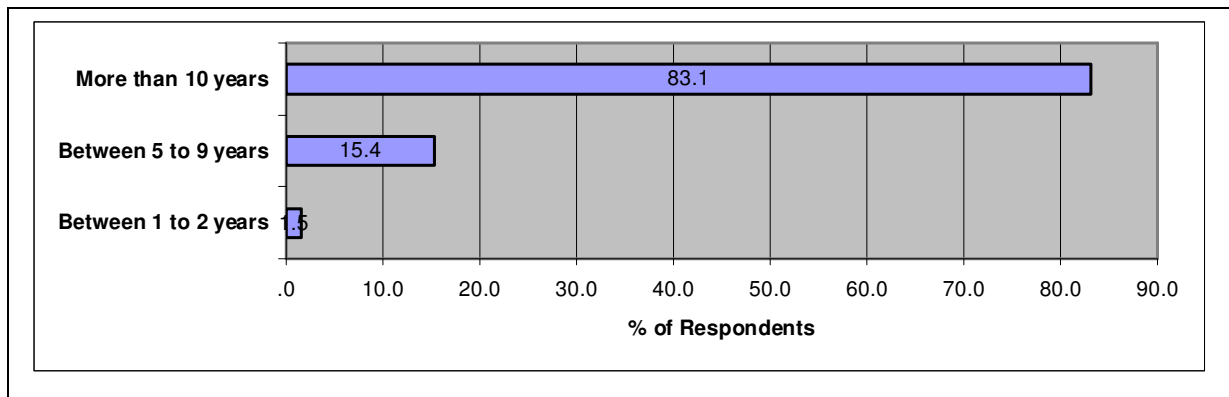


The majority of these respondents (Figure 5) operate mainly within manufacturing (23.1%) retail & wholesale (20%) and services industries (23.1%). The remaining 33.8% are made of clients who trade within a selection of construction, transport, telecommunications, information technology and other industries which have not been specified.

- Number of Years an Absa bank client

Each respondent does have an existing banking relationship with Absa, whilst the purpose of this section was to determine how long these relationships have been with Absa.

**Figure 6: Respondents years of banking relationship with Absa**

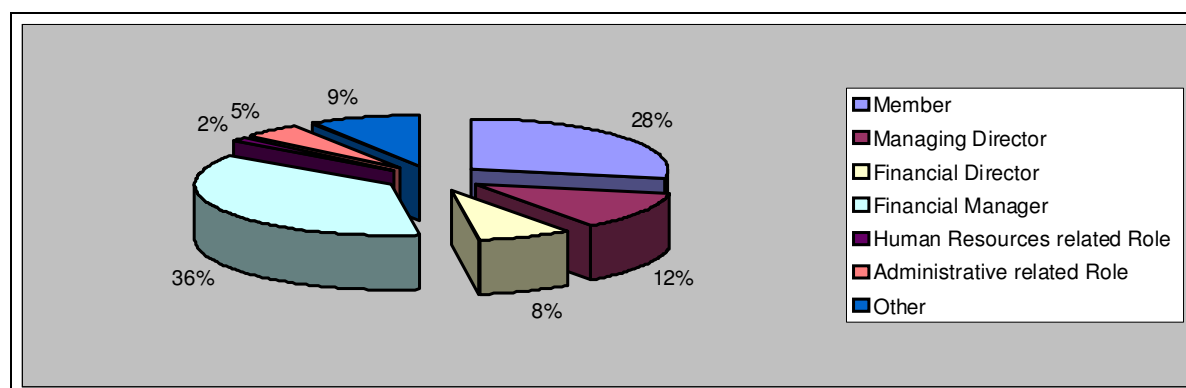


The majority of the clients that participated in the research survey, have been long standing clients of Absa (Figure 6), especially in view of a large portion (83.1%) of respondents that have been banking with Absa for more than ten years. Based on the long-standing relationship that exists between these clients and Absa, the clients would potentially be loyal and satisfied with the level of service being offered by the relevant relationship bankers. The remaining 15.4% of clients have been banking with Absa between 5 to 9 years, and only a small portion of 1.5% between 1 to 2 years, whilst none of the respondents have been banking with Absa from about 2 to 5 years.

- Position within the business

The main purpose of this section was to determine, whether the research studies that have been completed, have been conducted with individuals who fulfil senior and key personnel positions within each of the specific businesses.

**Figure 7: Respondents' role within organisation**



It is apparent that the respondents each fulfil key positions within the organisations (Figure 7) in the form of financial managers (36%), members (28%), managing directors (12%) and financial directors (8%), whilst the remaining 16% are positions made of roles in which part of the individual's responsibility is to interact with Absa business bank on behalf of the organisation.

### 3.2.2.1.2 Section B: Customer satisfaction

The segment focused on various key attributes that relate to customer satisfaction.

**Table 4: Customer satisfaction data results**

Statement	% Strongly Agree (8 -10)	% Agree (4 – 7)	% Strongly Disagree (1-3)	Mean	Standard Deviation	Index
Level of Service (Relationship Banker)	47.7	38.5	13.8	6.95	2.595	0.695
Level of Service (Relationship Team)	44,6	39,90	15,5	6.86	2.703	0.686
Value Add	43,1	36,8	20,1	6.48	2.773	0.647
Skills Level	53,80	32.2	14	6.88	2.553	0.687
Attitude	56,90	29,20	13,9	7.12	2.522	0.712
Professionalism	60	27,80	12,20	7.40	2.486	0.74



Relationship bankers adding value (Table 4) had the lowest mean average of 6,48 and highest standard deviation of 2,773, which indicated that there was a significant variability in the responses, as a lever of doubt amongst certain respondents whether relationship bankers add value to clients businesses. On the positive side, respondents believe that relationship bankers' approaches are professional, with the highest average mean (7,40) lowest standard deviation (2,48) and majority of respondents (60%) strongly agreed with this statement.

According to Index Table Model (Table 3) none of the key areas highlighted within the questionnaire, requires any form of immediate action. Various areas do fall within the development phase, whilst only two key attributes have been reflected as excellent. Both these statements address the issues around the approach and professionalism being displayed by relationship bankers in servicing clients, which are regarded to be key fundamentals in order to attain service excellence (O'Sullivan, 2010: 16).

### 3.2.2.1.3 Section C: Customer loyalty

The section determines whether clients are loyal to Absa, and who also act as advocacies on behalf of Absa business bank.

**Table 5: Customer loyalty data results**

Statement	% Strongly Agree (8 -10)	% Agree (4 – 7)	% Strongly Disagree (1-3)	Mean	Standard Deviation	Index
<b>Recommend: Absa Business Bank</b>	55,40	13,80	13,80	7.09	2.691	0.71
<b>Recommend: Relationship Banker</b>	51,4	33,3	15,3	6.95	2.752	0.69
<b>Loyalty</b>	50,3	33,90	10,8	7.25	2.488	0.72
<b>Advocacy</b>	29,2	27,7	43,1	4.88	3.475	0.49

It is evident that the majority of respondents are potentially loyal to Absa business bank in view of a high average mean of 7,25 (Table 5), whilst more respondents strongly agreed to recommend Absa business bank (55,5%) than recommending the relationship banker (50,3). A perturbing aspect is, that the clients do not appear to act as advocacy's on behalf of Absa business bank, due to a low mean average (4.88), high standard deviation (3,475), while 43% of the respondents strongly disagreed with the statement.

Comparing data results to an action index model (Table 3), the statement relating to advocacy reflects an action index (Table 5) of 0,49, which appears to be below the critical area of 0.60, and this area requires immediate action by Absa business bank (Bisshoff & Hough, 1996:10). None of the other response results appears to be within the excellent category, in which all of these areas fall within areas of development.

#### **3.2.2.1.4 Qualitative feedback**

Respondents have been given the opportunity to offer advice to Absa business bank, on how they think Absa business bank should try and enhance its service offering, in which respondents have been given the assurance that feedback would be treated in the strictest confidential manner. The feedback received, has been summarized to differentiate between the positive and negative feedback in a constructive manner.

##### **i. Positive feedback**

- Certain respondents appreciate the fact that they believe the level of service has improved during the past few years; and.
- Respondents expressed their satisfaction with the current business model offered by Absa business bank, in which each client has a centralised point of contact, assisted by various support and product specialists.

##### **ii. Negative feedback; and.**

- Respondents believe that Absa business bank division should try and re-assess its pricing structure which is being charged to clients in exchange for its service offering offered to business bank clients.
- Respondents also expressed a need to the bank, requesting that more regular contact should be made by the relevant relationship banker with each client and the relationship bankers' approach in offering advice should be pro-active, rather than re-active.
- Respondents requested relationship bankers to conduct more regular follow-ups and provide regular and quicker feedback to the clients on tasks which have been assigned to them.
- Respondents also expressed a need that contact should be more personalised, in which methods of contact being preferred by clients are face-to-face or telephonically, instead of the bank making regular use of technology such as e-mails and the sms; and.
- Respondents also requested that their needs and requirements should be more pro-actively been identified and assessed by relationship bankers and addressed accordingly.

### 3.2.2.2 Reliability analysis and correlation coefficient of sections B and C

The questionnaire consists of various subsections, for which Cronbach's alpha was calculated and correlation coefficient analysis has been performed. The aim of these analyses was to test the reliability (Nunnally & Bernstein, 1994:295), i.e. for internal consistency (Yu, 2001:3) for each of the data.

**Table 6: Reliability analysis of client sections**

Section	Cronbach Alpha	Mean	Standard Deviation	Correlation Coefficient
<b>B: Customer Satisfaction</b>	0.976	6.9487	2.463	<b>0.816</b>
<b>C: Customer Loyalty</b>	0.895	6.5423	2.507	

Cronbach's alpha values for customer satisfaction and loyalty were both above the commonly agreed cut-off point of 0,70 (Yu, 2001:3), which indicates satisfactory reliability. The average correlation of items in each section has also been determined (Nunnally & Bernstein, 1994:295). This satisfactory reliability indicates, that the items are interrelated and interrelated items can be summed (or averaged) to obtain an overall score for each participant (Nunnally & Bernstein, 1994:295). We obtained an average score for each participant and the average over all participants.

The average means (Table 6) of customer satisfaction and loyalty are 6,948 & 6,542 respectively. Based on the view that loyalty drives a bank's growth forward, whilst it is perceived that customers that are satisfied with a bank could decidedly still move their business to another bank (Hinshaw, 2006:14), it would potentially be ideal to the success of Absa medium business bank, if the average mean obtained for customer loyalty could have been higher than for customer satisfaction. A strong positive correlation ( $\rho$ ) exists ( $\rho = 0.816$ ) (Table 6) between customer loyalty (Section C, Annexure D) and customer satisfaction (Section B, Annexure D), which confirms that the two aspects are related.

### **3.2.3 Employee survey**

Data were assessed with the following simplistic statistical techniques.

#### **3.2.3.1 Overview of the data: Frequencies and descriptive statistics**

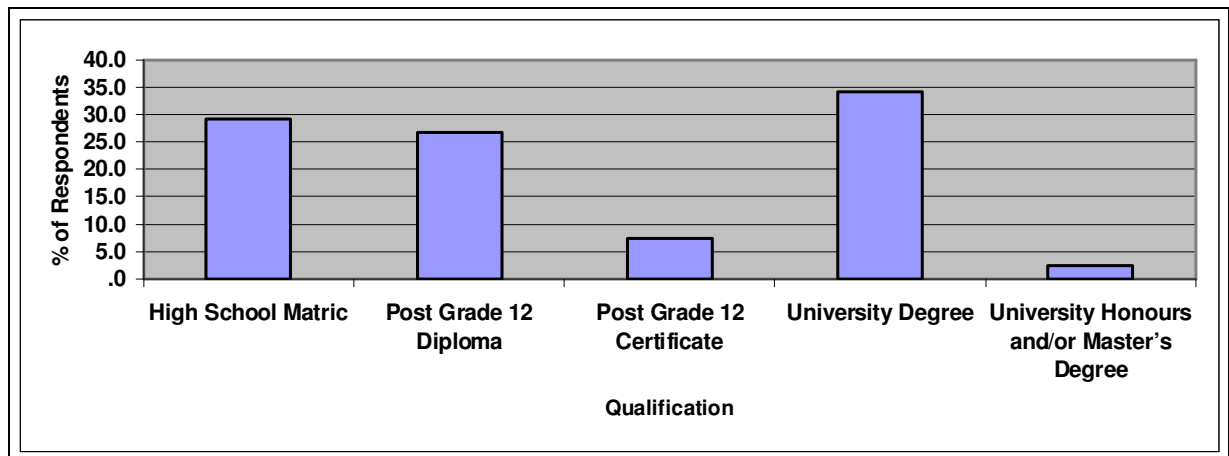
Descriptive statistics techniques and frequencies have been used in the analysis and presenting of data. These measures include frequency tables and the calculation of means and standard deviations.

##### **3.2.3.1.1 Section A: Demographic information**

- Qualification

The main purpose of this section is to determine the level of qualification of employees fulfilling the role of relationship banker.

**Figure 8: Respondents' level of qualification**

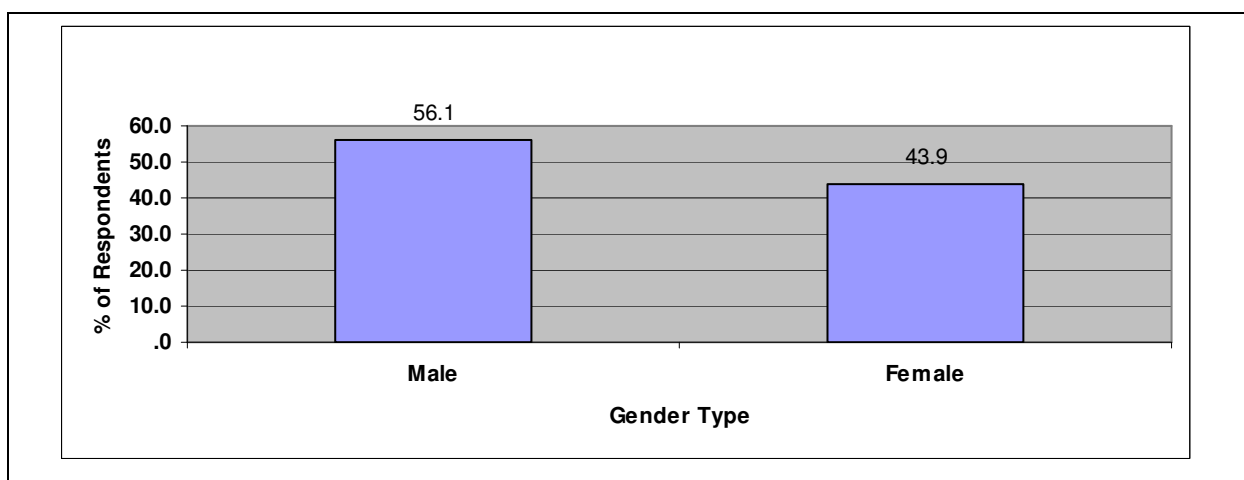


The qualifications of respondents are fairly equally spread (Figure 8) with 34,1% of respondents holding a graduate degree, with 29,3% & 26,8% holding high school matric and post-grade diploma qualifications respectively. Only 2.4% of the total respondents indicated a university honors and/or master degree as the highest form of qualification.

- Gender

This section illustrates whether relationship bankers are predominately males or females.

**Figure 9: Gender**



From research studies performed (Figure 9), it is apparent that more males (56.1%), instead of females (43.9%), prefer to take up the role as relationship bankers.

- Number of Years relationship banking experience and Absa employees

This section illustrates the experience of Absa employees fulfilling relationship banker roles.

**Table 7: Years of relationship banking experience and Absa business bank employee**

	No of Years Relationship Banking experience		Number of Years Absa Business Bank employee	
	Frequency	Percentage	Frequency	Percentage
<b>Less than 1 Year</b>	0	0	1	2.4
<b>Between 1 to 2 years</b>	3	7.3	4	9.8
<b>Between 3 to 5 years</b>	10	24.4	11	26.8
<b>Between 5 to 9 years</b>	7	17.1	10	24.4
<b>More than 10 years</b>	21	51.2	15	36.6
<b>Total</b>	<b>41</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>

Only three respondents (7,3%) have been employed as relationship bankers of less than 2 years (Table 7), whilst the majority of respondents do have more than 3 years relationship banking experience, while more than the half of the entire sample group (51,2%) appears to be well experience in the field of relationship banking, in which each of these respondents has more than 10 years experience in relationship banking. From the respondents that participated, only 2.4% have been working less than a year within Absa business bank; a large portion of respondents (51.2%) have been working within Absa business bank between 3 to 10 years, and 36.6% more than 10 years within Absa business bank.

Based on fact that large number of respondents have been fulfilling relationship banking roles for more than 10 years, while with 61% of total respondents have been working within Absa business banking for 5 years and more, it would appear that a large portion of respondents are potentially well-experienced relationship bankers within Absa business bank.

### 3.2.3.1.2 Section B: Service and operational excellence

This section focused mainly on key attributes relating to service and operational excellence aspects Absa medium business bank.

**Table 8: Service and operational excellence data results**

Statement	% Strongly Agree (8 -10)	% Agree (4 – 7)	% Strongly Disagree (1-3)	Mean	Standard Deviation	Index
Skill Levels	75,6	24,3	0	8.29	1.209	0.829
Operational Support	21,8	68,4	9,8	6.10	1.921	0.609
Operational Support Skills	34,20	63,4	2,4	6.78	1.739	0.678
Internal Processes	12,2	58,6	29,2	4.80	2.052	0.480
SBU Support	41,50	53,60	4,9	6.78	1.509	0.678
SBU Support Skills	53,60	41,50	4,9	7.17	1.548	0.717
Tools	48,80	44,0	7,3	7.00	1.718	0.7
Capacity	26,80	58,60	14,60	5.95	2.312	0.595
Operating Model – Sales Targets	12,30	65,80	21,90	5.39	2.178	0.539
Operating Model - Service	17,10	60,90	22	5.61	2.155	0.560
Service Expectations	85,4	14,60	0	8.39	1.202	0.839
Sales Targets	87,80	12,2	0	8,32	1,128	0,831

Respondents (Table 8) feel potentially comfortable (average mean of 8,29) with the fact that they do have the necessary skills to offer a high level of service to clients. Respondents are also well-informed of what is expected of them in exceeding their sales targets and offering a high level of service, with high mean averages of 8,39 & 8,32 respectively, whilst 85,4% and 87,80% of total respondents respectively, strongly agreed with these statements.

Respondents have potentially low confidence (average mean of 4,8) in Absa internal processes and procedures to support relationship bankers in offering high levels of service to clients. Thus assumption has been re-affirmed by comparing index results to the Action index model (Table 3) with the index result of 0.48 being the below critical area of 0.65. The statement pertaining capacity reflected an average mean of 5,95, however based on standard deviation of 2,312, responses indicated a host of variability between respondents.

### 3.2.3.1.3 Section C: Staff morale

This section consists of attributes relating directly to staff morale, which is an important component to a relationship banker's approach in offering a high level of service excellence.

**Table 9: Staff morale data results**

Statement	% Strongly Agree (8 -10)	% Agree (4 – 7)	% Strongly Disagree (1-3)	Mean	Standard Deviation	Index
Work Satisfaction	58,6	36,6	4,9	7.78	1.878	0.778
Passionate	78,1	21,9	0	8.71	1.230	0.870
Proud – Relationship Banker	70.70	29,3	0	8.29	1.677	0.829
Proud – ABB Associated	75,60	24,40	0	8.29	1.647	0.829
Necessary Recognition	34.2	61	4,8	6.83	1.883	0.682
Necessary Support	73,20	26,80	0	7.98	1.275	0.797
Recommendation	53,60	46,4	0	7.61	1.922	0.760
Passionate	80,5	19,50	0	8.59	1.245	0.858
Positive Attitude	87,8	12,20	0	8.78	1.037	0.878
Appreciated	56,10	41,50	2,4	7.49	1.791	0.748



A majority of respondents (Table 9) has indicated, a positive attitude (average mean of 8,78), whilst 80% of all respondents (average mean 8,71) strongly agreed with the statement that they are passionate in delivering a high level of customer service. Only 53% of all respondents strongly agreed to recommend Absa business bank to friends and family members, whilst the standard deviation of 1,911 reflects that responses varied substantially.

Based on the fact that the indicative results of various statements relating to staff morale have been rated above, an average mean of 6,50, a fair assumption could be made that the morale of the majority of respondents appear to be positive. This assumption is re-affirmed by the results obtained from the majority of statements are above 0.75, which according to Index action model (Table 3), would fall within area of excellence (Bisshoff & Hough, 1996:10).

#### 3.2.3.1.4 Section D: Customer feedback and loyalty

The primary focus of this section is to determine the respondent's opinion in terms of customer loyalty and satisfaction.

**Table 10: Customer loyalty data results**

Statement	% Strongly Agree (8-10)	% Agree (4-7)	% Strongly Disagree (1-3)	Mean	Standard Deviation	Index
Value - Service	70,7	29,3	0	8.44	1.205	0.843
Value - Advice	75,60	24,4	0	8.39	1.159	0.839
Loyalty	53,60	46,40	0	7.76	1.261	0.775
Client Satisfaction	73,20	26,60	0	8.27	1.073	0.826

The majority of respondents (75,65%) strongly agreed, that they do add value (Table 10) to the client's businesses based on the service (average mean of 8,44) and advice (average mean of 8,39) which they offer to the clients. The standard deviation (Table 10) of various statements fluctuates between the range of 1.0 to 1.2, which indicates a relatively low variability in responses.

#### **3.2.3.1.5 Qualitative employee feedback**

The respondents have been given an opportunity to offer advice on changes they would like to impose within Absa medium business bank in an attempt to assist relationship bankers in offering a high level of service to each client. Constructive feedback received, has been summarized as follows.

- Respondents believe that operating and service-related processes are to cumbersome and the bank should re-align its service and operational model in order to streamline processes to be more effective in the market place.
- Respondents in general believe Absa business bank should adopt more of a client-centric approach, in which the performance of all personnel involved within the service level chain, should be measured on client satisfaction.
- Respondents suggested that the bank should try and create a stronger capacity for relationship bankers, by either reducing the number of client groups or reducing the volume of administrative & compliance tasks assigned to relationship bankers. This view has been supported by suggestions made that Absa medium business bank should adopt the Absa Large Business Banking Model in an attempt to enhance service and operating related aspects and processes.
- Respondents also suggested that relationship bankers should be more empowered in making decisions to enhance service offering to clients.
- Respondents indicated that back office support should be de-centralised to a self-managed team concept, in which each team responsible for all administrative and support duties, should be positioned within various business units.

- Respondents also indicated that credit-sactioners responsible for all credit-related decisions should be de-centralised, and positioned within the various business units.
- Respondents expressed a need that relationship bankers should be more recognised and rewarded for the responsibility which they fulfil within Absa medium business bank.
- Respondents also expressed a need that the direct line management should be pro-actively and directly involved within the sales process and adopt more of a supportive role within the process; and.
- Respondents expressed a need that additional mentoring be imposed within Absa medium business bank, in which aspects such as knowledge management and best practices should be more effectively shared within Absa business banking division.

### 3.2.3.2 Reliability analysis and correlation coefficient of the sections b, c and d

The questionnaire consists of three subsections, for which Cronbach's Alpha coefficients were calculated and a correlation coefficient analysis was performed to determine reliability. For reliable sections, mean values and correlations between sections were calculated.

**Table 11: Cronbach Alpha, Mean, Standard Deviation and Correlation Coefficient of Employee variables**

Section	Cronbach's Alpha	Mean	Standard Deviation	Correlation Coefficient		
				Section B	Section C	Section D
<b>B: Service and operational excellence</b>	,894	6.715	1.200	<b>1</b>	.613	.316
<b>C: Staff morale</b>	.925	8.034	1.229	.613.	<b>1</b>	.753
<b>D: Customer loyalty</b>	.899	8.213	1.030	.316	.753	<b>1</b>

Cronbach's Alpha values for service and operational excellence, staff morale and loyalty were all both above the commonly agreed cut-off point of 0,70 (Yu, 2007:3), which indicates satisfactory reliability of each of the sections. The average correlation of items has also been determined and confirms the internal consistency of the respective sections (Nunnally & Bernstein, 1994:295). This satisfactory reliability indicates that the items are interrelated and interrelated items can be summed (or averaged) to obtain an overall score for each participant (Nunnally & Bernstein, 1994:295). An average score was obtained for each participant for each of the sections.

The results (Table 11) indicate a mean average of 6,71 for the section relating to service and operational excellence (Annexure E), which are lower compared to the other two sections relating to staff morale (average mean of 8,034) and customer loyalty (average mean of 8,21). The high correlation ( $p=0,613$ ) that exists between service and operational excellence and staff morale, could potentially be caused within a service-related organisation such as Absa medium business banking division by service and operational attributes that directly impact on staff morale, whilst a high staff morale potentially also leads to service and operational excellence.

A strong correlation also exists ( $p=0,753$ ) between employee morale and customer loyalty, which supports the statement that profit and growth are not only derived from good customer loyalty and retention but underpinned by employee loyalty and satisfaction (Cook, 2005:6). A medium correlation exists ( $p=0,316$ ) between service and operational excellence customer loyalty.

### **3.2.4 Corresponding questions**

Certain key concepts relating to primary and secondary objectives of the study have been enclosed in both client and employee questionnaires. For these corresponding questions, independent t-tests were conducted to test whether clients and staff members responded differently to the questions.

For the t-tests, p-values are reported, where  $p < 0.05$  indicates that there is a statistical significant difference between the mean value of client and staff responses. Effect sizes in the form of Cohen's d-values (small effect:  $d = 0.2$ , medium effect:  $d = 0.5$ , large effect:  $d = 0.8$ ) are also presented to indicate whether differences are practically significant (Ellis & Steyn, 2003:4).

**Table 12: T-Test Analysis**

Corresponding Statements & Question Numbers			Mean		Std Deviation		p	d
			<u>Client</u>	<u>Staff</u>	<u>Client</u>	<u>Staff</u>		
<b>Service excellence</b>	<u>Client</u> 2.1	<u>Staff</u> 4.4	6.65	8.26	2.591	1.072	0.002	0,506
<b>Value add</b>	2.3	4.1	6.476	8.439	2.773	1.205	0.0001	0.707
<b>Client loyalty</b>	3.3	4.3	7.246	7.756	2.487	1.260	0.226	0.204

It is apparent that the difference in averages relating to the first two key concepts (Table 12), namely “service excellence” and “value add” differ statistically significantly ( $p < 0.05$ ), whilst the effect size for the difference in service excellence ( $d = 0.506$ ) and value enhancement ( $d = 0.707$ ) are considered to be a medium and large effect respectively.

This indicates that the differences in mean scores of clients and staff members on these concepts are also practically significant. In particular, when looking at the mean values of the respondents, staff members scores on these concepts were higher (more positive) than those of clients.

For the third key concept, “client loyalty” the p-value is larger than 0.05, which indicates that client and staff responses did not differ statistically significantly. Client loyalty ( $d = 0.204$ ), also has a small effect size, which indicates that the difference between clients and staff members’ responses to this concept are not significant in practice.

## **CHAPTER FOUR**

### **RECOMMENDATIONS AND CONCLUSIONS**

#### **1. INTRODUCTION**

Banks operate within a highly competitive environment and are often exposed to uncertain market conditions, which could lead to banks continuously adopting new strategies (Zineldin, 1996:14), whilst it is also viewed important that the banks offer intimate customised solutions to meet high expectations of increasingly sophisticated customers (Owen, 2010:3).

This study has endeavoured to create a platform for further research to be conducted to determine the effectiveness of other service oriented divisions within Absa. This chapter provides findings, conclusions and recommendations in support of the primary and secondary objectives of the study, based on the conceptual framework that has been provided to the reader from the literature and empirical review studies.

#### **2. FINDINGS CONCLUSIONS**

The primary objective of this research study is to determine the level of “customer perceived value” and satisfaction amongst existing Absa medium business banking clients, whilst the secondary objectives focused on the following.

- To determine whether the relationship banking business model provides sufficient opportunities and capacity for each relationship banker to create and add value to each client.
- To determine whether the level of customer service offered has enhanced loyalty amongst existing customers; and.
- The final objective focused whether customers perceived relationship bankers to be professional and also have of the necessary skills to effectively fulfil and perform the role of a relationship banker.

The following conclusions have been reached based on the empirical studies which have been performed in support of the primary and secondary objectives of the study.

## **2.1 Area's of concern and development**

- More respondents strongly disagree than strongly agreed (Table 10) with the statements that the existing operating model, as well as internal processes as part of the sale process assists relationship bankers to attain sales targets and offer high levels of service to clients respectively.
- The majority of respondents (Figure 7) have been banking with Absa for more than ten years, and based on the long-term relationship that already existed between the client and Absa, an assumption could be made that these clients would be potentially loyal and satisfied with the “perceived value” obtained from survival offered by relationship bankers. From empirical studies performed, it is evident that only half of the respondents are potentially very loyal (Table 7) to Absa medium business bank, whilst majority of respondents do not act as advocacy's on behalf of Absa medium business bank.
- It has been viewed that a bank could easily miss the root causes of customer attrition, if the bank focused only on customer satisfaction scores. Satisfied customers are perceived not always to be loyal as well (Hinshaw, 2006:12). It is evident from the empirical studies (refer to Table 8) that existing clients tend to be more satisfied with overall performance of the relationship banking team than to be loyal to Absa. Ideally Absa should strive to enhance customer loyalty, based on the various benefits which the concept customer loyalty offers a financial institution such as Absa, as described within literature review studies; and.
- Based of the fact that majority of clients (refer to Table 7) are not comfortable to recommend Absa Business Bank to new clients, further research should be dedicated to determine the reason behind this sentiment.

## **2.2 Area's of Distinction**

- The majority of the relationship banker respondents strongly agreed with the statements that they are passionate and consist of a positive attitude (Table 11) in delivering a high level of customer service, which indicates that the majority of relationship bankers are highly motivated in their role as relationship bankers.
- More than half of the entire group of relationship bankers (Table 9) are well-experienced in the field of relationship banking, in which each of these respondents have more than 10 years experience in relationship banking, which from a consistency and staff turnover point of view could be viewed in a positive manner and should be used as advantageous to stimulate customer loyalty; and
- The high staff morale (Table 13) should be viewed in positive a manner by Absa medium business bank management, especially due to the view that a direct link exists between attributes that influence employee satisfaction, retention and the quality of service offered to an external customer (Cook, 2004:5).

## **3. RECOMMENDATIONS**

In modern business society, value for time has become more important than value for money, and as a result thereof, most business people invest their time with people from which they could derive tangible value (Sobel, 2010:103).

It is against this background that relationship bankers should strive to maximize the impact with the various clients they engage and continue building on their professional and competence approach which have been displayed so far in the engagements which they've had with existing Absa clients.



A “perception” exists within Absa business bank that a large amount of time and effort are being dedicated by relationship bankers to the top ranked “VAPM” income clients; however in an attempt to enhance customer loyalty amongst all customers and develop all customers into advocates on behalf of Absa Business Bank, more dedicated focus, efforts and resources should be utilised on the middle to bottom ranked “VAPM” income clients, as these clients could start acting as advocacy’s for Absa as well, which could lead to substantial future economic and financial benefits specifically for Absa business bank.

In the light of the above, an assumption could be made, that based on a well-experienced group of relationships’ bankers, that appears to be potentially highly motivated and passionate in delivering a highly level of service to clients, it is evident that Absa medium bank strives to become client-centric, in developing a sales-forces that is effective in the “eyes’ of the customers. It would, however, appear that based on empirical studies that have performed with Absa clients, respondents appeared to be moderately satisfied with the level of service which they’ve received from relationship bankers; however, room for improvement does exist in the developing and building of long term sustainable relationships with clients from all “classified income” category groups, which would enable Absa medium business bank to secure its long-term survival within a highly competitive and sophisticated banking environment.

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## **ANNEXURE A**

**Table 13: Absa Medium Business Bank Client Survey, 2009**

<b>Absa Medium Business</b>		
<b>Target Sample</b>	<b>1400</b>	
<b><i>Description</i></b>	<b><i>Total</i></b>	<b><i>%</i></b>
Number of clients contacted	13 222	
Agree to participate	1444	7%
Not available	5 124	26%
Just rings	4 528	23%
Call Back	2 528	13%
Respondents supplied alternative contact no	1 218	6%
Discontinued Number	1 032	5%
Don't quality	1 055	5%
Wrong number	341	2%
Engaged	862	4%
Soft Refusal	495	3%
No longer at the number	124	1%
Refusal – Not interested	255	1%
Fax Number	157	1%
Midterm Termination	129	1%
Has been contacted	64	0%
Left the country	43	0%
E-mail	34	0%
Deceased	26	0%
Preliminary	9	0%
Fax to client	4	0%

(Source: Consulta Discover Scientific Research, 2009:8)

## **ANNEXURE B**

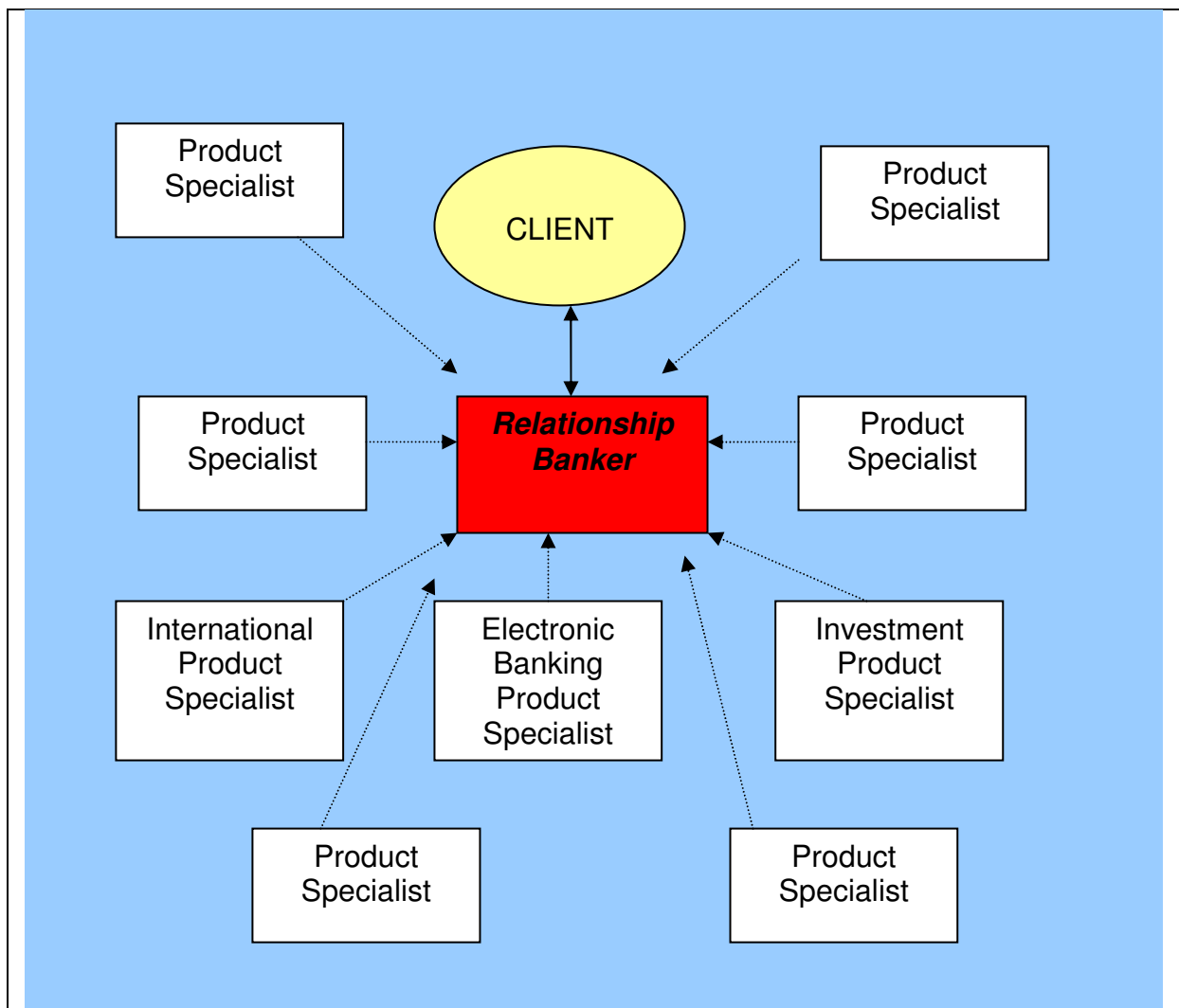
**Table 14: Absa Medium Business Bank Excellence & Failure Client Survey, 2009**

<b>Overall Questions</b>	<b>Service Failure</b>	<b>Moderate Satisfied</b>	<b>Service Excellence</b>
Rate the overall quality of service of your RE (Relationship Executive)	3%	53%	44%
Rate the overall quality of relationship with your RE.	3%	49%	48%
Rate the overall satisfaction with your RE.	3%	47%	50%

**(Source: Consulta Discover Scientific Research,2009:11)**

## ANNEXURE C

Figure 10: Absa Medium Relationship Banking Business Model, 2010



(Source: Du Preez, 2010:2)

## **ANNEXURE D**

### **SEMI-STRUCTURED (TELEPHONIC) INTERVIEWS**

Good Day, my name is....., and I represent Absa Business Bank. We are conducting a survey to find out what our customers think of the level of service which our Relationship Bankers and support personnel offer them, in an attempt to enhance the level of service we offer our clients.

Responses would be treated in a confidential manner

Could I have a few minutes of your time, to answer a few questions?

#### **1. Section A: Background Information:**

##### **Business Unit Name:**

<b>Business Unit Name:</b>	<b>Mark in X</b>
1. Klerksdorp	1.
2. West Rand	2.
3. Randburg	3.
4. Johannesburg North	4.
5. Johannesburg South	5.
6. Vaal Triangle	6.
7. Central	

##### **1.1 What industry does your business operate in?**

<b>Industries</b>	<b>Mark in X</b>	
	<b>Yes</b>	<b>No</b>
1. Manufacturing	1	2
2. Construction	1	2
3. Retail and/or Wholesale	1	2
4. Telecommunications	1	2
5. Information Technology	1	2
6. Services	1	2
7. Transport	1	2
8. Other – Specify:	1	2

1.2 How long have you been a customer of Absa Bank?

No of years a client of ABB?	Mark in "X"
1. Less than 1 Year	1
2. Between 1 to 2 years	2
3. Between 3 to 5 years	3
4. Between 5 to 9 years	4
5. More than 10 years	5

1.3 What role/position do you fulfil within the business?

Position within the Company	Mark in "X"
1. Member	1
2. Managing Director	2
3. Financial Director	3
4. Financial Manager	4
5. Human Resources related Role	5
6. Administrative related Role	6
7. Other	7

## 2.1 Section B: Customer Satisfaction

On a scale of 1 to 10 (where 1 = strongly disagree and 10 = strongly agree), please answer the following statements?

Statements	10	9	8	7	6	5	4	3	2	1
	Strongly Agree			Agree				Strongly Disagree		
									SCORE	
2.1). I am satisfied with the level of service that my Relationship Banker offers me.										
2.2) I am satisfied with the service that my relationship banking team (e.g. Relationship Banker & OB) offer me.										
2.3) My relationship banker adds value to my business.										
2.4) My relationship banker possess of the necessary skills to add value to my business.										
2.5) My Relationship Banker possess of the right attitude to offer high levels of service to my business.										
2.5) My Relationship Banker's approach in serving me as a client is professional.										

## 3. Section C: Customer Loyalty

On a scale of 1 to 10 (where 1 = strongly disagree and 10 = strongly agree), please answer the following questions?

Statements	10	9	8	7	6	5	4	3	2	1
	Strongly Agree			Agree				Strongly Disagree		
									Score	
3.1.) I would recommend Absa Business Bank to a friend or family member.										
3.2) I would recommend my relationship banker to a friend or family member.										
3.3) I would remain loyal customer of Absa Business Bank.										
3.4) I have referred new business clients to Absa Business Bank.										

**General:**

Do you have any advice for Absa Business Bank, on how to improve their level of service to you as client?

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**Thank you very much for your participation and cooperation.**



## **ANNEXURE E**

### **RESEACH QUESTIONNAIRE:**

The purpose of the questionnaire is to enhance the effectiveness of the role of Relationship Bankers within Absa Medium Business Bank, and we therefore kindly request that each respondent express his/her honest opinion in completing the survey.

Responses will be treated in the strictest confidence.

Please read questions below and answer the questions accordingly:

#### **1. SECTION A: Demographic Information**

Please mark the appropriate box with an X

1.1 What is your highest qualification?

<b>HIGHEST QUALIFICATION</b>	<b>Mark in "X"</b>
High School Matric	1
Post Grade 12 Diploma	2
Post Grade 12 Certificate	3
University Degree	4
University Honours and/or Master's Degree	5

1.2 Are you a Male or Female?

<b>MALE</b>	<b>FEMALE</b>
1	2

1.3 How many years of Relationship Banking experience do you have?

No of Relationship Banking years of experience	Mark in "X"
Less than 1 Year	1
Between 1 to 2 years	2
Between 3 to 5 years	3
Between 5 to 9 years	4
More than 10 years.	5

1.4 How long have you been an Absa Business Bank employee?

No of Relationship Banking years of experience	Mark in "X"
Less than 1 Year	1
Between 1 to 2 years	2
Between 3 to 5 years	3
Between 5 to 9 years	4
More than 10 years.	5

1.5 Business Unit Name:

Business Unit Name	Mark in X
1. Klerksdorp	1
2. West Rand	2
3. Randburg	3
4. Johannesburg North	4
5. Johannesburg South	5
6. Vaal Triangle	6
7. Johannesburg Central	7

## 2. SECTION B: Service and Operational Excellence

On a scale of 10 to 1 (where 10 = Strongly Agree and 1 = Strongly Disagree), please answer the following statements

Statements	10	9	8	7	6	5	4	3	2	1
	Strongly Agree			Agree				Strongly Disagree		
										Score
2.1) I have the necessary skills to offer a high level of service to my clients.										
2.2) I have the necessary operational support to offer a high level of service to my clients.										
2.3) My operational supporting staff (e.g <i>OB, CSS consultant</i> ) has the necessary skills to support me in offering a high level service to my customers.										
2.3) Absa's internal processes and procedures provide me with adequate opportunities to offer a high level of service to my clients.										
2.4) I have the necessary SBU support (e.g EB specialist, IB specialist) to provide a high level of service to my clients.										
2.5) The SBU support staff (e.g <i>EB specialist, IB specialist</i> ) has the necessary skills to support me in my role as a relationship banker to offer high level of service to my customers.										
2.6) I have the necessary tools (e.g. <i>technology</i> ) to provide high level of service to my customers.										
2.7) I have the necessary capacity available to provide high level of service to my customers.										
2.8) Absa Business Bank operating model enables me to attain my annual sales targets.										
2.9) The Absa Business Bank operating model assists me to offer high level of service to my clients.										
2.10) I know what is expected of me in offering a high level to service to my clients.										
2.11) I know what is expected of me in exceeding my sales targets.										

### 3. SECTION C: STAFF MORALE

On a scale of 10 to 1 (where 10 = Strongly Agree and 1 = Strongly Disagree), please answer the following statements

Statements	10	9	8	7	6	5	4	3	2	1
	Strongly Agree			Agree				Strongly Disagree		
										Score
3.1) I enjoy working as a relationship banker within Absa Business bank.										
3.2) I am passionate in offering a high level service to my clients.										
3.3) I am proud to be an Absa Business Bank Relationship Banker.										
3.4) I am proud to be associated with the Absa Business Banking Brand.										
3.5) I do feel I get the necessary recognition for the work which I do.										
3.6) My Relationship Banker colleagues support me in my role as Relationship Banker.										
3.7) I would recommend Absa Business Bank to my friends and family members.										
3.8) I am passionate in delivering high a level of customer service to my clients.										
3.9) I have the right attitude to serve my clients with a high level of service.										
3.9) I feel valued for the work which I do by my Direct Line Management.										

### 4. SECTION D: Customer Feedback and Loyalty

On a scale of 10 to 1 (where 10 = Strongly Agree and 1 = Strongly Disagree), please answer the following statements

Statements	10	9	8	7	6	5	4	3	2	1
	Strongly Agree			Agree				Strongly Disagree		
										Score
4.1) I feel that I add value to my client's business based on the service I offer them.										
4.2) I feel that I add value to my client's business based on the advice I offer them.										
4.3) The client's that I serve, are loyal to Absa Bank.										
4.4) The client's that I serve, are satisfied with the high level of service which I as Relationship Banker offer them.										

**5. GENERAL COMMENTS:**

If I had the opportunity to act as an Absa Business Bank Division Head, if any, identify and discuss the three most key aspects that I would like to change, in an attempt to assist relationship bankers in offering a high level of service to each client.

[illegible]

**Thank you for your cooperation.**





PROFESSIONAL INTERNATIONAL LANGUAGE

SERVICES

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1911

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TAALFASILITERING

for Mr Daniel Haasbroek  
Johannes

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Vertaling

DR. J.C. HUEBSCH  
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Redigerig

Sworn Translator/Linguist

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