

**EFFECTIVENESS OF ABSA BUSINESS BANK'S CUSTOMER
RELATIONSHIP MANAGEMENT PRACTICES IN MAINTAINING
LOYALTY AMONG CUSTOMERS IN THE EASTERN CAPE
PROVINCE**

By

MOTABOLI DAVID MAPHAKISA

MTech: Business Administration

In the

Faculty of Management Sciences

CENTRAL UNIVERSITY OF TECHNOLOGY, FREE STATE

SUPERVISOR

PROFESSOR D.Y. DZANSI

OCTOBER 2014

DECLARATION

I Motaboli David Maphakisa, student number 9628290, do hereby declare that this research paper submitted to the Central University of Technology, Free State for the MTech: Business Administration is my own independent work and has not previously been submitted by me at another university. I furthermore cede copyright of the dissertation in favour of the Central University of Technology, Free State.



SIGNATURE OF STUDENT

30TH OCT 2015

DATE

ACKNOWLEDGEMENTS

I am using this opportunity to express my heartfelt gratitude to everyone who supported me and had direct or indirect contribution towards the completion of this study. I am thankful for their inspiring guidance and invaluable constructive criticism during the period of this study.

To my colleagues at Absa Business Bank, I am sincerely grateful to you for sharing your truthful and illuminating views on number of issues which helped to elevate the quality of this study.

I would like to express my special appreciation and thanks to my supervisor and mentor Professor Dennis Yao Dzansi whom I would like to thank for taking me through this journey that has taught me so many lessons on personal and professional level. Through this journey, he always reminded me that reality of leadership is an art form of self-mastery. I will forever be grateful to him.

A special thanks to my family. Words cannot express how grateful I am to them as I deprived them our family time. Their patience and understanding during this time was beyond description.

Last but not least, Almighty God, for providing my every need throughout this study, and guiding me to this day I am enormously blessed.

I thank you all!!!

Motaboli David Maphakisa

ABSTRACT

Traditionally, commercial banking in South Africa has been dominated by the big four namely Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), Nedbank, and Standard Bank. Although still dominated by the big four, other smaller banks such as Capitec and African Bank have made inroads into retail banking. This situation arose due to liberalization of the financial services sector since democratisation in South Africa in 1994 which has paved the way for proliferation of the banking industry. This has in turn led to intense competition among banks for customers. Banks in South Africa therefore have the uphill task of retaining their existing customers whilst acquiring newer ones. As a result, South African banks are being compelled to become more customer focused/ oriented. Meanwhile, a key component of most initiatives to become more customer-oriented is the successful implementation of customer relationship management (CRM). A compelling view of CRM is that organisations generate a great deal of data about customers that they can use to build customer profiles in order to serve them better. South African banks therefore need to adopt and implement innovative CRM strategies to maintain a competitive edge in the marketplace.

Most banks have a section that only deals with business clients. This is referred to in banking parlance as *Business Banking*. One of the critical elements of *Business Banking* is the high level of relationship banking – a service designed to meet the financial needs of clients through the development of a long-term relationship. This type of service delivery is unique and expensive compared to the traditional retail bank delivery system. As a result, the bank must be in position to monitor the profitability of each relationship to ensure that the right clients are serviced in the right way and are meeting the required value proposition. Therefore, if the South African banks in general need to adopt and implement effective CRM strategies, then the need is even greater for the *Business Banking* section in order to survive in the marketplace.

Absa Business bank went through an operating model change in 2011 which necessitated some structural changes including changes in its CRM practices. Mindful of the value of retaining existing customers and attracting new ones, Absa would want

to know whether its current CRM practices are effective in ensuring that customers become more loyal to Absa business bank.

In general terms, this study investigated the concept of CRM and its influence on customer loyalty and retention. Specifically, the study investigated Absa Business Bank's CRM practices in relation to customer loyalty and retention using primary data from employees, management, and customers from the Eastern Cape Region in South Africa.

The results of the study are very revealing. Among others, the study shows that bank staff commitment to offering excellent service; building trust with customers; communicating with customers in a timely manner; and proactive conflict handling are important for bank image, customer word-of-mouth behaviour towards the bank and these ultimately influence bank customer retention and loyalty.

On the basis of evidence from the study it is safe to conclude that customer loyalty can be attributed to CRM and more specifically those aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently.

This report contains the major findings of the study alongside recommendations for practice and further research.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENTS.....	iii
ABSTRACT.....	iv
TABLE OF CONTENTS.....	vi
LIST OF TABLES	x
TABLE OF FIGURES	xi
CHAPTER 1: INTRODUCTION TO THE STUDY	1
1.1 INTRODUCTION	1
1.1.1 GEOGRAPHIC LOCATION OF THE RESEARCH	2
1.2 OVERVIEW OF THE SOUTH AFRICAN BANKING ENVIRONMENT	4
1.2.1 REGULATION OF BANKING IN SOUTH AFRICA	6
1.3 FINANCIAL SERVICES'AND BANKS'CONTRIBUTION TO THE ECONOMY	7
1.4 BUSINESS BANKING IN SOUTH AFRICA – OVERVIEW OF MAJOR BANKS	9
1.4.1 STANDARD BANK	9
1.4.2 FNB 10	
1.4.3 NEDBANK	11
1.4.4 ABSA 11	
1.4.4.1 Enterprise business	18
1.4.4.2 Commercial business	19
1.5 BACKGROUND TO THE PROBLEM.....	20
1.6 PROBLEM STATEMENT	21
1.7 RESEARCH QUESTIONS	21
1.8 RESEARCH OBJECTIVES	22
1.8.1 PRIMARY OBJECTIVE	22
1.8.2 SECONDARY OBJECTIVES	22
1.9 IMPORTANCE OF THE STUDY	23
1.10 RESEARCH METHODOLOGY	23
1.10.1 RESEARCH APPROACH AND DESIGN.....	23
1.10.2 POPULATION AND SAMPLING	24
1.10.3 DATA COLLECTION AND ANALYSIS.....	24
1.11 STUDY LIMITATIONS.....	25
1.12 CLARIFICATION OF KEY CONCEPTS.....	25
1.13 OUTLINE OF THE STUDY.....	26
1.14 SUMMARY	26

CHAPTER 2: CRM IN SOUTH AFRICAN BANKS WITH FOCUS ON ABSA	28
2.1 INTRODUCTION	28
2.2 DEFINING CUSTOMER RELATIONSHIP MANAGEMENT	28
2.3 HISTORICAL PERSPECTIVE ON CRM	30
2.4 KEY FEATURES AND VIEWS ON RELATIONSHIP MARKETING	31
2.5 ROLE OF CRM IN A COMPETITIVE BUSINESS ENVIRONMENT	34
2.5.1 CONSEQUENCES OF CUSTOMER EXPERIENCE OF SERVICE QUALITY	37
2.5.2 CUSTOMER SATISFACTION AND ITS CONSEQUENCES.....	41
2.5.3 CORPORATE IMAGE AND ITS CONSEQUENCES	42
2.6 CRM AND CUSTOMER DECISION MAKING AND BEHAVIOUR	47
2.6.1 BUILDING TRUST WITH CUSTOMERS	48
2.6.1.1 Understanding the customer	48
2.6.1.2 Identifying priority customer needs and mobilising to meet them	49
2.6.1.3 Executing across the right channel mix.....	49
2.6.1.4 Retaining customers.....	49
2.6.1.5 Building trust in the banking industry.....	50
2.6.2 COMMITMENT TO SERVICE	50
2.6.4 HANDLING CUSTOMER COMPLAINTS EFFICIENTLY.....	52
2.7 CUSTOMER RETENTION AND LOYALTY	54
2.7.1 MEANING OF CUSTOMER RETENTION	54
2.7.2 BENEFITS OF CUSTOMER RETENTION POLICY	54
2.7.3 DRAWBACKS OF CUSTOMER RETENTION.....	55
2.7.4 INCREASING CUSTOMER RETENTION.....	56
2.7.5 LOYALTY.....	56
2.7.5.1 Conceptualising customer loyalty	57
2.8 CONCEPTUAL FRAMEWORK	58
2.9 CRM BY BANKS.....	60
2.10 CRM IN ABSA BUSINESS BANK	64
2.10.2 ABSA'S THREE (3) LEVELS OF RELATIONSHIP BUILDING.....	69
2.11 CHAPTER SUMMARY	71
CHAPTER 3: RESEARCH METHODOLOGY	73
3.1 INTRODUCTION	73
3.2 RESEARCH APPROACH/ PHILOSOPHY	73
3.3 RESEARCH DESIGN.....	73
3.4 THE TARGET POPULATION AND SAMPLING	74
3.4.1 THE TARGET POPULATION.....	74
3.4.2 SAMPLING TECHNIQUE EMPLOYED.....	75

3.4.2 SAMPLE SIZE	75
3.5 DATA COLLECTION	75
3.5.1 QUESTIONNAIRE DEVELOPMENT	76
3.5.2 ENSURING VALIDITY AND RELIABILITY	77
3.5.3 DATA ANALYSIS	78
3.6 SUMMARY AND CONCLUSIONS	79
CHAPTER 4: RESULTS	80
4.1 INTRODUCTION	80
4.3 OVERALL RELIABILITY OF STAFF QUESTIONNAIRE	86
4.4 CUSTOMER RELATIONSHIP ORIENTATION OF STAFF	87
4.4.1 BUILDING TRUST WITH CUSTOMERS	87
4.4.1.1 Employee perception of Absa bank's trust building with customers	87
4.4.1.2 Management's perception of Absa building trust with customers	88
4.4.2 STAFF COMMITMENT TO SERVICE	89
4.4.2.1 Employee perspective on commitment to service	89
4.4.2.2 Management's perspective on commitment to service	90
4.4.3 COMMUNICATION - STAFF PERSPECTIVES	92
4.4.3.1 Employee perspective on communication	92
4.4.3.2 Management's perspective on communication	93
4.4.4 STAFF PERSPECTIVE ON CONFLICT HANDLING	94
4.4.4.1: Employee perspective on conflict handling	94
4.4.4.2: Management perspective on conflict handling	95
4.5 CUSTOMER-RELATED DATA.....	96
4.5.1 CUSTOMERS' DEMOGRAPHIC DATA.....	96
4.5.2 RELIABILITY OF CUSTOMER QUESTIONNAIRE.....	99
4.5.3 CUSTOMER PERSPECTIVE OF ABSA'S RELATIONSHIP MANAGEMENT	100
4.5.3.1 Customer trust in Absa	100
4.5.3.2 Customer loyalty/commitment to Absa	101
4.5.3.3 Customer perception of Absa brand image.....	102
4.5.3.4 Customer word-of-mouth behaviour towards Absa	103
4.7 PROBABILITY OF SWITCHING VS. TRUST, COMMITMENT, BRAND IMAGE AND WORD-OF-MOUTH BEHAVIOURS.....	105
4.8 GENERAL COMMENTS FROM EMPLOYEES	107
4.9 GENERAL COMMENTS FROM CUSTOMERS.....	108
4.10 SUMMARY	112

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	113
5.1 INTRODUCTION	113
5.2 CONCLUSIONS BASED ON THE LITERATURE	115
5.3 CONCLUSIONS BASED ON ANALYSIS OF THE EMPIRICAL DATA	115
5.3.1 CONCLUSION REGARDING RESEARCH QUESTION 1	115
5.3.2 CONCLUSION REGARDING RESEARCH QUESTION 2	117
5.3.3 CONCLUSION REGARDING RESEARCH QUESTION 3	118
5.3.4 CONCLUSION REGARDING RESEARCH QUESTION 4	118
5.3.5 CONCLUSION REGARDING RESEARCH QUESTION 5	119
5.3.6 CONCLUSION REGARDING RESEARCH QUESTION 6	120
5.4 RECOMMENDATIONS	120
5.4.1 RECOMMENDATIONS FOR PRACTICE	120
5.4.2 RECOMMENDATIONS FOR FURTHER RESEARCH	122
5.5 CONCLUDING REMARKS	122
REFERENCE LIST	124
ANNEXURE A – CRM QUESTIONNAIRE (FOR STAFF)	140
ANNEXURE A – CRM QUESTIONNAIRE (FOR CUSTOMERS)	144

LIST OF TABLES

Table 1.1: List of banks in South Africa	5
Table 1.2: Important legislation impacting banking in RSA	6
Table 1.3: South African bank's assets	8
Table 4.1: Demographic profile of employees	80
Table 4.2: Reliability statistic of staff questionnaire	86
Table 4.3: Employee perspective on building trust with customers	87
Table 4.4: Correlations of building trust variables	88
Table 4.5: Management perspective on building trust with customers	89
Table 4.6: Employee perspective on Commitment to Service.....	90
Table 4.7: The Bank's perspective on Commitment to Service	91
Table 4.8: Employee perspective on Communication	92
Table 4.9: The Bank's perspective on Communication	93
Table 4.10: Employee perspective on conflict handling	94
Table 4.11: The Bank's perspective on Conflict Handling.....	95
Table 4.12 Demographic profile of Customers	96
Table 4.13: Reliability of the customer questionnaire.....	99
Table 4.14: Customer trust in Absa	100
Table 4.15: Customer loyalty/commitment to Absa.....	101
Table 4.16: Customer perception of ABSA brand image	102
Table 4.17: Customer word-of-mouth behaviour towards Absa	103
Table 4.18: Customer propensity to switch to another bank	104
Table 4.19: Regression of Chance of staying on B1, B2 B3 and B4.....	105
Table 4.20: Correlations of chance of staying/ switching, B1, B2 B3 and B4	106
Table 4.21: Most important things Absa business bank must do to maintain customer trust	107
Table 4.22: Things Absa business bank need to do for clients to become loyal and committed.....	108
Table 4.23: Suggestions for Absa Business bank to improve corporate image.....	108
Table 4.24: When I consider the way Absa bank relates to me	108
Table 4.25: Main reason to move from Absa business bank to a competitor	109
Table 4.26: The most important things Absa can do to maintain your trust	110
Table 4.27: What ABSA business bank needs to do for you to become loyal and committed	110
Table 4.28: Suggestion for Absa business bank to help improve its corporate image	111
Table 4.29: How likely are you to speak about and recommend Absa business bank to people	112

TABLE OF FIGURES

Figure 1.1: Map of South African.....	4
Figure 1.1: Absa Group Division structure	13
Figure 2.1 Conceptualised input-output model of CRM	59
Figure 4.1: Gender of respondents.....	81
Figure 4.2: Age of respondents	82
Figure 4.3: Respondents' highest level of education.....	83
Figure 4.4: Respondents' type of education.....	83
Figure 4.5: Respondents' race	84
Figure 4.6: Respondents' religious denomination	84
Figure 4.7: Respondents' work segment in Absa.....	85
Figure 4.8: Respondents' position in Absa.....	85
Figure 4.9: Respondents' years of experience in current position in Absa	86
Figure 4.9: Sector in which business operates.....	97
Figure 4.10: Number of employees	97
Figure 4.11: Number of years business has been operating	98
Figure 4.12: Annual turnover	98
Figure 4.13: Number of years of doing business with Absa.....	99

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

Today, many organisations are striving to become more customer-focused. According to Eid (2007), a key component of most initiatives to become more customer-oriented is the successful implementation of customer relationship management (henceforth CRM). Customer relationship management is therefore an important issue in modern business. In fact, as Noor (2012) points out, CRM has become the main strategy for most if not all organisations regardless of size to retain customers mainly because it costs up to five times more to acquire a new customer than to persuade an existing customer to make a new purchase.

A compelling view of CRM is that organisations generate a great deal of data about customers including buying patterns that they can use to build customer profiles in order to serve them better. Nguyen, Sherif and Newby (2007) actually described CRM as an information system that tracks customers' interactions with the firm and allows employees to instantly pull out useful information such as customers' past sales/purchases, service records, and unresolved problems in decision making.

As an Absa employee, the researcher has gathered from informal conversations with clients and personal observations that Absa Business Bank (a unit within Absa that focuses on doing business with 'business clients') appears to be lacking in terms of general customer service satisfaction when compared to other major banks in South Africa. This opinion however remains untested so the question remains as to whether the current CRM system of Absa Business Bank is effective. In other words, how effective is Absa Business Bank's CRM in creating or promoting customer loyalty and in retaining customers?

In general terms, this study investigates the concept of CRM and its influence on customer loyalty and retention. Specifically, the study investigates Absa Business Bank's CRM practices in relation to customer loyalty and retention using primary data from employees, management, and customers from the Eastern Cape Region in South Africa.

This chapter is intended to orient the reader to the study and consists of the following sections. The first section deals with providing a general picture of the research locale (geographical location of the empirical study). This is followed by an overview of the banking environment, including the regulatory environment in South Africa. Thereafter the contribution of the financial services sector, including the banking industry, to the South African economy is critically examined. To set the tone for understanding the imperatives of CRM in Absa business bank, the business banking environment is especially emphasised, with a focus on the so-called big four: Standard Bank, Nedbank, FNB and of course Absa. Business segmentation in the banks is also reviewed in order to understand where Absa Business Bank fits in.

1.1.1 GEOGRAPHIC LOCATION OF THE RESEARCH

The research was conducted in the Eastern Cape Province of South Africa. The province was created in 1994 out of the so-called 'independent' Xhosa homelands of Transkei and Ciskei and the eastern portion of the pre-1994 Cape Province. The capital of the Eastern Cape Province is Bisho, but its two largest cities are Port Elizabeth and East London.

Notwithstanding some economic growth, high levels of unemployment and poverty persist, particularly in the rural areas where two thirds of the population resides (South Africa Yearbook, 2012/2013). The Eastern Cape's official unemployment rate was 30.6% in the period of March to June 2014, the third highest of the country's nine provinces (Statistics South Africa, 2014). In fact, the province is considered one of the poorest areas in South Africa in terms of economic activity and also considered to be having a high rate of unemployment and remains largely underdeveloped when compared to the rest of South Africa, with economic activity well below economic potential (South Africa Yearbook, 2012/2013). This state of affairs has been attributed mainly to the historical legacy of poverty found in the former homelands from which it was created.

Currently, economic activity is concentrated in Port Elizabeth, East London and Mthatha. In the midst of the general lack of development alluded to in the earlier paragraphs, the province can boast of a reasonable level of road and rail infrastructure.

There are also three import/ export harbours and three airports offering direct flights to the main centres in South Africa. This level of transport infrastructure may have been the reason the province was earmarked as a key area for growth and economic development in post-apartheid (1994) South Africa. The two major industrial centres, Port Elizabeth and East London, have their economies based on the automotive industry. Other important sectors include finance, real estate, business services, wholesale and retail trade, eco-tourism (nature reserves and game ranches) and hotels and restaurants. The Eastern Cape is endowed with extensive agricultural capacity, while the automotive sector dominates manufacturing production. A reliance on manufacturing activity for export contributes to the cyclical nature of economic growth in the Province, meaning that economic growth is highly dependent on changes in the external economic climate (The Eastern Cape Socio-Economic Review & Outlook, 2013).

The Eastern Cape is well served by financial institutions. In fact, all the major banks and insurers have strong presence in the province. The four largest banks (Absa, FNB, Standard and Nedbank) are all well represented in the province. These major banks are of late facing strong competition from newer and smaller banks like African Bank Investment Limited (Abil) and Capitec Bank, especially in the rural part of the province (Eastern Cape Business, 2013). Figure 1.1 shows the province of the Eastern Cape lying in the southeast of South Africa.



Figure 1.1: Map of South African

Source: Statistics South Africa (2014)

1.2 OVERVIEW OF THE SOUTH AFRICAN BANKING ENVIRONMENT

To begin with, it is important to state that South Africa has a well-developed and properly regulated banking system, which compares favourably with those of industrialised countries – a situation that has been suggested as a major reason for the country's financial system not being too adversely affected by the recent worldwide financial crises. This may also account for why the industry boasts of dozens of domestic and foreign institutions providing a full range of services such as commercial, retail merchant banking, mortgage lending, insurance and investment.

The banking sector has undergone many changes in the past 20 years, with the early 1990s being characterised by a process of consolidation resulting from mergers of a number of banks, including Trust Bank, Allied, Volkskas and United Banks, which formed Amalgamated Banks of South Africa (Absa). The South African banking industry is currently comprised of banks listed in Table 1.1. All of these banks must operate under the existing legal framework governing banking in South Africa.

Table 1.1: List of banks in South Africa

Category	Bank
Registered locally controlled	ABSA Bank Limited; African Bank Limited; Bidvest Bank Limited; Capitec Bank Limited; FirstRand Bank Limited; Grindrod Bank Limited; Imperial Bank Limited; Investec Bank Limited; Nedbank Limited; Regal Treasury Private Bank Limited (In liquidation); Sasfin Bank Limited; Teba Bank Limited; The Standard Bank of South Africa Limited.
Registered foreign controlled	Albaraka Bank Limited; Habib Overseas Bank Limited; HBZ Bank Limited; Islamic Bank Limited (In Final Liquidation); Mercantile Bank Limited; The South African Bank of Athens Limited.
Mutual banks	GBS Mutual Bank; VBS Mutual Bank
Local branches of foreign banks	Bank of Baroda; Bank Of China Limited Johannesburg Branch; Bank of Taiwan South Africa Branch; Calyon Corporate and Investment Bank; China Construction Bank Corporation – Johannesburg Branch; Citibank N.A.; Deutsche Bank AG; JPMorgan Chase Bank N.A. (Johannesburg Branch); Royal Bank of Scotland (Formerly ABN Amro); Société Générale; Standard Chartered Bank - Johannesburg Branch; State Bank of India; The Hongkong and Shanghai Banking Corporation.
Foreign banks with approved local representative offices	AfrAsia Bank Limited; Banco BPI, SA; Banco Espirito Santo e Comercial de Lisboa; Banco Privado Português, S.A.; Banco Santander Totta S.A.; Bank Leumi Le-Israel BM; Bank of Cyprus Group; Bank of India; Barclays Bank Plc; Barclays Private; Clients International Limited; BNP Paribas Johannesburg; Commerzbank AG Johannesburg; Credit Suisse AG; Credit Suisse Securities (Europe) Limited; Ecobank; Export-Import Bank of India; Fairbairn Private Bank (Isle of Man) Limited; Fairbairn Private Bank (Jersey) Limited; First Bank of Nigeria; Fortis Bank (Nederland) N.V.; Hellenic Bank Public Company Limited; HSBC Bank International Limited; Icici Bank Limited; KfW IpeX-Bank GmbH; Lloyds TSB Offshore Limited; Millenium BCP; National Bank of Egypt; NATIXIS Southern Africa Representative Office; Royal Bank of Scotland International Limited; Société Générale Representative Office for Southern Africa; Sumitomo Mitsui Banking Corporation; The Bank of New York Mellon; The Bank of Tokyo-Mitsubishi UFJ, Ltd; The Mauritius Commercial Bank Limited; The Rep. Off. for Southern and Eastern Africa of The Export-Import Bank of China; UBS AG; Unicredit Bank AG; Union Bank of Nigeria Plc; Vnesheconombank; Wachovia Bank, N.A.; Wells Fargo Bank, National Association; Zenith Bank Plc

Source: Banking Association South Africa (BASA) (2010)

1.2.1 REGULATION OF BANKING IN SOUTH AFRICA

There are numerous banking legislations and regulations in South Africa, but BASA (2010) considers the following (see Table 1.2) as the most important laws that govern banking in South Africa.

Table 1.2: Important legislation impacting banking in RSA

Regulation	Purpose
Banks Act (Act 94 of 1990) and the Mutual Banks Act 124 of 1993	Makes the Reserve Bank responsible for bank regulation and supervision in South Africa. Issues banking licences to banking institutions, and monitors their activities in terms of either the Banks Act, 1990 (Act No. 94 of 1990) or the Mutual Banks Act, 1993 (Act No. 124 of 1993).
National Payment System Act 38 of 2001	Provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the country. Includes all the systems, mechanisms, institutions, agreements, procedures, rules, and laws connected with instruction to pay another person or a business, to the final settlement between banks at the Bank.
Financial Intelligence Centre Act (FICA)	Was introduced to fight financial crime, such as money laundering, tax evasion, and terrorist financing activities.
Financial Intermediary and Advisory Services Act (FAIS)	Regulates activities of all financial service providers who give advice or provide intermediary services to clients. The Act requires that such providers be licensed and that professional conduct be controlled through a code of conduct and specific enforcement measures.
National Credit Act	Designed to protect the consumer in the credit market and make credit and banking services more accessible.
Consumer Protection Act	The purpose of the Act is to promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose to establish national norms and standards relating to consumer protection.
Home Loan and Mortgage Disclosure Act	To promote fair lending practices, which require disclosure by financial institution of information regarding the provision of home loans; to establish an office of Disclosure and to provide for related matters.
Competition Act	Seeks to maintain and promote fair competition in the South African market. To promote provision of consumers with competitive prices and product choices, a greater spread of ownership within the economy, ensure that small business have an equitable opportunity to participate in the economy and expand opportunities for South African participation in world markets, while recognising the role of foreign competition within South Africa.
Electronic and Communication Act.	To provide for the facilitation and regulation of electronic communications and transactions; to provide for the development of a national electronic strategy for the Republic; to promote universal access to electronic communications and transactions and the use of electronic transactions by Small and Medium Enterprises(SMMEs); to provide for human resource development in electronic transactions; to prevent abuse of information systems; to encourage the use of electronic government services and to provide for related matters.

Source: BASA (2010)

In accordance with the Banks Act (Act No. 1 of 1990), only a public company that is registered as a bank with the Registrar of Banks is permitted to conduct financial services in South Africa.

1.3 FINANCIAL SERVICES' AND BANKS' CONTRIBUTION TO THE ECONOMY

Generally speaking, banks are important to the economy, as they provide a channel for linking those with excess funds with those in need of funds. They also play an important role in determining the quantity of money in the economy, and their financial products and services have expanded the methods currently available to invest in savings and financial services (Thomas, 2006; Heffernan, 2005). Additionally, banks act as intermediaries between individual investors and firms who supply funds, and those individuals and firms who raise funds (Firer, Ross, Westerfield and Jordan 2008:17). Thus it can be argued that for any country to experience economic growth, it is important that it is financially stable. Consequently, the financial services industry, specifically the banking industry, plays a decisive role in the economy.

Banks offer in principle five main categories of services: cash accessibility, asset security, money transfers, loans and financial advice (Amoakoh, 2012). Clients' funds need to be made available to them by banks through various mediums, as required. Banks provide asset security to their clients through safes and by ensuring the safety of money deposits. Money transfers refer to the service whereby banks move clients' funds from one account to another, including payment services. Banks also provide the service of loans or deferred payment to its clients. Additionally, banks provide financial advice, including advice on investments, wills, taxation, leasing, mergers and personal financial planning.

In South Africa, the financial services sector is the biggest contributor to the South African economy, representing about 21.4% of the Gross Domestic Product (GDP) during the third quarter of 2013 (Statistics South Africa [StatsSA], 2014). According to StatsSA (2014), as of the second quarter of 2014, the financial services industry was the third largest employer in the country, representing about 13.1% of total employment. In the Eastern Cape Province, financial services are the second largest employer, with 18.6%, behind only Government Services, which contribute 22% (StatsSA, 2014). Based on these figures, Falkena et al. (2004) should not be faulted for saying that the important role that the financial services sector, especially the banking industry, is playing in the South African economy is self-evident.

South Africa's commercial banks are engaged in practically every monetary transaction that takes place in the country. This ranges from cheque processing, provision of cash and electronic transmission of funds to the handling of credit and debit card transactions (Metcalf, 2009). These transactions are handled through a substantial distribution network of branches, agencies and automated teller machines (ATMs). Additionally, banking services are provided through telephone, cellular phone and Internet banking. The major banks offer services to both individual and corporate clients.

Table 1.3 illustrates the individual bank assets at the end of June 2010. The four major banks (Absa, FirstRand, Nedbank and Standard Bank) represented about 85 percent of total banking assets. Standard Bank is the largest bank in terms of assets, with a market share of 26 percent, followed by Absa with 22 percent. FirstRand (which owns First National Bank/FNB) and Nedbank had market shares of about 19 percent and 18 percent respectively.

Table 1.3: South African bank's assets

Bank	Asset (in billions of rand [R])	%
The Standard Bank of SA	781 947 804	26%
Absa	663 076 327	22%
FirstRand Bank	578 078 265	19%
Nedbank	546 961 735	18%
Others	499 872 732	15%
TOTAL	3 069 936 863	100%

Source: South Africa Reserve Bank (2010)

South African banks have been contributing well to the economy despite some notable strains on their profitability. According to BASA (2010), the Profitability--the Return on Equity (RoE) and the Return on Assets (RoA)--for the banking sector declined to 15.3% and 0.97% in June 2010 and June 2009, respectively. The efficiency of the banking sector also deteriorated as the cost-to-income ratio increased from 49.4% in June 2009 to 53.4% in June 2010. For the whole banking sector, operating expenses increased from R73.4 billion in June 2009 to R81.1 billion in June 2010. A profit of R28.2 billion was recorded in June 2010, 2% lower than the value recorded at the end of June 2009.

That the banking sector in South Africa has been attractive can be seen from the degree of foreign participation in the country. According to the South Africa Reserve Bank (2009), shareholding by foreigners in 2009 represented about 47.5% of total nominal banking shares in issue.

1.4 BUSINESS BANKING IN SOUTH AFRICA – OVERVIEW OF MAJOR BANKS

As indicated earlier in this chapter, the South African financial sector is currently dominated by four large banks namely First National Bank (subsidiary of FirstRand), Nedbank, Standard Bank and Absa. It is important to note that most banks have separated their retail bank (which serves the personal banking market) from their business bank (which serves business clients). It should also be noted that banks classify their business banking into different client value propositions, with differentiated service and product offerings. For the purpose of this study, business banking excludes services or products offered to big corporations. Thus, it only covers SMMEs. The focus is on the structure and client value propositions for SMMEs within these four banks. The following section provides snapshots of each of the four major banks, with more attention on Absa, the focus of the study.

1.4.1 STANDARD BANK

Standard Bank has about 150-year history in South Africa and started building a franchise in the rest of Africa in the early 1990s. It is currently operating in 18 countries on the African continent, including South Africa, as well as in other selected emerging markets (Standard Bank, 2013).

Standard Bank's strategy seems to be to build the leading African financial services organisation, using all its competitive advantages to the fullest. Their focus has been on delivering superior sustainable shareholder value by serving the needs of their customers through first-class operations in chosen countries in Africa. There are three main business units in Standard Bank: Personal and Business Banking, Corporate and Investment Banking, and Wealth – Liberty (Standard Bank, 2013).

Standard Bank Group is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSE). According to Standard Bank (2013), normalised

headline earnings for 2011 were R13.6 billion, total assets were over R1.497 billion and the bank employed approximately 52 000 people. Standard Bank's market capitalisation at 31 December 2011 was R157 billion. In total, Standard Bank has 1 222 branches, including loan centres, and 7 945 ATMs on the African continent (Standard Bank, 2013).

Standard Bank's Business Bank is within the Personal and Business Banking unit, which offers banking and other financial services to individual customers and SMMEs in South Africa and 13 countries in sub-Saharan Africa and Argentina (Standard Bank, 2013). The bank strives to continuously maintain high standards of service to its customers. Its aim is to grow its presence selectively in high-potential markets in Africa and in other emerging markets, either organically or by acquisitions, where appropriate (Standard Bank, 2013).

The Bank's strategy is to serve the full value chain of customers in domestic operation – from the most basic to the most sophisticated of financial service's needs – and to maintain high standards of customer service and cost-effective delivery channels. Standard Bank's business bank is fully represented in all nine (9) provinces of South Africa (Standard Bank, 2013).

1.4.2 FNB

As mentioned in Section 1.4.1, FNB is part of the FirstRand Ltd financial services group. Like Standard Bank, FNB is listed on the JSE and the Namibian Stock Exchange (Profile's Stock Exchange Handbook, 2010). FNB was formed as the Eastern Province Bank in Grahamstown in 1838. Following a number of acquisitions and takeovers, the First National Bank of South Africa Limited emerged as a wholly South African owned and controlled entity in 1987. A major development in the bank's history occurred in 1998 when the financial services interests of Rand Merchant Bank Holdings and Anglo-American were merged to form FirstRand Limited (FNB, 2012).

FNB offers a range of banking products and services and also has operations in seven sub-Saharan Africa countries: Zambia, Namibia, Botswana, Swaziland, Lesotho, Tanzania and Mozambique. FNB provides personal, commercial and corporate

banking services to more than 6 million customers across South Africa, from large corporate accounts to accounts for teenagers and pensioners (FNB, 2012).

FNB Commercial provides financial solutions to SMMEs, agricultural enterprises and Midlevel Corporate and Business clients. In addition to transactional accounts for businesses, specialised services such as Debtor Finance, Leveraged Finance, Start-up Funding, BEE Funding, Commercial Property Finance and other services contribute to this highly profitable segment (FNB, 2012).

1.4.3 NEDBANK

Nedbank Group Ltd is a bank holding company and one of the four largest banking groups in SA measured by assets, with a strong deposit franchise and over six million clients. Its principal banking subsidiary is Nedbank Ltd. Its ordinary shares have been listed on JSE since 1969 and on the NSE since 2007, and the bank had a market capitalisation of R95.4 billion on 31 December 2012, with Old Mutual as the majority shareholder, owning 52% of the group (Nedbank, 2013).

Nedbank Business Banking focuses on medium-sized businesses with a turnover of between R7 million and R400 million, and provides these businesses with a full spectrum of banking services, including lending, deposit-taking, transactional banking and other value-added solutions (Nedbank, 2013).

1.4.4 ABSA

Absa was formed when Allied, United, and Volkskas merged in 1991 and later merged with Bankorp (including Trust Bank and Santam Bank) in 1992. For the first seven years, the four commercial banks in the Absa group –Allied Bank, Trust Bank, United Bank and Volkskas Bank, traded under their original names. In 1997, the name of the holding company, Amalgamated Banks of South Africa Limited, was changed to Absa Group Limited, consisting of three main divisions. In 1998 the United, Volkskas, Allied and Trust Bank brands were consolidated into a single brand and Absa adopted a new corporate identity. The colour red was made more prominent throughout the Absa branding. It developed into a differentiating factor between the four main competitors.

According to the company, the colour red is associated with excitement and energy and it gives Absa a modern feel (Absa, 2011).

In 2005, Barclays acquired a majority stake in Absa as part of its drive to expand its global product, international retail and commercial banking business in attractive markets outside the United Kingdom. Absa is a subsidiary of Barclays Bank PLC, which holds a majority stake of 62.3%. Barclays is a major global financial service provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services, with an extensive international presence in Europe, the United States of America, Africa and Asia. (Absa, 2013).

Absa is one of South Africa's largest financial services groups and conducts business primarily in South Africa, and in addition to this, the Group has equity holdings in banks in Mozambique, Angola and Tanzania (Absa, 2012). As one of South Africa's largest financial services institutions, it offers a range of banking services including wealth management, investment management, retail and business banking, finance and insurance.

In April 2013, then-Finance Minister Pravin Gordhan approved the proposed reorganisation of the African operations of Barclays and Absa Group. The application was considered and approved by the minister in terms of sections 37 and 52 of the Banks Act, 1990, and the Currency and Exchanges Act of 1933. This approval follows a previous one in 2005 for Barclays to acquire a majority shareholding in Absa. This was the first phase of its restructuring, which was to be followed by the second phase, the current transaction for Barclays to transfer its African operations to Absa (News 24, 2013).

Absa Group Limited is structured into a number of divisions which provide various services, as depicted in Figure 3.1. In addition to these, Absa has other subsidiaries operating throughout various parts of Africa (through majority shareholdings in Angola, Mozambique and Tanzania and minority shareholdings in Namibia and Zimbabwe), as well as other interests in the banking property sectors (Absa, 2012).

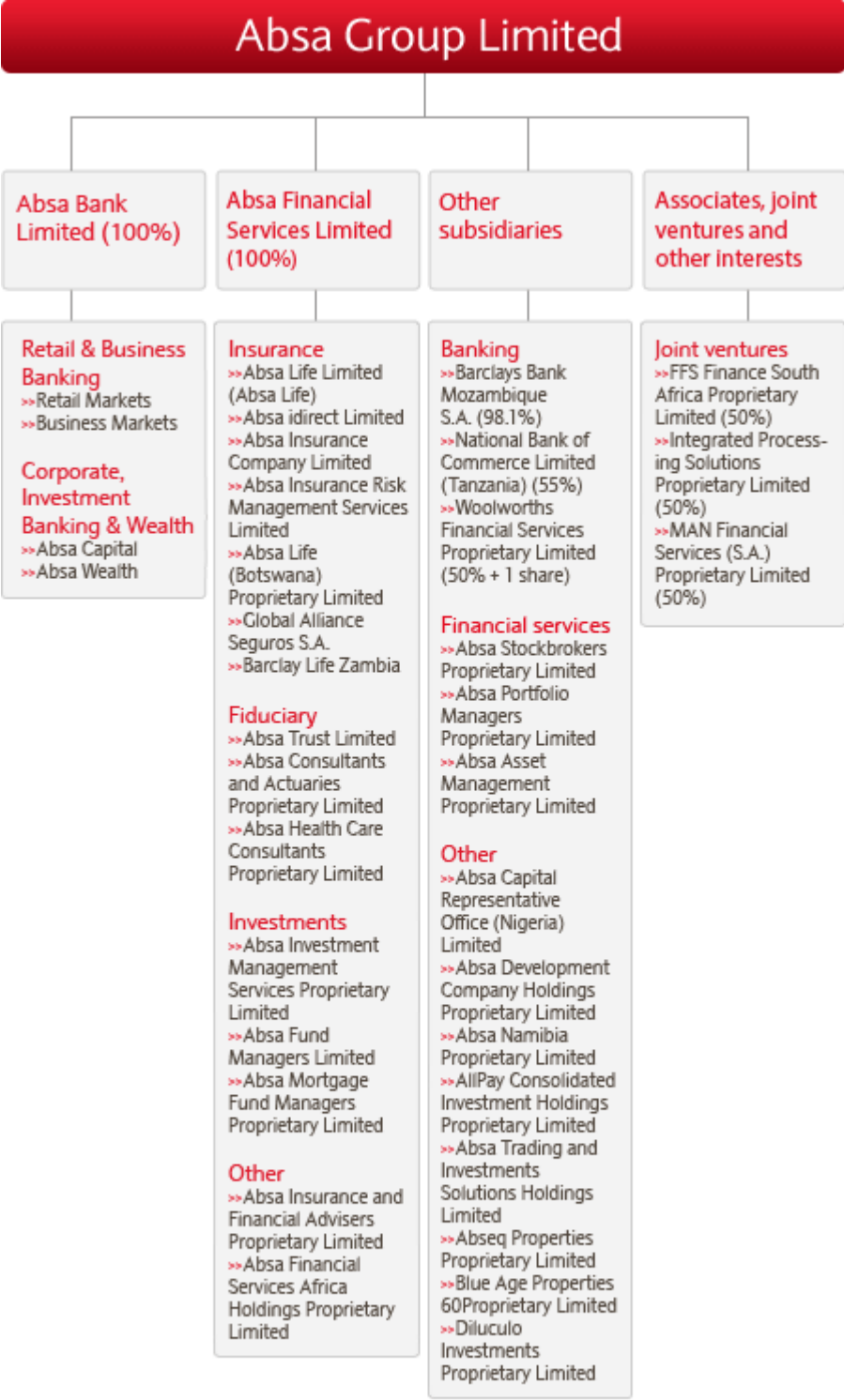


Figure 1.1: Absa Group Division structure

Source: Absa (2012)

Being part of Barclays, Absa Corporate and Business Bank is in a position to leverage on the knowledge and practices of Barclays to offer more advanced products and services to its customers. The best products, in-depth expertise and global solutions were delivered to the customer in meeting their specific needs through the combined expertise of Absa and Barclays (Absa, 2012). In this way, Absa Corporate and Business Bank became focused on the delivery of the best possible service to customers and addressing customer needs.

Absa Corporate and Business Bank also developed both equity and debt-based products designed to support and provide a platform for broad-based black economic empowerment. An established regional network of industry specialists is ideally positioned to provide assistance to entrepreneurs on issues like starting a business, how to manage a successful business, and so on (Absa, 2012). This also ensured that the customer has access to the best advice available within their respective market. In addition to relationship executives, Absa Corporate and Business Bank had a team of specialists constantly furthering their knowledge of the import/export environment and agricultural, manufacturing, tourism and franchising industries (Absa, 2012).

There is also a specialist team dedicated to public sector banking. In addition to providing industry-specific banking solutions, Absa Corporate and Business Bank has a range of specialised financial solutions such as Absa Debtor Finance and sector-specific private-equity funding products designed around the needs of the growing business customer. For the purpose of this study, the focus is on the Absa Business Bank, which classified businesses into three different categories based on the amount of credit extended to the entity and/or the annual turnover on the entity's current account. Absa Business Bank is segmented according to the criteria explained below and with different Customer Value Propositions (Absa, 2012).

Small business. In describing small business, the distinction drawn by banks and the National Small Business Act (Act 102 Of 1997) is that the level of sophistication differs vastly between the different segments. When a business first starts operation, a loan from a business bank is critical to keep the business going. Loans made to small business owners are mostly made on the strength of the personal credit of the

owners/shareholder/s of the business. If the business had a long and successful history the situation would be different. For small businesses the associated risk is normally higher and banks would probably request security in excess of the credit extended (Roos, 2008). **Small businesses** by Absa's classification are those clients to whom credit facilities granted are less than One Million Rand and/or whose annual turnover on the current account is less than Five Million Rand. According to Absa (2012), Business Managers who happen to be relationship managers in small business are responsible for servicing clients and are a client's first point of contact in the bank. These staff members are expected to build a trust relationship with clients and provide them with excellent service, including resolving any issues the client had with the bank.

Medium business. Medium businesses are defined by Roos (2008) as having reached the point where in most cases they can be classified as mature businesses. In most cases, they have been around for a long time and have built a good reputation with a bank. Although Roos (2008) highlights the reliance of medium businesses in terms of finance, the same author points out that most medium sized companies rely heavily on bank overdraft finance. Roos (2008) goes on to suggest that although the assets of medium-sized business can become substantial, their reliance the bank financing rarely diminishes. Roos (2008) also points out that personal assets of the shareholders/members are the primary form of security used by medium businesses as collateral for bank finance. Banks thus rely heavily on the personal wealth of shareholders/members of medium businesses to provide finance collateral (Roos, 2008). The **Medium business** classification by Absa refers to those businesses to whom credit facilities granted are in excess of One Million Rand but less than 10 Million Rand and/or whose annual turnover on the current account is in excess of Five Million Rand but less than 50 Million Rand. According to (Absa 2012), these clients should be serviced by Relationship Executives, who are also the client's first point of contact and the bank's interface with existing and potential "medium" business clients. These staff members are also expected to build a trust relationship with clients and provide them with excellent service, including resolving any issues the client had with the bank; however, these were more experienced and knowledgeable bankers than those serving under the small business segment.

The last but not least is the group termed '**Large businesses**'. A large business would by nature have built up sizable assets in its own name. It is the rule rather than the exception that the bank would rely on these on balance sheet assets as security to provide these large businesses with finance. This is not to say that it is not required from the shareholders to personally sign security, but the reliance on the personal assets of the shareholders would in most cases be negligible, as the business would have sufficient assets in its own name (Roos, 2008). In the case of large businesses, Absa relies less on the personal estates of shareholders/members and more on the balance sheet assets of such businesses to provide them with finance (Roos, 2008). According to Absa classification, '**Large businesses**' are businesses whose credit facilities granted are in excess of 10 Million Rand and/or annual turnover on the current account in excess of 50 Million Rand (Absa, 2012). These clients are also serviced by Relationship Executives who are also the relationship holder and first point of contact and the bank's interface with existing and potentially 'large' business clients. These staff members are also expected to build a trust relationship with clients and provide them with excellent service, including resolving any issues the client has with the bank (Absa, 2012).

In 2011, Absa went through some structural changes within its Retail and Business Banking unit, specifically within the Business Market segment of this unit. These changes saw the Business Bank follow the same structural footprint as the Retail Bank. Prior to these changes, Absa Business Bank had 7 Regions (Gauteng, Gauteng East & Mpumalanga, Northern, Kwazulu Natal, Eastern Cape, Western Cape and Central), whereas the Retail Bank platform had 6 regions (Gauteng, Northern, Kwazulu Natal, Eastern Cape, Western Cape and Central).

The primary objective of this Sales and Process Operating Model, popularly known at Absa as SPOM, was to free up the sales staff to allow them to focus on better understanding the needs of their business clients and providing them with innovative solutions. The redesigning also brought Absa closer to realising the "One Absa" philosophy, which means the service and client experience should be the same (one) across Absa, regardless of which division is dealing with the client (Absa, 2012). "One

Absa” is to ensure that there is greater alignment between sales force, credit, operations and businesses within the Group.

This alignment between sales force, credit, operations and businesses within Absa business bank was intended to provide seamless service to Absa clients and more efficient execution within the Retail and Business Banking unit (Absa, 2012). The increase in alignment and capacity would position Absa Business Bank for future growth and, in so doing, pave the way for them to achieve their goal of being the best Business Bank. These changes also highlighted the change in Absa’s business bank CRM approach (Absa, 2012). According to Absa (2012), their purpose is to properly identify, acquire, serve and retain profitable customers. This purpose was to be achieved through interacting with clients in an integrated way across different segments through suitable communication channels, thus creating a sustainable competitive advantage. During these changes two segments were created in Absa Business Banking: Enterprise Business and Commercial Business. Absa Business Bank’s value proposition considered business from the following three different but interconnected perspectives:

- Building effective business relationships with their customers through their Relationship Executives. Their main task would be to determine business needs and provide appropriate financial solutions.
- Developing an in-depth understanding of the industry within which customers operate, including construction, manufacturing, retail, franchising, professional markets, logistics, transport and agriculture.
- A portfolio of products aimed at providing very specific financial solutions, ranging from standard transactional products and payroll solutions to highly specialised products designed for a specific sector or business need (Absa, 2012).

1.4.4.1 Enterprise business

This segment serves more or less similar clients to those served in Small Business and the lower base of Medium Businesses as per the previous operating model. Business entities within this segment are differentiated by the following criteria and services offered.

First, there is the **Enterprise Multichannel**. Clients served under this segment of Enterprise Business are the ones making turnover between R500 000 and R5million and are mostly serviced through Direct channel offering (contact centre). These are mostly businesses with limited cash needs. To serve this market effectively Absa business bank provides them with self-service products, interactive tools and product overview, and electronic/ telephony-based sales and support. (Absa, 2012).

The second group is referred to as **Enterprise Portfolio**. Clients served under this segment are those making turnover between R5million and R10million. These clients are serviced through a dedicated Enterprise Banker (EB) situated in the Absa branch network which has been identified as having a sizeable number of this type of clients. Interaction with clients occurs at the branch. However, appointments are made through the contact centre. Enterprise Banker is therefore a single point of client entry and the portfolio is managed by product specialist support, depending on the need (Absa, 2012).

The third group is known as **Enterprise Relationship**. Clients served under this segment of Enterprise Business are the ones with turnover between R10million and R20million, who are serviced by a dedicated RE (Relationship Executive). It is appointment-based interaction in/at the Branch with on-site visitation capability. This segment has access to a Product Specialist and provides simplified account planning conducted for Enterprise Relationship clients (Absa, 2012).

Having provided the profiles of the main role players in the banking industry, it is important to also examine different types of businesses that are being served in business banking and how this categorization of businesses influence the way in which they are being serviced.

1.4.4.2 Commercial business

This segment serves more or less similar clients as those served in upper Medium Businesses and Large businesses, as per the previous operating model (Absa, 2012). The business entities within this segment are differentiated based on the following criteria and services offered.

Growth criteria

According to Absa (2012), to qualify for service under this segment, the client must have turnover between R20million and R100million. Within this base of clients, there is potential for growth, and banking requirements and demand are high. Whilst acquiring new clients, a focus is placed on up-selling to existing clients. These clients are serviced by experienced Relationship Executives. Clients within this segment need to be visited multiple times per year. These clients have access to product and sector specialists and there are tailored solutions offered to them through formal strategic needs analysis to enhance services provided (Absa, 2012).

Key Accounts

For this group, turnover must be between R100million and R250million. These clients are serviced through experienced a Relationship Executive who is knowledgeable about a wide product set (e.g., Foreign Exchange, Trade Finance, etc.). There is formal account planning, which is driven by the Relationship Executive, and a product specialist highly is involved in this segment due to the complexities of clients' needs (Absa, 2012).

Premium

Clients served under this segment are the ones making turnover between R250million and R500million. These clients are serviced through an experienced Relationship Executive who, as in the case of the **key account** group, is knowledgeable about a wide product set (e.g., Foreign Exchange, Trade Finance, etc.). Formal account planning is driven by the Relationship Executive, and product specialists are highly involved in this segment due to the complexities of clients' needs. Proper strategic needs analysis is always required to provide tailored solutions for these types of clients (Absa 2012).

Having discussed the South African banking industry and the types of business classification arrangements in the business banking environment, it is now appropriate to outline the problem being investigated.

1.5 BACKGROUND TO THE PROBLEM

As indicated in Section 1.4 above, banks play an important role in the economic development of every country by acting as a hub and barometer of the financial system, and South Africa is no exception to this rule. Traditionally, commercial banking in South Africa has been dominated by the big four of Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), Nedbank, and Standard Bank (Metcalf, 2011).

However, as stated above, liberalization of the financial services sector has paved the way for proliferation of the banking industry, and this has in turn led to intense competition for customers and altered customer expectations. Banks in South Africa therefore have the uphill task of retaining their existing customers whilst acquiring newer ones, all aimed at maintaining a robust bottom line. South African banks therefore need to adopt and implement innovative strategies to maintain a competitive edge in the marketplace.

Although still dominated by the big four, other smaller banks such as Capitec and African Bank have made inroads into retail banking. Some of these banks have a section that only deals with business clients. One of the critical elements of the business client segment is the high level of relationship banking and complex products. This service is designed to meet the financial needs of clients through the development of a long-term relationship. This type of service delivery is unique and expensive compared to the traditional retail bank delivery system. As a result, the bank must be in position to monitor the profitability of each relationship to ensure that the right clients are serviced in the right way and are meeting the required value proposition.

According to Gee, Coates and Nicholson (2008), there is a need for businesses to retain customers, and it has become an important issue in today's global marketplace. To retain customers, a business must forge loyal and long-term relationships with profitable customers. This statement gives an indication of the importance of customer

loyalty/retention and, by implication, CRM to a business. Thus, for banks operating in South Africa today, relationship building with customers (that will lead to customer retention and subsequent loyalty) must be a primary concern for their very existence and growth. The problem is that, in an environment where customers are spoiled for choice, commercial banks stand to lose customers to their rivals when they do not have effective relationship marketing strategies in place. In addition, it is important to note that the lack of clear customer ownership or customer focus is a very important obstacle to success in large, diversified banks (Murray, 2004).

CRM should aim to build long-term, mutually satisfying relations with customers (Kinard and Capella, 2006). However, banks can only engage in effective CRM if they fully understand all the dynamics of CRM that affect their success and what will differentiate them from the competitors.

1.6 PROBLEM STATEMENT

The problem is that Absa Business bank went through an operating model change in 2011 which necessitated some structural changes. The structural changes led to changes in CRM practices. Mindful of the value of retaining existing customers and attracting new ones, Absa would want to know whether its current CRM practices are effective in ensuring that customers become more loyal to Absa business bank. This information is, however, not available because no dedicated research has been conducted on the issue.

1.7 RESEARCH QUESTIONS

Based on the above problem statement, the main research question is: How effective are the current CRM practices of Absa in creating loyalty and the retention of Absa business bank (a division of Absa bank) customers?

Specific research questions posed in order to answer the main question are:

1. What is the general customer relationship orientation of Absa business bank staff with respect to:
 - i. Building trust with customers?
 - ii. Commitment to service?

- iii. Communicating with customers in a timely, reliable and proactive fashion?
 - iv. Handling conflict efficiently?
2. To what extent do Absa business bank customers:
 - i. trust;
 - ii. exhibit commitment/loyalty to;
 - iii. have a positive corporate image; and
 - iv. display or express willingness to display positive word-of-mouth behaviours about Absa business bank?
 3. What is the probability of an Absa business bank's customer switching to competitors in the near future?
 4. What is the relationship (if any) between Absa business bank's customer's probability of switching bank on the one hand and trust, commitment, corporate/brand image and word-of-mouth behaviours on the other hand?
 5. Is it reasonable to conclude, on the basis of evidence from the study, that Absa business bank's CRM practices have been effective in winning customer loyalty?
 6. Is it reasonable to conclude, on the basis of evidence from the study, that customer loyalty can be attributed to CRM (and more specifically those aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently)?

1.8 RESEARCH OBJECTIVES

1.8.1 PRIMARY OBJECTIVE

This research is intended to discover the extent to which Absa business bank's current CRM practices have impacted customer loyalty and retention and thereby to determine the effectiveness of the CRM practices of Absa business bank in maintaining loyalty and retention among its customers.

1.8.2 SECONDARY OBJECTIVES

The secondary objectives of the study are to:

1. Conduct a literature survey to determine elements of CRM.

2. Develop a questionnaire based on the literature review.
3. Use the questionnaire to explore the research questions stated above.
4. Draw conclusions and make recommendations regarding the effectiveness of Absa business bank's CRM based on the findings of the study.
5. On the basis of the findings draw conclusions about whether or not customer loyalty can be attributed to CRM (and more specifically those aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently).

1.9 IMPORTANCE OF THE STUDY

Recently, the quality of service provided to bank customers has been one of the most talked-about topics (Bulgarella, 2005). The purpose of this study was to explore relationship banking within Absa business banking.

Through this study, the literature on CRM has been expanded to include the South African banking perspective. This study is also important to academia and the South African banking industry as a whole since CRM is not a very well-researched topic to date in South Africa. The study also provides suggestions for improving the standard of service provided by Absa business bank to clients in ensuring their loyalty. Answers to the research questions could assist Absa business bank to build a sustainable competitive advantage in the business banking industry, by providing better understanding of the relationship needs and wants of their clients. Finally, the study expands the body of knowledge relating to customer loyalty and retention in service industries to include the banking sector perspective.

1.10 RESEARCH METHODOLOGY

This section only provides a summary description of the research methodology since a fuller discussion is provided in the Methodology chapter (Chapter 3).

1.10.1 RESEARCH APPROACH AND DESIGN

The current research is underpinned by the positivist approach to conducting social research. Therefore, the collection and analysis of the data involved objectivity (Collis

and Hussey 2009), which involved selecting data using quantitative methods and analysing the data by applying statistical techniques.

It is important to note that the selected research approach leads a researcher to design the research in a particular way (Dzansi, 2004). Thus, once a researcher chooses a particular approach the next stage is to specify the research design. Because the data collected were mainly quantitative whilst statistical methods were used to analyse the data, design wise, the research can be described as mainly quantitative.

1.10.2 POPULATION AND SAMPLING

The target population included all business clients who are served by the relationship model of Absa Business Bank and employees (Management, and Relationship Executives/Bankers) in the Eastern and Southern Cape region of Absa Business Bank, as well as bank employees in the same area. The total population of Absa business bank clients in the Eastern and Southern Cape region came to around 3400, whilst that of employees came to 38.

Convenience sampling was used by selecting a sample in a particular geographical area, because it is the cheapest and the most conveniently available method (Sekaran, 2006). In addition, snowball sampling was used in order to distribute the questionnaires to banking clients to ensure sufficient respondents (Burns and Burns, 2008). In this case the Bankers provided names of clients willing to participate in the study. Out of the population of 3400, having confidence level at 95% and confidence interval at 5%, the minimum sample was determined to be 345.

1.10.3 DATA COLLECTION AND ANALYSIS

A mainly Likert type questionnaire was sent to 450 customers to accommodate non-response. A questionnaire was also sent to 38 Relationship Executives and Sales Managers.

1.11 STUDY LIMITATIONS

Due to the confidentiality policies of banks, compliance and intense competition within the South African banking industry, there was some information that Absa Business Bank was unable to provide which could have contributed positively to this research study; however, they felt that it would compromise their confidentiality with clients and their competitive standpoint in the market.

1.12 CLARIFICATION OF KEY CONCEPTS

Relationship Marketing: Zeithaml and Bitner (2006) describe the concept of relationship marketing as a philosophy of doing business that focuses on keeping and improving current customers rather than on acquiring new customers.

Expectations: are beliefs about service delivery that function as reference points against which performance is judged when customers come into a service experience (Zeithaml and Bitner, 2006)

Customer Retention: it is about knowing who your customers are and where they live, keeping track of everything they buy, and determining if they were satisfied with their last purchase (Kerin, Hartley and Rudelius, 2012).

Customer relationship management: the process of collecting and analysing business information regarding customer interactions in order to enhance the customer's value to the business. By integrating various data, such as operations or service logs, researchers can obtain a more complete view of customer behaviour (Kamakura, Mela, Ansari, Bodapati, Fader, Iyenger, Naik, Neslin, Sun, Verhoef, Wedel and Wilcox, 2005).

Lovelock (2008) defines **loyalty** as a customer's willingness to continue patronizing a firm over the long term, purchasing and using its goods and services on a repeated and preferably exclusive basis, and voluntarily recommending the firm's products to friends and associates.

Armstrong and Kotler (2006) identify **needs** as the basic force that drives customers to take action and engage in exchanges.

Wants, according to Walker, Mullins, Boyd, and Larreche (2006), reflect a person's desires or preferences for specific ways of satisfying a basic need.

Service Quality reflects the customer's perception of elements of service such as interaction quality, physical environment, and outcome quality (Zeithaml and Bitner, 2006).

1.13 OUTLINE OF THE STUDY

Chapter 1 provides a general introduction to the study. **Chapter 2** reviews the literature on CRM, **emphasising** the definition and the key elements of CRM as well as its use as a strategic tool in a competitive environment. Resulting from the definition, key elements and strategic use, a conceptual framework is provided. CRM in the banking sector is also discussed with a focus on Absa. **Chapter 3** describes the research methodology adopted and followed in this study. **Chapter 4** presents and discusses the results. **Chapter 5** contains conclusions and recommendations.

1.14 SUMMARY

As stated in the opening section, this chapter serves as introduction to the entire research. First, it provided the socio-economic and financial sector outlook of the Eastern Cape Province where the study was carried out. It also looked at the South African banking industry and the role it plays in the economy. The chapter also provided an overview of the South African banking industry, including Absa and specifically its business banking model. As noted in the chapter, in South Africa, the banking sector has been operating in a very competitive environment dominated by four main banks, namely Absa, Standard Bank, FNB and Nedbank. This current tough competition scenario of the banking sector has made South African bankers realise that in order to be sustainable, they need innovative CRM strategies to attract and retain customers. Mindful of the fact that the success of CRM strategy depends upon an organisation's ability to understand the needs of the customer and to integrate them with the

organisation's strategy, people, technology and business process, the next chapter examines the concept of CRM.

CHAPTER 2: CRM IN SOUTH AFRICAN BANKS WITH FOCUS ON ABSA

2.1 INTRODUCTION

This chapter is divided into two major parts. The first part deals with the notion of CRM in general - presenting a detailed theoretical discussion of CRM. As stated in the previous chapter, this research investigates the extent to which Absa business bank's CRM practices have impacted the loyalty and thereby the retention of its customers. The second part, therefore, focuses on the application of the concept by the banking industry in general, as well as its application in Absa specifically.

The review starts with defining CRM, followed by a historical perspective on CRM and key features of relationship marketing, a related concept in CRM discourses. The review continues with an exploration of CRM as strategic management tool in a competitive business environment. Thereafter, a conceptual framework is detailed. The literature review ends with a discussion of CRM practices in the banking industry in South Africa in general and Absa specifically.

2.2 DEFINING CUSTOMER RELATIONSHIP MANAGEMENT

It is important to point out at the outset that in the marketing literature, the terms *customer relationship management* and *relationship marketing* (RM) have been used interchangeably, and it remains the case in this study.

One characterisation of CRM is the utilisation of customer-related information or knowledge to deliver relevant products or services to customers. Another view of CRM is that it emphasises the exploitation of technologies to help companies create lasting relationships, therefore improving business performance. A crucial consideration here is the harnessing of database technologies such as data warehousing and data mining to support systems geared toward improving the relationships that companies have with their customers (Kracklauer, Mills and Seifert, 2004). Some of the definitions of CRM centre on these two characterisations.

For example according to the Gartner Group (2008:2), one of the biggest consultant firms in the CRM market, "CRM is an IT-enabled business strategy, the outcomes of

which optimise profitability, revenue and customer satisfaction by organising around customer segments, fostering customer-satisfying behaviour and implementing a customer-centric process". In the banking industry, customer information can be used to understand the buying patterns of clients and to provide products and services accordingly and also for converting customer data and insights into useable information. Information that banks hold can be important in providing tailored experience to the customer (for example, personalised menus on the ATM). Jobber (2004:557) states that CRM concerns methodologies, technologies and ecommerce capabilities, mostly IT packages used by firms to manage interaction between the customer and the company, "enabling the company to co-ordinate all of the communication efforts so that the customer is presented with a unified message and image". With the prevalence of social media like Facebook, Twitter and so on, it is important that when banks use such platforms to interact with customers, they present a unified message so that customers experience the same image of the bank, regardless of the platform being used. Buttle (2004:34) defines CRM as "a core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted consumers at a profit". The point here is that banks should be able to use internal customer data and partner with internal and external networks so that they optimize the customer experience while reducing costs. This approach is common in the assurance business, where insurance companies work hand in hand with banks by underwriting policies because they can provide better service on this product due to their expertise. This integration opportunity helps to enhance and improve both the bank's revenue and the service quality provided to the customer.

Another perspective on CRM projects it as a holistic process of acquiring, retaining and growing customers (Strauss, El-Ansary & Frost, 2003). Thus, instead of conceiving CRM simply as constituting some applications or software for compiling customer information, it can rather be viewed as the strategic process of an organisation, the way a company works to build long-lasting relationships with its customers. As such, CRM can be defined as a comprehensive strategy where all the organizational functions are involved in the process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer (Kumar

& Reinartz, 2012). The objective of a company is not to over-analyse its customer base but to identify suitable interventions and methods that would create sustainable profit as it continues in the journey of creating corporate value for itself and the customer.

For the purpose of this study, CRM is defined as **the strategic organisational process of maintaining a mutually beneficial relationship between the organisation and its customers. It involves the collaboration of all departments of the organisation aimed at continuously providing superior value for both organisation and customers.**

2.3 HISTORICAL PERSPECTIVE ON CRM

The reasoning behind CRM is not new. Even the earliest merchants understood the commercial value of building relationships with customers to keep them coming back (Jobber, 2004).

In the early stages of commerce, relationship building with customers was a much easier thing to do as customer numbers was much fewer than today. The case of single location stores could provide good examples of how this. Because of fewer customer numbers, it is understandable that staff would tend to know their customers in their individual capacity, while sales personnel would often know what customers preferred, those customers who paid and those who did so on time. However, with time, when firms grew, and their customer base also grew, information about individual customers would understandably become so voluminous to the extent that often, they got lost or impossible to trace. In order to best deal with these ever-expanding customer bases, customer groups or segmented marketing was created, where customers are put in a category or segment that best fits their needs and is in line with their business ambitions.

In dealing with this business complexity problem, the concept *Relationship Management* surfaced around 1980. The new approach was to work more with customers in building relationships. Such a strategy would enhance the potential of firms to learn more about their customers so that they could tailor-make products and

services to meet the needs of customers, thus creating additional value for both the customer and the company (Chen and Chen, 2004).

Future (strategic)-thinking organisations realised the importance of knowing customers and understanding their needs and lifetime value. Goods and services were no longer sufficient to differentiate organisations; rather, customers were increasingly making purchase decisions based on perceptions of their relationship with organisations (Brink and Berndt, 2004).

In light of these multiple perceived advantages, Relationship Management was rapidly accepted among marketers. However, this popularity soon waned due to the realisation by companies that they lacked a holistic view of the customer and the information needed to work with CRM was missing because businesses were still primarily aimed at product and segmented marketing rather than the lifetime value of the customer (Peelen, 2005). Aided by advancements in information technologies (IT), Relationship Management was reconceptualised under the banner *Customer Relationship Management* (Peelen, 2005).

2.4 KEY FEATURES AND VIEWS ON RELATIONSHIP MARKETING

As marketing entered the 1990s, relationship marketing represented a “new marketing” paradigm – a shift in business thinking – and was regarded as the biggest change in 50 years, in effect taking marketing back to its roots. Relationship marketing became the “battle cry” of the 1990s (Brink and Berndt, 2004:6). Relationship marketing became the new philosophy of marketing. Walsh, Gilmore and Carson (2004) define relationship marketing as the activities implemented by banks in order to attract, interact with, and retain more profitable clients.

Relationship marketing therefore focuses on customer retention by developing and maintaining customer relationships over the lifetime of the customer rather than focusing on attracting new customers (Zineldin and Philipson, 2007). The importance of relationship marketing is highlighted by the fact that building relationships with customers and retaining them can contribute to the success of the organisation (Patterson, Cowley and Prasongsukarn 2006) with the belief that the length of the

customer relationship influences the organisation's profitability (Buckinx and Van den Poel 2005). Zineldin and Philipson (2007) add that repeat business with a customer can be regarded as lifeblood of an organisation. It appears that this ability to build relationships with and retain customers that Nasir and Nasir (2005) believe offers companies a competitive advantage. For all these reasons, it is not surprising that Mostert, De Meyer and van Rensburg (2009) argue that relationship marketing should form the foundation of an organisation's efforts in building and improving relationships with customers. Christopher, Payne, and Ballantyne (2002) therefore encourage top management of organisations to commit to relationship marketing.

So, it can be argued that adoption of CRM by banks is being fuelled by the recognition that long-term relationships with customers is important for their success. Broady-Preston, Felice and Marshall (2006) however caution Banks to focus on strategically significant markets and all customers should not necessarily be equally important to the bank. Rather, Banks will need to seek building relationships primarily with those customers who have a high lifetime value (LTV).

Relationship marketing essentially represents a paradigm shift within marketing, away from an acquisition/transaction focus towards a retention/relationship focus. In transactional marketing, the focus is on volumes and the emphasis is more on product features, with little emphasis on customer service (Harwood, Garry and Broderick, 2008). In relationship marketing, the focus shifts from one-time transactions to ongoing relationships, which emphasise customer value and concern with relationship quality. The sale is not at the end of the marketing process, but at the beginning of the relationship in which buyers and sellers become interdependent.

Baron and Harris (2003) conceive relationship marketing as retaining and attracting customers, with emphasis on the development of long-term relationships with existing customers. Baron and Harris (2003) provide five main indicators of relationship marketing:

- 1) Relationship marketing is about attracting, maintaining and enhancing customer relationships and the development and enhancement of internal and other external relationships. Banks can be seen as having

a successful CRM approach when able to attract valuable new customers while not losing the current ones, and the relationship with current customers is being enhanced consistently;

- 2) Relationship marketing is about turning new customers into regular purchasers, strong supporters, and vocal advocates of the company. Banks need to provide quality service in such a way that new customers will be able to promote the bank to potential customers;
- 3) Relationship marketing is about bringing marketing, customer service and quality together. There should always be a correlation between how the marketing and customer service are provided. In this way banks will ensure that the quality being promised through marketing is not compromised;
- 4) Relationship marketing is about developing mutual trust and commitment. Banks must be committed to building trust with the customer and provision of quality service;
- 5) Relationship marketing is about the development of database marketing, interactive marketing and network marketing.

As highlighted above, the concept of relationship marketing grew from a customer service ethos which has proven successful for those organisations with a reputation for delivering good service. As competition increases and organisations realise that what the customers value is not always just lower prices, but also aspects such as successful delivery, image and brand associations, the link with customers becomes increasingly important. When the companies gather information by way of communicating with customers, this approach will go a long way in enabling the companies to develop marketing strategies that have a high potential of creating customer satisfaction. In a competitive environment, marketing theory has proven that the ultimate aim of a relationship marketing approach is for the customer to become a 'partner' of the organisation by contributing to marketing decisions through a one-to-one relationship.

As a result, through the effective use of Information Communications Technology (ICT), banks can offer customers a wider variety of products, lower prices and

personalised products and services, all through proper relationship marketing. It is clear that relationship marketing is important to clients and that the success of a firm may depend on its level of relationship marketing. Therefore, it is essential for firms, including banking institutions, to ensure that effective relationship marketing strategies are implemented. Banks should focus on building mutually beneficial relationships with their clients. This becomes even more important in business banking, where one-to-one relationships are the drivers of business success. However, the extent and quality of relationship marketing strategies implemented by banks may be influenced by many other variables.

In order to identify whether the relationship marketing strategies employed are effective, a bank needs to be knowledgeable of how clients perceive the relationship marketing and which variables clients feel are influencing the bank's level of relationship marketing (Levering and Liljander, 2006). Additionally, the bank's view of the relationship with the client, how the client views this relationship and how these two viewpoints compare needs to be identified. If there are any differences, this will need to be rectified by the bank through communicating with the client.

Chipunza (2008) confirms this by indicating that the service firm needs to monitor the relationship between what service employees think about the firm and its services and what clients perceive. Put simply, to ensure sufficient levels of relationship marketing, the service firm like a bank needs to ensure that the relationship marketing issues experienced by the clients are understood by management and effectively attended to, revised and addressed by the firm. This approach has been proven to build trust with customers since they view their opinions not only as being important but indicate also a level of commitment from the organisation in terms of improving service being provided to the customers.

2.5 ROLE OF CRM IN A COMPETITIVE BUSINESS ENVIRONMENT

In today's highly competitive environment due to forces such as globalisation, it is axiomatic to say that for survival, firms need to gain competitive advantage by differentiating themselves from others that provide similar products or services. Given all the advantages alluded to in Section 2.4 above, CRM appears to be one way of

achieving this goal of creating and sustaining competitive advantage. It is therefore understandable that CRM systems are becoming popular across various sectors and have emerged as an important business strategy across different industries in today's competitive environment. After all, as alluded to earlier in Section 1.12 in Chapter 1, CRM can be viewed as a process aimed at collecting customer data, finding profiles of customers and using the customer knowledge in specific marketing activities. It is an approach which enables the companies to identify and target their most profitable customers.

In a competitive business environment like banking, it is important for banks to know not only who their customers are but also how they react and behave towards certain changes in the industry and if there is any common trend they follow in their needs concerning products and services offered by the banks. This information can be acquired from defecting customers and will help the bank to see why these customers leave and if there are any common reasons for such defection. Information on why customers are leaving could, for example, be used to create a list of problems facing the bank or products and services. Information should also be collected on what makes customers loyal to competitors. An analytical CRM system should provide functions that identify the strategically important customers. Walton and Xu (2005) indicate such a process should be continuous and proactively integrated into the business to ensure that the relationship with this customer is continuously enhanced. This is possible since CRM is an effective method of keeping an updated customer database, allowing for a better understanding of current customer needs (Wilson, 2006). In the banking sector, debit order payment to other institutions can be used as data to determine whether the customer has a banking relationship with another bank; for instance, if the customer is paying a monthly debit order of vehicle financing to a competing bank, then the bank will know of that missed opportunity on vehicle financing done by the competitor.

Using the knowledge obtained from customers to better cater for their different segments is a good way to produce positive revenues for the firm (Zineldin, 2006). Information can also be used with offensive marketing strategies, i.e., learning limitations of competitors and building on them to attract new customers. The main use of CRM, however, is in defensive marketing (Zineldin, 2006). The primary purpose of

defensive strategy is to hold on to customers by emphasizing the perceived advantages of their product, service or company, something which more and more companies are doing. Zineldin (2006:436) explains it in the following manner:

“Understanding why customers are leaving the company provides that company with the essential information needed to implement a customer retention program and an effective retention program is likely to increase customer satisfaction and thereby improve customer retention and profitability”.

The culture of a company also needs to be changed to reflect the ideas behind CRM. According to Greenberg (2004), culture is the most overlooked and undervalued part of the CRM strategy. Many times the culture of the organization does not change even though the management is trying to refocus the company towards the customers (Greenberg, 2004). This is often because customers were never a priority for the organisation. To provide excellent customer service, a culture of serving clients must exist throughout the organisation. In reality, the corporation needs to focus on how it can push the employees towards the objectives of the CRM, entrenching a common belief that the customers really do present value (Curry and Kkolou, 2004). According to Greenberg (2004), firms need to focus on how the social, physiological, emotional, organizational and personal culture of the organization will change and make sure that management focuses on the positive aspects of these changes and encourages the employees to help build customer relationships.

Increasing competition, heightened contact with customers, high demand on customer information, rising customer expectations, and identifying new marketing opportunities have led many financial services institutions to face more challenges than ever before in executing their customer management strategies. It makes business sense to expect every progressive organisation to understand the significance of knowing the customer. The current economic environment and financial crisis have most probably led many financial services institutions to focus on their CRM strategies while screening customer relationships as a key to the profitability of their retail activities and managing the cost and risk associated with them (Pedhiwal and Tale, 2012).

As indicated earlier in this section, creating and sustaining competitive advantage should be the focus of the CRM strategy, and this can be achieved through ensuring that the organisation builds trust with customers, commits to providing exclusive services, communicates with the customer in a timely, reliable and proactive manner and also ensures that any conflicts are being handled amicably.

The next section examines three aspects to consider while building CRM strategy in a competitive environment: customer experience of service quality and its consequences, customer satisfaction and its consequences and customer perception of company image and its consequences.

2.5.1 CONSEQUENCES OF CUSTOMER EXPERIENCE OF SERVICE QUALITY

Customer experience and service quality are critical to a bank's ability to maintain relationships with their customers. This is because customers have become more informed and also a result of a competitive environment which provides variety of choices for the customer, meaning banks need to ensure that they provide excellent service consistently. Mohamed and Shirley (2009) emphasize that banks have to care about the quality of their services since this quality is considered the essence or core of strategic competition.

Over the past decades, the perceptions of clients concerning the service quality of a firm have determined their loyalty towards that firm (Mohamed and Shirley, 2009). Positive evaluations of a firm's service quality have led to increased support for the firm amongst clients. Banks should continuously assess how well a service delivered is conforming to the client's expectations. Assessing service quality provided to the customer will help banks to improve their service and also identify problems that will ultimately affect the customer experience.

For a bank to deliver unique customer experience, it needs to know and understand the profile of its customers. The more a bank knows about its customers, the more effective it will become in delivering relevant service to the customer. For instance, when a customer is in the transport business, the bank needs to understand that customer's business cycle regarding replacements of fleets of these vehicles. When

the bank knows this information, it can then use it proactively to enhance the customer experience by pre-approving funds for vehicles for the customer rather than having customer apply for these vehicles individually.

Once a bank has thorough knowledge of its customer, it is important that it personalises every interaction. Customer experience in banking should be about how the customer experiences all the interactions with every department of the bank. When all interactions with the bank leave them with a positive impression, customers become the bank's promoters.

In the foregoing paragraphs, it was indicated that service quality is an important driver of the accomplishment of a firm's objectives. Therefore, it is essential for banks to ensure high standards of service quality. However, it is also important to acknowledge that service quality has its consequences. Although superior service is likely to foster favourable customer experience and reduce the likelihood of dissatisfaction, an important issue to consider is the service-quality level that banks must target to have the desired impact on customer experience. How much service quality is enough to retain customers? Is there a level of service beyond which there are diminishing returns in terms of strengthening customer experience? Does the degree of association between service quality and customer experience change at different quality levels?

There is limited evidence directly addressing these questions that ultimately determine the consequences of service quality. However, according to Hess (2008), a study of American multinational telecommunications corporation and the largest provider of both mobile telephony and fixed telephony in the United States (AT&T), which quantitatively assesses the relationship between level of service quality and willingness to purchase at AT&T, offers some insight. Of AT&T customers who rated the company's overall quality as excellent, over 90% expressed willingness to purchase from AT&T again. For customers rating the service as good, fair, and poor, the percentages decreased to 60%, 17% and 0%, respectively. According to these data, willingness to repurchase increased at a steeper rate (i.e., by 43%) as the service-quality rating improved from fair to good than when it went from poor to fair (17%) or from good to excellent (30%). These results led Hess (2008) to suggest that the impact

of service quality on willingness to repurchase is most pronounced at the intermediate level of service quality.

According to Mohammad and Alhamadani (2011), there are 10 general determinants of service quality that can be applied to most types of service which are:

- **Reliability:** the ability of an organization to accurately achieve its services in the proper time and according to the promises it has made to its clients. The bank should be able to provide consistent, accurate and dependable service, for instance the Internet service
- **Responsiveness:** the tendency and willingness of service providers to help clients and satisfy their needs, immediately reply to their inquiries, and solve their problems as quickly as possible.
- **Competence:** having adequate skills and knowledge that enable the employees to perform their jobs properly to provide quality service.
- **Accessibility:** providing easy access to a service in terms of location and through services provided via the telephone, the Internet, or any other means of communication. Ease of access anywhere, for instance, cards enabling the withdrawal of hard currency in distant foreign countries
- **Courtesy:** friendliness of staff at all levels, treating clients respectfully in a polite friendly manner, understanding their feelings, and answering their phone calls gently.
- **Communication:** this occurs through attentively listening to the client and conveying information to them clearly in language they understand.
- **Credibility:** when there is confidence in the bank based on its reputation, trustworthiness and image.
- **Security:** this depends on whether the service is free from risks and hazards, defects or doubts so that it provides physical safety and financial security, as well as privacy. When there is a regulation to protect the client from cyber theft or crime as well as interventions in place to deal with fraud and money laundering and so on.
- **Understanding/ knowing the customer:** this can be achieved through the ability to pinpoint the customers' needs as well as understanding their individual problems.

- Tangibility: this includes physical aspects connected with service such as physical facilities like banking halls, waiting area and consulting rooms/offices.

(Mohammad and Alhamadani, 2011, p. 61)

The discussion above implies that though service quality is positively associated with favourable behavioural intentions, customers' perceptions of the service relative to their adequate and desired service levels moderate these associations. When customers encounter poor service quality which is negative to these criteria, these experiences are likely to have an adverse impact on their perception of the company and have negative consequences on the company's existence or financial performance, whereas the opposite can also be true.

The consequences of customer experience of service quality can be seen where there has been service failure. The customer's expectations of the service encounter are therefore not met by the organisation (Chan and Wan 2008), and the customer could even perceive a loss as a result of the failure (Patterson, Cowley and Prasongsukarn, 2006). Mattila and Cranage (2005) suggest that although customers and organisations increasingly seek a flawless delivery of core and supplementary services, this is virtually impossible due to human involvement in service.

A service failure not only impacts negatively on customers' confidence in an organisation, but it could also result in their defecting from the organisation. Organisations should therefore identify the probable failure points as well as methods aimed at preventing failures from reoccurring (Cranage, 2004). Bank service failure can also emerge from advice given to the client causing severe financial loss, for example, advising a client to invest where capital is not guaranteed and never providing this information to the client prior to investment. Banks should work with all the feedback from the customer and internally from the employees to improve service quality. Although it is highly unlikely that organisations can eliminate service failures, they can learn to deal with these failures effectively in an attempt to maintain and even enhance customer satisfaction (Bamford and Xystouri, 2005).

2.5.2 CUSTOMER SATISFACTION AND ITS CONSEQUENCES

Most discussions of customer satisfaction involve customer expectation of the service delivery, actual delivery of the customer experience, and expectations that are either exceeded or unmet (Gilbert and Veloutsou, 2006). Many researchers have examined the importance of customer satisfaction. Customer satisfaction is the degree to which a customer perceives that an individual, firm or organisation has effectively provided a product or service that meets the customer's needs in the context in which the customer is aware of and/or using the product or service (Cengiz, 2010). When a customer is content with either the product or the service, he or she is deemed to be satisfied. Satisfaction can also be a person's feeling of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler and Keller, 2009).

Measuring customer satisfaction can be very difficult at times. Agbor (2011) suggested three ways of measuring customer satisfaction:

1. A survey where customer feedback can be transformed into quantitative data.
2. Focus group or informal group where discussions facilitated by a trained moderator reveal what the customers think.
3. Informal measures like the Internet, Facebook, Twitter and talking directly to customers.

For the banks to compete successfully in today's competitive marketplace, they must focus on understanding the needs, attitudes, satisfaction and behavioural patterns of the market (Kofi, Mintaa, Ernestina, Boatemah and Samuel, 2012). Customer satisfaction is the most important forecaster of service quality in the banking sector. When the customer is satisfied, the bank has confidence as to the service quality that was provided to the customer (Xu, Yansinzai, and Lev, 2013).

There are many factors in the banking industry that play a role in customer satisfaction and ultimately customer loyalty. Those include employees, products and service, processes and policies. It is important for the bank to keep the customer satisfied in order to retain customer loyalty. Bank employees play a critical role in customer satisfaction, and it is important that the bank continuously develop and provide

knowledge, skills and interventions to employees to entrench their commitment to customer service.

Banks should ensure that they empower employees to provide reliable customer service. When the customers find that things are done right the first time, every time, they gain confidence in the bank and in the abilities of the employees. To remain competitive banks should, among others, provide quality services since service quality can exert a positive impact on customer satisfaction. Today, most banks use different offerings like Internet banking and cell phone banking to provide products and services to the clients. Banks' online banking should be efficient and provide different options like paying third parties, buying shares online, etc.

The consequences of not satisfying customers can be severe. Kueh (2006) suggested that the relationship between the service quality dimensions with customer satisfaction can be varied because it has dependency on service type and when service levels have not met required customer satisfaction, the following can transpire:

- The customer can discontinue purchasing the good or service, which will have a detrimental effect on the profit of the organisation
- The customer can complain to the company or to a third party and perhaps return the item, which might damage the company's reputation and integrity
- The customer can engage in negative word-of-mouth communication about the company, which will impact its image and reputation.

Based on the views and research done by numerous researchers and academicians, it can be concluded that customer satisfaction is very important. Thus, though customer satisfaction does not guarantee repurchase on the part of the customers, still it plays a very important part in ensuring customer loyalty and retention. Amassoma (2010) further emphasised that customer satisfaction has become a key component of virtually every corporate vision, mission statement and image.

2.5.3 CORPORATE IMAGE AND ITS CONSEQUENCES

The financial services industry has evolved tremendously over the past few years and as a result, they face intense competition, including competition from sources not

previously existing, like clothing stores that now offer traditional banking products like loans, credit cards, etc. How do banks survive under such turbulent conditions? As these changes take place in the financial industry, an increasing range of opportunities for consumers are created, but how can banks maintain customer loyalty through their corporate image?

In the recent past, corporate image was not a clearly understood and expressed concept therefore this lack of emphasis on its importance was associated with poor deeper research on the subject. Basically, corporate image was considered to be a criterion of secondary importance and only public relations departments, in collaboration with design consultants, were involved in successful development of the corporate image. However, in contemporary business many executives recognize corporate image as a core triangle and a critical asset for overcoming their rivalry obstacles and achieving competitive advantage in a capitalist society (Khvtisiashvili, 2012).

Bravo, Montaner and Pina (2009:317) defined corporate image as the “overall impression left in the customer’s mind as a result of accumulative feelings, ideas, attitudes and experiences with the organization, stored in memory, transformed into a positive/negative meaning, retrieved to reconstruct an image and recalled when the name of the organization is heard or brought to ones’ mind”. In today’s intensely competitive business environment, differentiation between banks in terms of price, product and service characteristics and how these services are being delivered to the customer has become more difficult and hence each bank’s positioning in the market through different communication channels such as advertising, promotions, publicity and so on has become a critical aspect of how a bank is viewed. In the South African context, First National Bank has used television and radio advertising to position itself in the market as the “innovative brand” through its adverts featuring “Steve”. In this way FNB intended to enhance its corporate image. Thus, corporate image is a result of a communication process in which organizations create and spread a specific message that constitutes their strategic intent, mission, vision, goals and identity that reflect their core values (Bravo et al., 2009).

Kandampully and Hu (2007) stated that corporate image consists of two main components. The first is functional, such as the tangible characteristics that can be measured and evaluated easily. The second is emotional, such as feelings, attitudes and beliefs one has towards the organization. These emotional components are consequences from cumulative experiences the customer has over time with the organization. In the banking industry, both components are essential not only to the bank's success, but also to maintain a superior service image in the market.

Banks need to develop and provide superior products in the market, like extended facilities and "cash withdrawals" on Mortgage Loans and also be known for providing competitive prices, fees and incentives through their loyalty programs. Additionally, a bank should create corporate philosophy and culture that enables it to tout itself to customers as different in terms of superior service. Without being able to display these two components and differentiate itself from the market, building a superior excellence corporate image may not be an easy task to achieve.

Higher service quality significantly enhances corporate image, which in turn improves customer satisfaction and perceived value. Image has an indirect effect on satisfaction through value, and corporate image predicts customer loyalty directly (Alireza, Ali and Aram, 2011). It is also a truism that integrated product and service innovation requires a deep understanding of customers in order to provide them with the most attractive value positions that best address their needs (Alireza, Ali and Aram, 2011). In the business banking industry, products are important. However, banks need to provide excellent service to maintain a one-on-one relationship with a client.

Corporate image is important for customer loyalty. Kim and Lee (2010) claim corporate image derives from customers' perceptions of capability and social responsibility. Corporate capability refers to the company's expertise in delivering product and service offerings, such as effective innovation and high service quality. Corporate social responsibility refers to a company's management of social issues. This involves corporate social investment programmes where banks support and uplift the social standing of the communities they operate in through initiatives to make their lives much easier and better. This can be done through identifying small and medium enterprises

and imparting skills in job creation that will also assist the community to become more economically active.

Kim and Lee (2010) reinforced previous research that suggested corporate image, brand awareness, service price, and service quality are strong antecedents for creating customer loyalty. In addition, the empirical findings of Kim and Lee (2010) showed that corporate image plays the most important role in creating and maintaining customer loyalty in high-tech service markets. Bank management should consider the roles of corporate image, brand awareness, service price, and service quality in creating customer loyalty.

There are several reasons that justify the importance of corporate image. Bilieu (2008) indicated that there are five benefits of good corporate image.

A good corporate image is an efficient marketing and promotional tool - Bilieu (2008) contends that consumers spend hard-earned money on products and services hence they will always remember an outstanding service, just as they never forgive and forget mediocrity. Therefore, if a bank is known for good performance, it will have a higher chance of attracting more customers and keeping existing ones. Current customers also spread positive word-of-mouth about the bank.

Credibility and integrity comes with a good name - Bilieu (2008) also contends that a bank's reputation becomes its identity; and corporate image articulates the culture of the bank. Therefore, it will be hard for a bank to enhance its credibility if, for example, its charges are perceived by customers to be exorbitant. It is also difficult to prove integrity when clients talk negatively about banks' services.

Corporate image establishes trust, confidence, loyalty and superb client relationships – According to Bilieu (2008), the most respectable names in the banking industry reached their zenith of success by protecting their reputation and image. In Bilieu's (2008) view, a good image provides a strong sense of confidence and trust that clients are assured of quality service and products offered by a reputable company so that customers find it difficult to go to the competing bank.

Company image is instrumental in increasing business opportunities – For Bilieu (2008), corporate image is like a magnet that attracts customers, catches the attention of interested investors and business partners, and generates possibilities for business growth and expansion. For instance, the strong Absa brand in South Africa has attracted Barclays to invest and buy majority shares in Absa, and this has further enhanced Absa's image and created some business opportunities because of the expertise being brought by Barclays.

A good image can stand the test of time – Finally, Bilieu (2008) argues that in highly competitive markets like banks find themselves in, customers will always look for alternatives. However, a well-established corporate image lessens the worries of customers switching to other banks.

In light of these perceived positives about good corporate image, there are some consequences that banks need to consider. First of all, customers of banks today can easily access information about banks. The Internet, blogs and mobile technology have made it possible for anybody to access broadcast information in a very short space of time. The media also plays a powerful role in the making and breaking of corporate images (Adams, 2010). Because corporate image is major risk issue for all organisations, Nauert (2011) advises that banks need to mitigate against negative corporate image by looking for opportunities to enhance their image.

Consequences for corporate image will differ depending on the nature of the business. In the banking sector, reputation damage would result from a financial irregularity. For example, a bank unable or unwilling to meet claims on the short-term cover under their insurance portfolio can be image damaging for the bank. Similarly, internally, a bank's image can be enhanced or damaged depending on its human resource management practices. For instance, Absa has won awards for being "Employer of choice" and this could enhance Absa's chances of attracting better talent since jobseekers could perceive Absa as an employer of choice.

To end this section, one can summarise that corporate image is considered an important factor in establishing and maintaining loyalty among customers (Yoo and

Park, 2007). This is even more the case in the banking industry, where corporate image plays a major role when a customer needs to decide which bank's products and services to use and ultimately exhibit loyalty towards that bank. The discussion so far shows that earning and maintaining good corporate image can be challenging for any business including banks. It is obvious that when bad publicity emerges for a bank, that bank could be portrayed as irresponsible and dishonest. Consequently, customers, employees and partners are more likely to question the truthfulness of the bank's every action. This means loss of trust. Regaining that trust can be difficult and time-consuming. Lowenstein (2011) stated that with social media providing an avenue for dissemination of information, mistrust can take years to repair.

2.6 CRM AND CUSTOMER DECISION MAKING AND BEHAVIOUR

No doubt, due to the Internet, customers are today more informed about and conscious of their rights and are able to shop around more than ever before (Yatish and Ehtesham, 2013). With democratisation in 1994, which also coincides with increased globalisation, bank customers in South Africa are now more spoilt for choice for products and services from various banks. As a result, comparing products and services between different providers is becoming easier for bank customers through direct channels, Internet blogs and forums, and social networks.

With this changing customer behaviour, South African banks need to offer innovative and more personalized services, for instance, investing in the digital channels in order to attract and retain customers. As Yatish and Ehtesham (2013) allude to, banks also need to understand the decision-making pattern of the customer. Through proper CRM, a bank has a great deal of information about customers, which could help determine customer behaviour and decision making. This information can be useful to a bank's understanding of its customers' decision-making process, product development, customer service and eventual improvement of customer experience.

The important point is that understanding customers' decision making process is key to an effective CRM. The literature review has revealed that building trust with customers; commitment to service; communicating with customers in a timely, reliable and proactive manner; and efficient handling of conflicts with customers have emerged

as important in understanding customer decision making and behaviour in relation to customer loyalty and retention and, for that matter, CRM. These concepts are further explored.

2.6.1 BUILDING TRUST WITH CUSTOMERS

To gain the loyalty of customers, one must first gain their trust (Pi-Chuan and Chia-Min, 2010). Trust is a concept considered important in interpersonal relationships. Usually, it means the degree of one person's confidence in another person or the relationship between them (Hsu, Liu and Lee, 2010). Trust is thought to be one key component of a lasting exchange relationship. Trust is what drives customer loyalty. When customers trust a company to act in their interests, they become more loyal, and they want to do more business with that company (Peppers and Rogers, 2006). Although banks may recognize the importance of winning loyal customers, they can find it difficult to earn their trust, since banks basically deal with a sensitive commodity: money. To earn customers' trust requires deep understanding of customer needs and attitudes. According to Kamal and Yunus (2009) there are four pivotal steps that banks can take to address customer-related challenges to garner customer trust. The first step is to understand the client; the second is to identify priority customer needs; the third is to execute through the right channel mix; and the fourth is to retain customers. Each of these is briefly explored.

2.6.1.1 Understanding the customer

Kamal and Yunus (2009), as well as Singh (2011), extol banks to act quickly to understand reasons behind customer attrition and demonstrate the ability to recognise changing client behaviours because customers' attitudes are not static. As a result, these authors advise banks to set up a proactive CRM system to capture such opportunities when they arise. By developing a more accurate picture of customers, banks can determine those most at risk and accordingly align retention strategies to those "priority" segments.

2.6.1.2 Identifying priority customer needs and mobilising to meet them

Once a bank has developed a stronger understanding of its customers, it can respond to their changing needs with innovative measures, such as product and service solutions or pricing and marketing campaigns, coordinated across the organisation (Kamal and Yunus, 2009; Singh, 2011). Kamal and Yunus (2009) and Singh (2011) explain that a proactive move by banks to offer products based on customer need awakens trust as customers acknowledge these efforts. For example, advanced pricing capabilities can help banks steer clear of simplistic and costly incentives, such as fee discounts and waivers, reduced lending interest rates or higher deposit rates.

2.6.1.3 Executing across the right channel mix

According to Kamal and Yunus (2009) and Singh (2011), banks must focus on delivering their innovative solutions through the right mix of channels – targeting the right offering to the right customer over the right channel – to maximize customer convenience and improve their own profitability. For some customers, the branch will always be the primary banking channel; however, in the current Internet age, the proportion of consumers who prefer the Internet for most interactions is growing. By understanding how each person wants to transact and tailoring interactions accordingly, banks can not only strengthen customer loyalty and trust but also reduce product and service delivery costs (Kamal and Yunus, 2009; Singh, 2011). However, both Kamal and Yunus (2009) and Singh (2011) warn that the human element is the key to winning customer trust. Therefore, it is important to bring the human touch even to electronic channels (Kamal and Yunus, 2009; Singh, 2011).

2.6.1.4 Retaining customers

Customer acquisition can be a costly exercise that can turn highly unprofitable when not integrated with Retention Marketing (Kamal and Yunus, 2009; Singh, 2011). For Kamal and Yunus (2009) and Singh (2011), retention marketing ensures that a bank generates profit from existing customers while keeping them happy. Some of the major benefits of customer retention include greater customer predictability and insight, which allows the bank to target their offers better and increases customers' trust in them. To retain more customers and gain their loyalty, Kamal and Yunus (2009) and Singh

(2011) agree that banks should first of all recognise customer retention as a key performance indicator. With that being done, a bank must understand how customer retention rates vary in order to determine which are customers not being effectively addressed and to appropriately allocate resources to their most valuable customers. Third, banks need to respond appropriately during service failure, bearing in mind that a bank's commitment to satisfaction and service quality is reflected in the way it responds when things go wrong for customers. Kamal and Yunus (2009) and Singh (2011) suggest that effective service recovery requires banks to have effective recovery strategies and in case of service failure, the bank must apologize, repeat the service to achieve the desired solution, or offer some other form of compensation to retain customers.

2.6.1.5 Building trust in the banking industry

Cultivating customer trust in the banking industry is not an easy job, as it is a dynamic and time-consuming process. According to Siau and Shen (2003), gaining customer trust involves consideration of its three components: *competence trust*, which emerges from an economic foundation; *predictability trust*, which emerges from a familiarity foundation; and *goodwill trust*, which emerges from empathy. From a customer's perspective, Siau and Shen (2003) suggest that **competence trust** in banking is built upon the employee's skills, expertise, and operational abilities. On the other hand, **predictability trust** is grounded in the employee's consistent behaviours whilst **goodwill trust** involves trust in the employee's honesty and benevolence. It is important for banks to work very hard in gaining customers' trust in order to improve the probability of the customer becoming loyal to the bank.

2.6.2 COMMITMENT TO SERVICE

Client loyalty can be pursued through commitment to service by the banks. Commitment is about a desire to maintain a valued partnership (Brink and Berndt, 2004). Commitment is about being loyal and reliable and showing stability in a relationship. Previous studies have proven that the quality of a service provider's relationships with its clients influences other aspects of the firm, for example, among others, its level of service quality (Rootman, 2006). Through this commitment,

customer demands can be anticipated and thus client preferences can be determined by a bank and much conflict can be avoided. It is evident that service firms like banks should commit to quality service for the customer in order to benefit from the many advantages of properly implemented CRM strategies.

From this perspective, the success of banks therefore lies in their ability to constantly address the needs of their clients. Banking is by nature service provision, hence excellent service can be expected to provide benefits such as positive word-of-mouth referrals and repeat purchases. To ensure continuous commitment to service, banks need to establish a culture of service excellence that requires management commitment, accountability, pride in the work done by the employees and integration of service excellence into organisational planning (Fontini, 2007). Commitment by management to service excellence means ensuring that employees are trained and developed to give excellent service. Commitment to service excellence would also imply that bank management should take accountability when service delivery is not matching customer's expectations and ensure that there are measures in place to improve and that customer strategy forms part of the bigger organisational strategic intent (Fontini, 2007).

2.6.3 COMMUNICATING WITH CUSTOMERS

Effective communication is an important component of customer service in an organisation and in dealing with customers, communication is essential (Jain, Sethi and Mukherji, 2009). What banks need to always be aware of is that every interaction with the customer communicates something about the bank. Banks have over the past decade regarded service quality as a key driver of competitive advantage and strategic importance (Dagger and Ward, 2007). The pressure placed on South African banks to provide superior levels of service is increasing due to the proliferation of banks since 1994 democracy and increased globalisation that has opened doors to foreign banks to operate in South Africa. As such, the service and client focus dimensions of the relationship should be a particular strategy focus for banks.

For Absa, a communication strategy can be developed to create consumer awareness of and to position Absa as a bank of choice. This can be communicated either through

non-personal sources such as television or print media or through face-to-face and personal sources. The advantage of using personal sources is that communication is two-way and immediate feedback is available. The value of communication is an integral part of the perceived service value by consumers in any interaction with the company, both personal and media based (Heinonen and Strandvik, 2005). Absa should endeavour, regardless of the media or platform being used, to remain consistent with its communication.

Given the economic and competitive pressures that South African banks are facing, combined with the mounting choices customers have because of proliferation of banks in South Africa, reliable communication can help Absa bank enhance customer loyalty.

Perhaps it is now time for banks, Absa included, to understand that with the technological explosion customers have growing choices for communications platforms and channels. Modes like mobile phone, e-mail, SMS, and social media like Facebook have created new and popular ways for customers to glean information while also providing banks with the chance to further personalise their interactions with customers.

2.6.4 HANDLING CUSTOMER COMPLAINTS EFFICIENTLY

In order to maintain profit and success, banks need to keep their customers satisfied. However, like any business interaction, customer conflicts or complaints are inevitable in the banking industry. Banks provide services which can be perceived in different ways by various customers, which may not always be compatible with their service expectation which in turn leads to dissatisfaction and complaint.

According to Zhao and Othman (2010), customer complaint behaviour can be defined as a process that is created when the customer's experience of the given service is below acceptance level. This behaviour is expressed in the form of communication with the other party and causes a change in the behaviour (Zhao and Othman, 2010).

Customer complaint behaviour is one of the most important forms of customer feedback and is manifested in different ways. It can, for instance, come from an

unpleasant experience using the bank's Internet services or being unhappy with high charges on a cheque account or with the behaviour of a bank staff.

Complaints are the key source of the customer-bank relationship and a rich source of information concerning the quality of the products and services of the organization (Phau and Baird, 2008). When the customer is dissatisfied with a product and/or service but decides not to complain, then the bank will not be in a good position to address that dissatisfaction.

Handling customer conflicts or complaints has become an integral part of CRM. An effective system of CRM requires effective handling of complaints received and a proper follow-up in order to solve those complaints. Banks need timely and efficient complaint handling systems in order to enhance customer satisfaction and ultimately customer loyalty. CRM should provide channels to its customers in order to effectively deal with complaints and to track complaints quickly and resolve them to achieve customer loyalty (Velazquez, Moliner, Blasco, Saura and Contri, 2010).

Although customer complaint is an inseparable part of the banking industry, it gives the bank the opportunity to alleviate their faults and to draw customers closer to their bank. However, a dissatisfied customer may decide not to complain but simply move to a competitor. In such a case the bank will miss the chance of correcting its mistakes, and therefore, will lose its customers. Moreover, the reputation of the bank may be ruined by the negative views aired by the unhappy customer. As a result, as Meng (2010) asserts, studying consumer complaint behaviour is essential for the Absa bank to have sustainable prosperity.

Kitapci and Dortyol (2009) studied complaint behaviour among loyal and new or first customers of Turkish banks and found that new customers are more inclined to take private complaint measures, so they spoke with family and friends about the unpleasant experience. The findings also revealed that even if first-time customers do not complain officially, it does not mean they are satisfied with the services. Furthermore, the results showed that new customers tend to leave their bank and do business with other banks more often than do loyal customers.

To sum up, it is important for Absa to realise that effective complaint handling lies at the heart of any successful efforts by any organisation to develop long-term customer relationships. Absa bank should therefore see customer complaints as an opportunity to retain a customer and to garner valuable feedback. For Absa bank to handle customer complaints effectively, it must listen and understand the customer. Therefore, Absa bank should instil a culture of listening to the customers.

It is important for any company to realise that developing long-term customer relationships is meant to make customers loyal to their organisation. That means besides recruiting new ones, those existing customers need to be retained. The next section of the chapter will elaborate on customer retention and loyalty.

2.7 CUSTOMER RETENTION AND LOYALTY

2.7.1 MEANING OF CUSTOMER RETENTION

Customer retention refers to the longevity of a client's relationship with a product- and/or service-providing firm (Menon and O'Connor, 2007). A firm with an effective customer retention strategy convinces their clients to stay with the firm (Bruhn and Georgi, 2006). It is a generally accepted fact that acquiring a "new" client costs more than retaining an existing one; further, when a customer is attracted from another bank, he or she tends to demand more and this costs more than retaining the ones the bank already have (Brink and Berndt, 2008).

2.7.2 BENEFITS OF CUSTOMER RETENTION POLICY

There are numerous benefits linked to CRM implementation that leads to customer retention. Reflecting on the benefits from customer retention in the customer-firm relationship, Zeithaml and Bitner (2003) explain three benefits. The first is **confidence benefit**. According to Zeithaml and Bitner (2003), the confidence that customers have in an organisation reduces the sense of anxiety. It comprises feelings of trust and confidence in the provider and boosts comfort in knowing what to expect from the provider. The next benefit is **social benefit**. Zeithaml and Bitner (2003) believe that some customers over time develop a sense of familiarity. As a result the customer becomes part of the service provider's social support system. They argue that the

personal and professional relationship between the service provider and client becomes the basis of the client's loyalty. Another form of benefit is **special treatment benefits**, such as getting a special deal or price and so on. Zeithaml and Bitner (2003) argue that such expectations keep customers loyal.

Additionally, Brink and Berndt (2008) also state that retained clients tend to be less price-sensitive and therefore allow firms to charge a slightly higher price for products and services before becoming dissatisfied. Improved customer retention can also lead to an increased level of employee satisfaction (Brink and Berndt 2008), as employees notice the positive results of retained clients and as they receive additional employee benefits for the improved customer retention levels. An increase in employee satisfaction, and thus also employee retention, can lead to other resultant benefits for the firm, for example, lower absenteeism and employee turnover rates. This may lead to additional cost savings for the firm.

Karakostas, Kardaras and Papathanassiou (2005) indicated that customer retention may lead to additional revenues for a firm. A 5% increase in customer retention may result in an 18% reduction in operating costs. This is especially important to banks because banks generally regard at least 80% of their profits to be gained from only 20% of their clients. Research has shown that a 5% increase in customer retention can increase a firm's profits by between 20-100% (Karakostas et al., 2005). One reason for the increase in profits might be the cost saving brought about by customer retention. Bruhn and Georgi (2006) also indicate that profits increase when firms retain clients, as the longer the duration of a firm-client relationship, the more profitable the relationship becomes. There is no reason not to expect Absa to also make gains from an appropriate CRM strategy.

2.7.3 DRAWBACKS OF CUSTOMER RETENTION

Customer retention does not always yield positive outcomes because when a firm retains the "wrong" (unprofitable) customer, it will not be beneficial. Buttle (2004) suggests that the disadvantage of customer retention experienced by a firm occurs when a firm uses negative customer retention strategies such as "lock the customer in" that prevent a customer from exiting the firm-client relationship. Buttle (2004) is of

the view that locked-in customers develop negative attitudes toward the firm for “locking them in” and the consequence may be negative word-of-mouth communications. Absa business bank will have to be careful that its CRM policies do not degenerate to a level where customers will feel locked in.

2.7.4 INCREASING CUSTOMER RETENTION

This section discusses positive strategies that can be implemented by firms in order to retain their valuable and profitable customers.

According to Buttle (2004) a firm implementing positive customer retention strategies rewards clients for remaining firm “supporters”, in other words, purchasers of the firm’s products and services. Thus, the more satisfied a client is, the more unlikely it is that that the client will switch to another competitor. Buttle (2004) confirms that to ensure customer retention, firms definitely need to meet and also to exceed consumer expectations with regard to the required products and/or services.

For Peelen (2005), value can be added to consumers through, for example, loyalty programmes, where customers are rewarded for purchases through a point system. Banks such as FNB and Absa have such a points system, where points are accumulated by consumers based on purchases result in cash-back advantages or special prices for consumers.

As alluded to earlier in the chapter, it is important for banks to identify the client segment to focus on before implementing relationship marketing strategies. The same applies to decisions on the implementation of customer retention strategies. It is critical for banks to identify the segment of clients to focus customer retention efforts on.

2.7.5 LOYALTY

Customers are the driving force for profitable growth, and customer loyalty can lead to profitability (Hayes, 2008). For Chu (2009), customer loyalty is a positive attitude and behaviour related to the level of re-purchasing commitment. Loyal customers are less likely to switch to a competitor (Bowen and Shoemaker, 2003). It is thus essential for

banks to keep loyal customers who will contribute to long-term profit (Tseng, 2007). Attempting to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008). It is for the above benefits that banks need to consider customer loyalty very important.

2.7.5.1 Conceptualising customer loyalty

Customer loyalty has been generally divided into *attitudinal loyalty* and *behavioural* (Aydin and Ozer, 2005). Attitudinal loyalty describes the customer's attitude toward loyalty by measuring customer preference, buying intention, supplier prioritisation and recommendation willingness; on the other hand, behavioural loyalty relates to shares of purchase and purchasing frequency (Aydin and Ozer, 2005).

According to Yanovitch (2007) there are four factors that build loyalty. The first is for the organisation to always see things through the eyes of the customer. Yanovitch (2007) argues that because bank customers are spoilt for choice, they need to be convinced that the bank truly cares. This author goes on to argue that engaged and caring bank employees make customers believe their best interest is being looked after. On the other hand, if the customer senses a lack of caring, he or she questions the motives behind any action.

The second factor is that everything customers encounter in business transactions impacts their experience. According to Yanovitch (2007) a torn-off piece of paper with a hand-scribbled notice that says "out of order" taped to an ATM, for instance, will cause irreparable damage to the company image. For Yanovitch (2007), the message the physical environment needs to send is one of professionalism, care, trust and order because when the environment contradicts this message, it becomes an intrusion on the customer experience. This in turn results in customer concern and a weakening of their loyalty and retention (Yanovitch, 2007).

The other factor is exceeding customer expectations. Yanovitch (2007) maintains that meeting customer expectations may satisfy them, but it is not enough to build their loyalty and keep them coming back. Therefore, banks must exceed their expectations.

Last but not least, Yanovitch (2007) encourages managers to make it easy for customers to do business with their company. For Yanovitch (2007), service problems typically have nothing to do with employee attitude, but everything to do with broken processes. Many procedures and systems designed by the organisation pose a difficulty for the customer (and the employee) because they usually have been created looking through the “lens of the organisation”. According to Yanovitch (2007), an organisation should make listening to customer complaints, listening to frustrations of its employees in serving customers, and continuous improvement priorities because they are key to building customer loyalty.

2.8 CONCEPTUAL FRAMEWORK

As a result of empirical research (Zablah, Bellenger, and Johnston, 2004; Chen and Popovich, 2003) suggesting that banking systems experience some degree of inefficiency in their business operations and performance, especially with regard to managing relationship quality and service offering, there has been a need to adopt a system that will help banks to deal with such challenges. To respond to these challenges, many have suggested CRM.

From the literature above, CRM can be summarised as the exchange relationships between the organisation and its customers where marketing, quality and customer service are the key linkages in this relationship. Figure 2.1 illustrates the researcher’s idea of these linkages, from the input through the transformation and output.

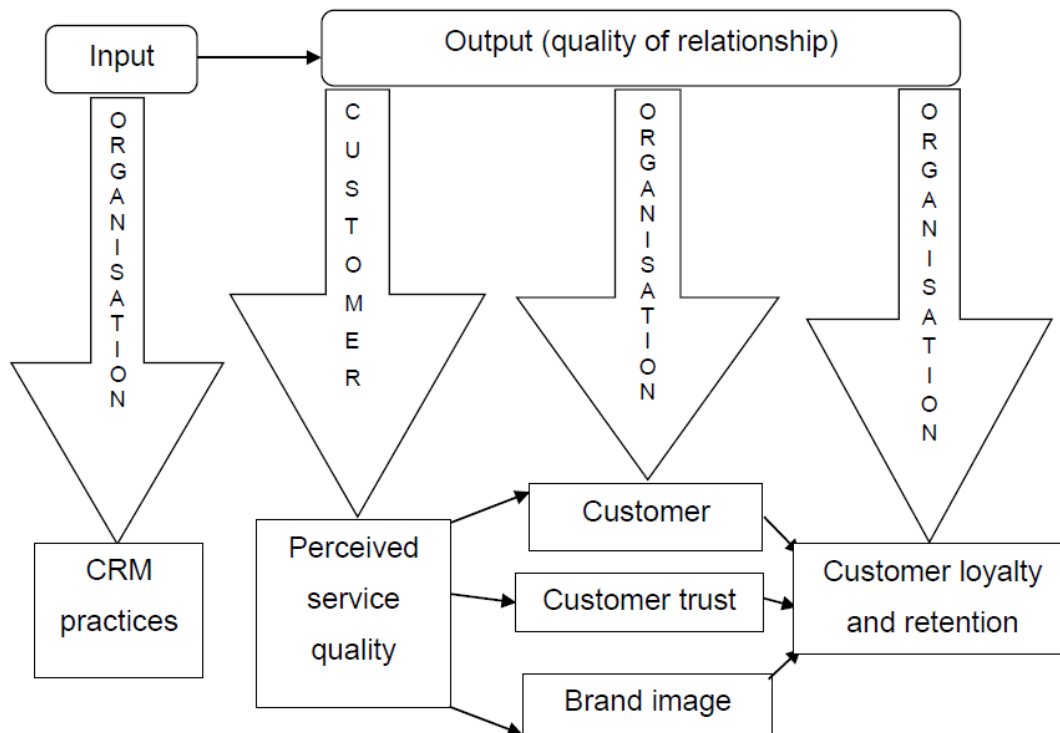


Figure 2.1 Conceptualised input-output model of CRM

Zablah, Bellenger, and Johnston (2004) suggest that CRM should consider the customer-supplier relationship with its three ordinal procedures as “input, process, and output.” The input component of the CRM process involves tangible and intangible resources. The CRM process can be viewed as interaction management, which aspires to achieve the highest quality of interaction relationship with the exchange partners. The output component of the CRM process refers to the “profit-maximizing portfolio” of customer relationships (Lai, Hsiao, Yang, Huang, and Lee, 2009).

It is very important for this study to discover whether satisfaction and trust mediate the relationship between the bank and the customer and in the process improve the perception of the company’s image in the eyes of the customer, which in turn will ensure that this client remains loyal to the bank and be retained. One such successful marketing approach has been described as customers’ psychological contract toward a higher level of satisfaction and trust which enable institutions to become more profitable because they retain customers, rather build new relationships (Chen and Popovich, 2003).

When an institution tries to build a new market segment, it faces challenges and uncertainty about customer needs, preferences, and purchasing behaviours. Whether the customer is satisfied or not depends on whether he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied, but if it does not, he is not satisfied. If what is offered is above the expectations, the customer is highly satisfied (Kotler, 2005).

In recent years, in such fields as banking, where there is a strong competition, customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise customer satisfaction to the highest level and retain customers, banks will have to attach importance to CRM. Whether the banks gain benefit from their CRM practices and become successful depends on whether they are able to develop the right strategies for customers they want to attract in the right target segment and targeted market. The banks' success in getting customer loyalty as the output will also largely depend on how successfully they implement CRM strategies. To be in a position to generate better results, banks need to manage their client base to identify, satisfy and retain their most profitable clients through building trust, commitment to service, communicating in a timely, reliable and proactive fashion and last by handling conflict efficiently.

As the literature has proven, the rationale for implementing relationship marketing strategies is that it improves business performance by enhancing customer satisfaction and customer loyalty.

2.9 CRM BY BANKS

It is a truism to say that the banking industry is very competitive, with customers spoilt for choice. Because bank customers have virtually unlimited choice of similar products and services, it is important for banks to endeavour to retain existing customers rather than attract new ones. Rootman, Tait and Sharp (2011) believe that retention of profitable clients is important for banks.

CRM is a strategy for building and maintaining cordial and unfettered relationships with clients. In fact, customers want to do business with organisations that understand what

they want and need. Bruno-Britz (2008) suggested that customised banking products and services increase customer retention. In order to retain customers and to make sure that they refer their friends and colleagues to that business, it is necessary to delight them by giving them more than they expected. The only way to establish what a client wants and needs is to build client relationships. Eid (2007) indicated that in the banking industry, personalisation has a positive effect on banks' relationship quality. In a relationship or service business, the management, employees and everybody involved in the chain of customer delivery should always strive to find new methods of adding value to the customer. Adding value to the customer should be achieved through building a relationship with the customer and should not be just about providing quality service and caring whether the transaction is closed or completed.

According to Hitachi Consulting (2010), to ensure that bankers best identify, understand and meet the needs of both potential and existing customers, banks need to develop a methodology that prepares them for success. While many different approaches exist, including using automated support tools such as customer relationship management (CRM) systems, according to Hitachi Consulting (2010) the best approaches share the following common characteristics:

- Use of a needs assessment guide that recognizes the lifecycle of customer needs (e.g., where is the customer or potential customer with respect to their lifecycle needs? Do they need assistance in developing a roadmap to meet these needs?)
- Development of questions that determine key buyer values related to factors such as convenience, price, service, access to expert advice, etc., as well as the trade-offs between these factors (e.g., what drives their key decisions? Do they have a trusted advisor on whom they rely for advice? If so, how should the banker approach working with or ultimately replacing this advisor?)
- Understanding of the current economic environment and its impact on personal and business decisions (e.g., should certain steps in the customer's or potential customer's roadmap be accelerated or deferred due to unforeseen or unexpected personal changes in circumstances, the current business cycle, upcoming tax law changes or other industry specific considerations?)

- Projection of future needs and requirements of the customer and potential customer -- on both a personal and business level -- even if they are not a business owner (e.g., what does their company's retirement plan provide for? When will money be available? What will or should be done with any of the proceeds?)
- Previewing the key factors and considerations related to the next phase of the lifecycle to identify critical needs and possible constraints, and to confirm desired outcomes
- Monitoring of the above factors and information by holding periodic meetings with the customer or prospect to update any changes and assess the impact of those changes.

One of the common approaches in business banking is using the criteria of segmenting clients in terms of turnover or size of the credit exposure to the bank or the profit generated by the bank through the relationship. In ensuring that the client gets the necessary service as per segmentation, the banker is assigned to take care of specific segmentation and these bankers or relationship executives cannot serve across these segments. As a result of this segmentation there is always a possibility that the end result may well be an unnecessary misalignment between the bank and its customer, spelling missed opportunities for both. As indicated by Hitachi Consulting (2010), segmenting businesses using size-based criteria has several potential shortcomings:

- An assumption that the size of the company drives their banking needs and preferences.
- Channelling product and/or service offerings not aligned with the needs of the business.

Given the shortcomings of these commonly used size based approaches, it is critical to explore other alternative(s) that banks can consider to enhance their ability to reach and successfully serve these businesses.

According to Hitachi Consulting (2010) there are at least three ways that banks can improve their segmentation approach. These are:

- Understand the lifecycle of needs of the business owner and the business.

- Create a scheme that focuses on the sophistication of these businesses and their needs.
- Develop a dynamic needs assessment feedback loop that enhances awareness of items 1 and 2, above.

It is important for banks to understand their client's business cycle and where strategy and finance can have the greatest impact in the business. For example, if a bank is financing a farmer who is a grape producer for wine, the bank needs to understand that this client is simultaneously in the wine industry as the primary production industry. Together with the client, the bank would need to observe what is happening with trends and issues in the manufacture, distribution, retailing and consumption of wine, in addition to the trends and issues impacting primary producers. In addressing such sophistication the bank will have a department that will have expertise in such industries, and the client's needs and all the analytics are constantly examined to understand more of such sophisticated industries.

Onut, Erdem and Hosver (2008) make the important point that CRM can be a useful business strategy for identifying a bank's most profitable customers and prospects, devoting time and attention to expanding account relationships with customers through individualised marketing, reprising, discretionary decision making, and sustaining customised service through the various sales channels that the bank uses.

Chary and Ramesh (2012) concluded that any financial institution seeking to adopt a customer relationship model should consider six key business requirements: (i) Create a customer-focused organisation and infrastructure; (ii) Gain an accurate picture of customer categories; (iii) Assess the lifetime value of customers; (iv) Maximise the profitability of each customer relationship; (v) Understand how to attract and keep the best customers; and (vi) Maximise rate of return on marketing campaigns.

Having discussed the general CRM approach for the banking sector, the next sections of the chapter provide Absa business bank's approach to CRM.

2.10 CRM IN ABSA BUSINESS BANK

Today, many businesses including banks realise the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximize their lifetime value (Onut, Erdem and Hosver, 2008). Acquiring new customers, retaining the current customer and maximising profits through customer relationship have therefore become the focus of many banks. In line with this philosophy, CRM has become a focus within Absa business bank and this section of the chapter discusses how Absa business bank has approached its CRM implementation.

According to Absa (2013), the bank's business banking model is aimed at understanding, anticipating, managing and personalising the needs of an organization's current and potential customers. Gay, Charlesworth and Esen (2007) indicated that personalisation is necessary for firms to satisfy the different needs of client groups. To achieve this personalisation, Absa Business Bank's value proposition considers business from three different but interconnected perspectives, one of which is by building effective business relationships with customers through Relationship Executives. The main task of Relationship Executives is to determine business needs and provide appropriate solutions (Absa, 2012).

In the service business, the "human touch" is critical in all the processes of customer interaction which have a great impact on customer satisfaction (Zablah, Bellenger and Johnston, 2004). A person-to-person engagement is required in order to create the sense of personal relationship, which can lead to the maintenance of current customer relationships. In Absa business bank, this one-to-one relationship is provided by the Relationship Executive, who becomes the entry and touch-point for the client. All the communications, relationship building, trust and resolution of any conflict that might exist are the responsibility of the Relationship Executive. He/she is expected to deliver superb service through internal process, a system that ensures commitment to superb service to the client is maintained (Absa, 2012).

The Relationship Executive is not expected to drive the customer experience alone; there is a team that supports him/her. Managers must exert an appropriate leadership and show commitment to promote the change toward a customer-centric mind-set in

all the members of the organisation (Suntornpithug, Karaatli and Khamalah, 2010; Shang and Ling, 2010). In Absa business banking, the Relationship Executive reports to the Sales Manager, who should ensure that the best possible support is provided to the Relationship Executive for ultimate personalised service to the customer (Absa, 2012).

The importance of the Relationship Executive's role in Absa business bank cannot be emphasised enough because it constitutes the important link between the bank and the customer. The Relationship Executive is trusted to do thorough needs analysis of the client so that the bank is in the position to provide a vital solution and correct products and/or services to the client.

Because of the nature of business banking, managing relationships is critical and can be a competitive differentiating factor for success. Through this approach, the focus must be placed more on existing customers than on attracting new clients. In order to determine that it is extracting value from all its existing relationships with clients, Absa business bank uses a coverage management tool called the Value Add Performance Measurement (VAPM) system, which is used to determine the net income provided per customer group and also per customer account. This tool is aimed at enabling relationship executives to decide on a specific relationship strategy per client, depending on the income derived from the group/customer. It also highlights the potential in the group, indicating which products/ services can still be provided to the client to maximise income (Absa, 2012).

According to Shaw and Jones (2005), CRM involves the following:

- Measuring both inputs across all functions, including marketing, sales and service costs and outputs in terms of customer revenue, profit and value.
- Acquiring and continuously updating knowledge about customers' needs, motivation and behaviour over the lifetime of the relationship.
- Applying customer knowledge to continuously improve performance through a process of learning from successes and failures.
- Integrating the activities of marketing, sales and service to achieve a common goal.

- The implementation of appropriate systems to support customer knowledge acquisition, sharing and measurement of CRM effectiveness.
- Constantly flexing the balance between marketing, sales and service inputs against changing customer needs to maximise profits.

The importance of investing in the lifetime value of the customer and the retention of customers has been shown through studies and taken into account in the importance of the Relationship Executive's role in Absa business bank. Considering that employees are responsible for executing day-to-day processes and are actually interacting with customers, CRM success will depend largely on the human factor of the organisation (Dimitriadis and Stevens, 2008).

Considering the importance of the Relationship Executive in driving the CRM in Absa business bank, it is important to spend some time in understanding what attributes Absa business bank has highlighted as critical for Relationship Executives to possess to be successful in this role (Absa, 2012).

2.10.1 ATTRIBUTES EXPECTED OF RELATIONSHIP EXECUTIVES

The critical skills expected of Absa Relationship Executives include teamwork, Partnership and planning approach, Industry knowledge and Needs analysis skills, Conflict Resolution, Commitment to service, Trust, Education and experience, Product and service knowledge (Absa, 2012).

Team Work

According to Absa (2012), a Relationship Executive must be able to work in a team to ensure excellent and seamless service is provided to the client. Moreover, s/he must be able to co-operate and work well with others in the pursuit of organisational objectives and team goals. For instance, the Relationship Executive should work closely with colleagues who are internal specialists in Commercial Property Finance in order to deliver seamless service to the client.

Partnership and planning approach

Absa (2012) stipulates that the Relationship Executive must have the ability to organise and prioritise workloads and should have at least one planning session with the customer during the year where the client's business plan is discussed. This entails any plans for expansion, diversification, downscaling, etc. Proper planning will provide a better service to the client and will not only alleviate pressure on relationship executives to attend to ad-hoc urgent requests, but will also allow the customer to plan better and make him feel that his bank and relationship executive are partners in the business. For instance, for a client in the transport business, the Relationship Executive and the client will need to determine in time if there are any vehicles that need to be replaced and if the financial statements support further credit.

Industry knowledge and needs analysis skills

Furthermore, Absa (2012) expects the Relationship Executive to constantly strive to keep abreast of the activities in the economy and be able to identify the needs of the customer. He or she needs to understand macroeconomic factors in the market; as previously mentioned, customers want to build a relationship with an organisation that understands their industry and business and from that is able to identify their needs. Customers' needs can be satisfied only once a deep understanding of the need is present. In order to add value to the customers' experience, a relationship executive will need to keep well ahead of the latest developments in the financial industry. For instance, for the client who is importing and/or exporting goods, the Relationship Executive needs to understand how the rand exchange rate works so he/she can be in a position to add value to the customer's business and to provide necessary advice.

Conflict resolution

Absa (2012) also sees regular liaisons with the customers with regard to feedback on loan applications, customer queries, customer complaints, etc., as essential to maintaining the relationship. Customers expect a fast turnaround on any requests/complaints submitted. Keeping clients constantly informed about the progress on the resolution will enhance the relationship. For instance, if client had problems with his/her credit card, the Relationship Executive needs to contact the credit card division and ensure that the problem is resolved. If the problem is not resolved quickly, the

Relationship Executive needs to constantly keep client updated of the progress being made.

Commitment to service

The Relationship Executive needs to be driven by the desire to provide superb service at all times and needs to be reliable and loyal and show stability in relationship building with the customer, since this will ensure an ever-improving customer service level (Absa, 2012).

Trust

The Relationship Executive needs to be trusted since the customers always want to know if they are dealing with someone they can trust (Absa, 2012). Customers always want to know that they can rely on the Relationship Executive and have confidence that they are dealing with a trustworthy business partner. Relationships between customers and organisations are influenced by trust. When the customer experiences negative outcomes the relationship will be at risk. For instance, the customer needs to trust that the Relationship Executive handles matters involving the business with confidentiality and would not share information that would compromise the client and also the relationship.

Education and experience

According to (Absa, 2012), Relationship Executive must have the ability to think, rationalise, weigh up alternatives, argue constructively and present ideas in a structured manner. With regard to experience, one needs to look for the type and level of experience that will best serve the different categories of clients. For instance, the most experienced and knowledgeable Relationship Executive should be responsible for relationships where the businesses are more complex, which are segmented mostly in the Commercial segment of Absa business bank.

Product and service knowledge

Lastly, the Relationship Executive must know the benefits and features of the products and services which can be provided to the client (Absa, 2012). It is furthermore essential to know the features and benefits of the products and services offered by

your competitors, since it will create a good impression with customers and allow Relationship Executive to use any Absa business bank's competitive edge to their own advantage.

The above attributes of Relationship Executives play a critical role in the delivery of customer experience within business banking. One-on-one relationships are critical for its success and at Absa business bank it is believed that the relationship is built and maintained on 3 levels: Community level, Portfolio level and Customer level, and its critical for the Relationship Executives to engage at all these levels (Absa, 2013). The next section of this chapter elaborates these 3 levels of relationship building within Absa business bank and the role the Relationship Executive should play.

2.10.2 ABSA'S THREE (3) LEVELS OF RELATIONSHIP BUILDING

Community Level

At this level, the Relationship Executive needs to understand the local market and competitor environment. It is important for the Relationship Executive to understand and know the competitor's activities, like what they are doing differently to attract new clients and also how they go about retaining their clients. The Relationship Executive needs to know the economic environment pertaining to the business sector breakdown and growth plans of the customer and be involved in the community through business networking sessions like Chamber of Commerce, industry associations (e.g., Agriculture societies, Engineering Associations). Visibility of the Relationship Executives at this level is critical in building relationships with the business community.

Portfolio level

Although this level is more internal, it is very critical to provision of customer service and relationship building with the customer. Together with the Sales Manager, the Relationship Executive must organise, group and build portfolios of clients to serve effectively. Then the Relationship Executive is expected to service these identified clients but most importantly to focus on building lasting relationships with these clients. During this process of relationship building the Relationship Executive will classify the customer base, which is normally done by contribution of income to the portfolio, in order to serve this portfolio of clients optimally.

According to Zeithaml, Valarie, Rust, Roland, Lemon, and Katherine (2011), innovative service companies today recognize that they can supercharge profits by acknowledging that different groups of customers vary widely in their behaviour, desires, and responsiveness to marketing. These firms have discovered that they need not serve all customers equally; many customers are too costly to do business with and have little potential to become profitable, even in the long term. Twenty percent of customers produce eighty percent of sales or value to the company (Zeithaml et al., 2011). For instance, a Relationship Executive who has a portfolio of 100 customers can classify them as Top 20% (20 Customers), Middle 50% (50 customers), and Bottom 30% (30 Customers). What this means is that the Relationship Executive will provide more focus on the top 20% than she/he would for bottom 30%. This way the Relationship Executive will be in a better position to build the relationship with the client, understanding differentiating elements of the business and the client's value within the portfolio.

Customer level

At this level, the Relationship Executives need to understand the customer's internal business environment, for instance, who the key stakeholders are, like shareholders, management structure, etc. The Relationship Executive needs also to understand what nature of business is operated by the client, and get to know and understand how the client conducts the business (capital, financial and environmental risk). Once this is known then the RE needs to translate this into opportunities in relationship building with the client, where plans for expansion, diversification, and downscaling that might exist are discussed thoroughly with the client.

It is important at this level that the Relationship Executive understands the customer's external environment. He/she needs to constantly strive to keep abreast of the activities in the economy, industry sector analysis and what financial/non-financial risk the client is facing. He/she needs also to understand the customer's competitive environment, for instance, key competitors, any barriers to entry in that market, etc.

The RE needs to know and understand the legislative environment of the client, like impact of legislation (e.g., BEE, Labour, Environment), and needs to know who the

clients' suppliers are and what the purchasing power is and also needs to understand and know who the customer's own customers are and how they are spread, meaning are they paying on cash, credit etc., and if on credit, what are the terms of repayment? When the RE understands and knows the customer at this level, the relationship is constantly improving and being enhanced.

At Absa business bank, Customer relationship management is driven on these 3 levels of relationships and building strong relationships with customers is important and helps the bank to learn and better understand the customers' situation, which will enable Absa to build trust with customers and be able to communicate with them in a timely, reliable and proactive manner. Through these levels Absa business bank appears to show its commitment to service and can be effective in handling any conflict with the customer in an efficient manner.

2.11 CHAPTER SUMMARY

In previous sections, the concept of CRM was examined in depth since it has become commonplace among many organisations in recent years to practice it. This rising popularity can be attributed to organisations' commitment to become more customer focused when faced with increasing competition and to adopt new approaches in order to improve marketing and operational efficiency for the sake of survival, profitability and competitive advantage. The discussion has also led one to realise that CRM has led to the evolution of how products and service should be provided to the customer. This new paradigm is therefore a process where a win-win relationship (which is based on mutually satisfying trust and respect for the needs of both parties – the buyer and the seller) replaces the traditional way of doing business.

The definition, the evolution of CRM and all related elements were highlighted in this chapter. The features of relationship marketing were discussed. CRM as a tool in a competitive business environment was discussed, where the focus was on customer experience of service quality and its consequences, customer satisfaction and its consequences and the customer perception of company's image and its consequences. In a competitive world where product advantages dissipate rapidly, relationships matter even more.

In addition the concepts building trust with customers, commitment to service, communicating with customer in a timely, reliable and proactive manner and handling conflicts efficiently were discussed, as they play a huge role in decision making and behaviour. The literature section of this chapter concluded with an examination of the conceptualised input-output model of CRM. Last, the chapter also presented a review of the literature on the application of the CRM concept in Absa in particular. It seems from the literature that normatively, Absa is applying what can be termed CRM.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

As earlier indicated in Chapter 1, the primary objective of this research is to find out the extent to which Absa business bank's CRM practices have impacted customer loyalty and retention; that is, to determine the effectiveness of CRM practices of Absa business bank in maintaining loyalty among its customers. Chapter 1 provided an overview of the entire study including the problem and its background, research questions and objectives of the study. In order to achieve the study objectives, a conceptual framework had to be developed based on sound theory from the literature. Chapter 2 was devoted to an in-depth review of extant literature on CRM leading to the development of the conceptual framework guiding the empirical study. This chapter presents and explains the methodology that guided the empirical study.

3.2 RESEARCH APPROACH/ PHILOSOPHY

As pointed out in Chapter 1, the underlying philosophy for the current research is the positivist approach to social research. In the positivist approach, data collection and analysis involves objectivity (Collis and Hussey, 2009), which involves collecting data using the quantitative method and analysing the data by applying statistical techniques. Eventually, the selected approach leads a researcher to design the research in a particular way (Dzansi, 2004). Thus, once a researcher chooses a particular approach, the next stage is to specify the research design. The following section elaborates on the research design adopted in compliance with the positivist philosophy adopted for the current research.

3.3 RESEARCH DESIGN

A research design refers to some master plan that specifies the methods and procedures for collecting and analysing data in a research (Collis and Hussey, 2009; Zikmund, 2009; Blumberg, Cooper and Schindler, 2008). There are basically two research design types namely quantitative and qualitative. There are no general guidelines as to when a qualitative or quantitative research approach is more appropriate (Blumberg, Cooper and Schindler, 2008). The distinction between a qualitative and quantitative study is based mainly on the kind of information used to

study a phenomenon. Marczyk, DeMatteo and Festinger (2010) indicated that a *Quantitative design* involves making use of numerical data and statistical analyses, whilst *Qualitative research* does not attempt to quantify results through statistical analysis. Qualitative studies typically involve interviews and observations without formal measurement in number format; instead, the data is captured in words. Because the data collected were mainly quantitative, whilst statistical methods were used to analyse the data, design-wise, the research can be described as mainly quantitative.

3.4 THE TARGET POPULATION AND SAMPLING

3.4.1 THE TARGET POPULATION

Russel and Purcell (2009) define a target population as the entire or complete collection or group of interest to the researcher of a study. The two target populations for this study included all *Business Account* holders who are being serviced by a Relationship Executive and staff members (Relationship Executive and management) in the Eastern and Southern Cape region of Absa Business Bank. The Business Account holders who are being serviced by a Relationship Executive and staff members (Relationship Executive and management) in the Eastern and Southern Cape Region of Absa Business Bank number somewhere around 3400, whilst Relationship Executives number 38. This makes the target population in this study rather too large to be covered in its entirety, given the nature of limitations imposed by an academic study of this type.

Usually, the ideal target population is not available so the researcher has to do with what is referred to as the sampling frame which is the list of population elements from which the sample is drawn (Zikmund, 2009). According to Babbie and Mouton (2009), many South African researchers find it difficult to acquire sampling frames for their research because of the lack of available information and/or errors on available lists. Fortunately, this situation does not exist in this study since the researcher is currently a senior employee of Absa Business Bank and has access to both staff and client databases. The large population size necessitated that the researcher select a sample that was representative of the target population.

3.4.2 SAMPLING TECHNIQUE EMPLOYED

A sample refers to some of the members of a population (Collis and Hussey, 2009). Blumberg, Cooper and Schindler (2008) emphasised that the basic idea of sampling is that by selecting some of the elements in a population, conclusions may be drawn about the entire population. As indicated in Chapter 1, convenience and snowball sampling methods were used for this study.

Convenience sampling refers to the collection of information from members of the population who are conveniently available to provide information (Sekaran, 2006). Snowball sampling refers to the sampling technique where a researcher uses initial contacts or respondents to provide further contacts (Burns & Burns, 2008). In this case the Bankers provided names of respondents (colleagues and/or clients) willing to participate in the study. Snowball sampling was also used in order to distribute the questionnaires to banking clients and bank employees within Absa Business Bank and to ensure sufficient respondents.

3.4.2 SAMPLE SIZE

Lenth (2009) emphasises that a study must have adequate sample size relative to the goals of the study and that the sample must be big enough. As indicated earlier, the population of the study was 3400 Absa business bank customers and 38 Relationship Executives within the Eastern and Southern Cape region. To reduce the margin of error, the sample size was determined by letting the confidence level be at 95%, confidence interval at 5%, in order to get to minimum sample of 345 customers. For employees the whole population of 38 respondents was used.

3.5 DATA COLLECTION

In research, there are various ways in which data can be collected. Collis and Hussey (2009) emphasise that the data collection method would depend on the methodology used in a particular research. If a quantitative methodology is used, one would be attempting to measure variables or count occurrences of a phenomenon. On the other hand, if a qualitative methodology is used, one would emphasise meanings and experiences related to the phenomena. Both quantitative and qualitative approaches

to data collection present a mixture of advantages and disadvantages (Collis and Hussey, 2009).

As already indicated, there are various methods used to collect data. However, for the purpose of this study empirical data was gathered using a structured questionnaire that was developed. Each questionnaire was accompanied by a cover letter that explained clearly what the respondent was required to do in order to complete this questionnaire.

The primary data were collected by means of an electronic mail survey. The main driver for this method is the cost aspect, as it is one of the most affordable methods for research. Accessibility is another benefit of this type of method as the sample elements normally have electronic mail facilities. Convenience is also an important factor as the sample elements can undertake the survey in their own time, when convenient. Disadvantages, however, include low response rates, no interviewer intervention, clarification cannot be sought, accurate mailing lists are needed, and the questionnaire cannot be long or complicated.

For the purpose of this research, the primary study was conducted by means of two structured questionnaires, one for Absa banking bank clients who are being serviced by the Relationship Executive and the other for Absa Business Bank employees (Managers and Relationship Executives).

3.5.1 QUESTIONNAIRE DEVELOPMENT

A questionnaire is a structured method of data collection (Sapford and Jupp, 2006; Collis and Hussey, 2009). Collis and Hussey (2009) indicated that for large-scale surveys structured questionnaires can be used, whereas a qualitative approach suggests open-ended questions.

For the purpose of this study, two structured questionnaires were developed. One was used to identify the perspectives of Absa Business bank clients linked to a Banker and the other questionnaire was used to identify the perspectives of Absa Business bank employees (managers and relationship executives).

Each of the questionnaires included a cover letter explaining the purpose, objectives and rationale of the study. The cover letters also provided potential respondents with instructions on how to respond to the questions and most importantly provided guarantees as to the confidentiality of their responses.

The two questionnaires were presented electronically to the respondents. Internet-based or electronic questionnaires are becoming more popular, as they are easier to conduct and more economical in both time and cost (Burns and Burns, 2008). Electronic questionnaires also ensure that researchers have access to more potential respondents. Gaiser and Schreiner (2009) confirm that distributing a questionnaire via e-mail provides easier access to a wider audience. Burns and Burns (2008) indicate that the internet or electronic questionnaires provide the advantage of increasing the generalization of findings, as the types of respondents vary. The responses entered on an electronic questionnaire are also immediately captured.

Both questionnaires for this study were developed taking the problem statement into account. The questions were selected to address the main research question of to what extent Absa business bank's CRM practices had impacted customer loyalty. The customer questionnaire was divided into sections that dealt with aspects related to the study, namely trust, loyalty, customer satisfaction, communication. The employee questionnaire similarly addressed aspects like communication, trust, commitment to service and conflict handling. Both questionnaires mostly used a five-point Likert-type scale, ranging from strongly disagree to strongly agree.

3.5.2 ENSURING VALIDITY AND RELIABILITY

Salkind (2009:109) is of the view that reliable and valid instruments are the hallmarks of good measurement. Based on this assertion, it can be concluded that a measurement instrument needs to be both valid and reliable to be credible.

Meanwhile, validity refers to whether a measuring instrument is actually measuring what it is supposed to measure (Gaiser and Schreiner, 2009; Burns and Burns, 2008). There are three common ways of ensuring validity namely by ensuring construct, content or face validity. Research experts such as Hair, Black, Babin, Anderson and

Tatham, (2006); Sekaran (2006); Hair, Black, Babin and Anderson (2010) just to mention a few all agree that basically, *construct validity* means the measuring instrument fits with theoretical expectations, *content validity* refers to sufficiency of items measuring a particular construct and *face validity* means that on face value (judgement by expert), the measure appears to measure what it is intended to measure. For this study, the questionnaire items fully covered the research questions; the questionnaire used incorporated views of experts who evaluated the questionnaire in conformity with Salkind (2009:118) who states that opinion of expert can be used to establish validity of an instrument. Therefore, on the face of it the questionnaire can be deemed valid.

On reliability, researchers including De Vos et al (2011); Gaiser and Schreiner (2009); Burns and Burns (2008); Sekaran (2006) maintain that a test instrument is deemed reliable when the instrument measures the same thing more than once and the results shows the same outcome, meaning there is consistency and stability in the measurement which lends credibility to a study's findings.

The reliability of a research instrument can be assessed by means of Cronbach's Alpha correlation coefficients (Leedy and Ormrod, 2010) which are obtained from factor analysis. Cronbach's Alpha correlation coefficient indicates how well the items in a set are positively correlated to one another (Sekaran, 2006). Pearson and Lumpkin (2011) recommend Cronbach's Alpha coefficient scores above the 0.7 threshold. For the purpose of this study, the reliability of the measuring instrument was considered by evaluating the construct reliability (CR) function through factor analysis, which is often used to measure reliability. The results of the reliability analysis reported in Chapter 4 indicate that the instrument can be regarded as reliable.

3.5.3 DATA ANALYSIS

Zikmund (2009) describes data analysis as a research technique for the objective, systematic, and quantitative description of the manifest content of communication. Once the data has been gathered, it must be analysed by turning it into actionable sets of conditions and reports.

From the literature review the researcher was able to identify and select a number of themes which are believed to be relevant in relationship banking and customer loyalty. The themes are drawn from the literature review and integrated into the quantitative data to support the findings of the quantitative analysis. The questionnaire included one qualitative question, which was used to support the findings from the quantitative data and literature review. The question allowed the respondents the opportunity to give one recommendation that could improve their loyalty. General themes were extracted and added to the findings for the discussion.

3.6 SUMMARY AND CONCLUSIONS

This chapter provided a discussion on the research methodology of the study which focused on the research design, population and sampling, data collection methods, and questionnaire development, as well as on the data analysis process followed in the empirical investigation. In Chapter 4, the analysis, interpretation and results of the empirical study will be provided and the major findings of the study will be elaborated on.

CHAPTER 4: RESULTS

4.1 INTRODUCTION

The previous chapter presented and discussed the methodology applied to the research. In this chapter, the results obtained from the data analysis are presented and discussed. The results are presented and discussed under two categories: staff and customers, respectively.

4.2 STAFF DEMOGRAPHICS

In this section, a consolidated table is first provided to summarise demographic data of Absa bank staff respondents. Thereafter, figures are provided for the individual demographics of Absa bank staff respondents' data to illustrate them in detail.

Table 4.1: Demographic profile of employees

Biographical Variable	Category	Frequency	Percentage
Gender of respondent	Male	24	82.8%
	Female	5	17.2%
Age of respondent	31 - 40 years	12	40.0%
	41 - 50 years	16	53.3%
	51 - 60 years	2	6.7%
Marital Status	Married	30	100.0%
Highest level of education	Matric & Below	1	3.3%
	Tertiary Certificate	5	16.7%
	Diploma/Degree	16	53.3%
	Postgraduate	8	26.7%
Type of Education	Agriculture	1	4.2%
	Business	21	87.5%
	Others	2	8.3%
Other Education Status	Not Applicable	1	50.0%
	Finance	1	50.0%
Racial group	Black	4	13.3%
	White	20	66.7%
	Coloured	3	10.0%
	Indian	3	10.0%
Religious Denomination	Christian	26	86.7%
	Muslim	2	6.7%
	Hindu	2	6.7%
Segment working at with ABSA	Commercial Business	12	40.0%
	Enterprise Business	18	60.0%
Role in ABSA business bank	Sales Manager	13	43.3%
	Relationship Executive	17	56.7%
Years of experience in the current role	1 - 5 years	6	20.7%
	6 - 10 years	11	37.9%
	Above 10 years	12	41.4%

Table 4.1 shows that Absa business bank employees are predominantly male (82.8%) and all are married, which might highlight a higher level of maturity. The results also show a high level of education among the respondents, as 96.7% have advanced degrees (16.7% - Tertiary certificate, 53.3% - diploma/degree, 26.7% - post graduate) and this might highlight the level of skills and knowledge required to benefit the clients. A significant majority (66.7%) of employees are white, which should be a challenge that Absa business bank is facing regarding their transformation agenda. As indicated by the results, there is significantly high level of experience, as 79.3% (37.9% + 41.4%) of the employees have more than 6 years of experience in their current role.

The following results, from Figure 4.1 to Figure 4.9, expand more on the demographic profile results from Table 4.1.

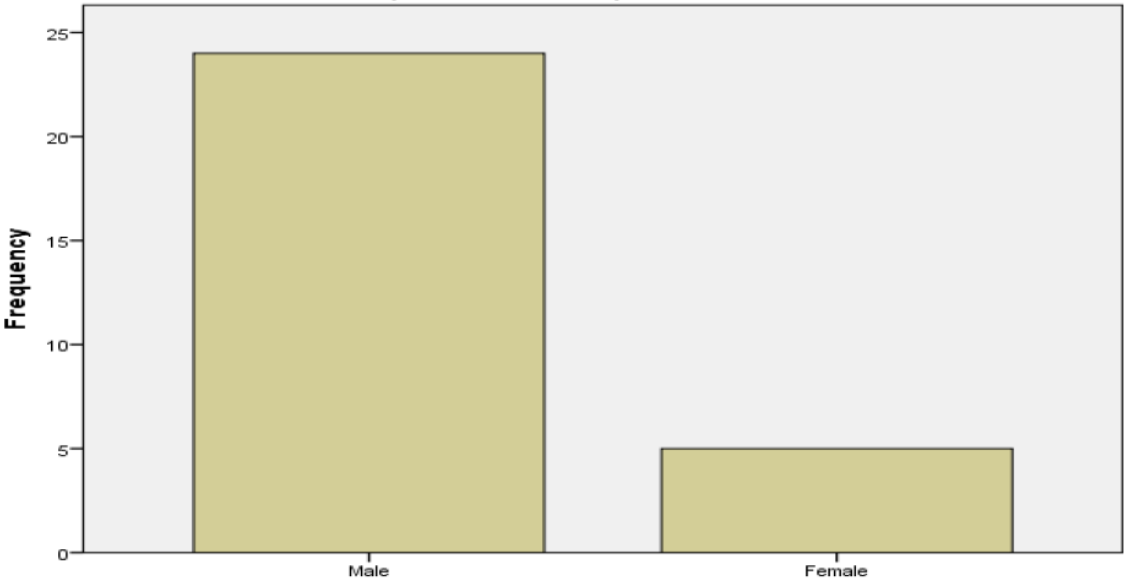


Figure 4.1: Gender of respondents

Figure 4.1 shows that the overwhelming majority (about 80%) of respondents are males. These results might suggest that Absa, within their business bank segment, are facing some gender equity challenges and need to develop recruitment plans to attract women in this segment of their business to address this imbalance.

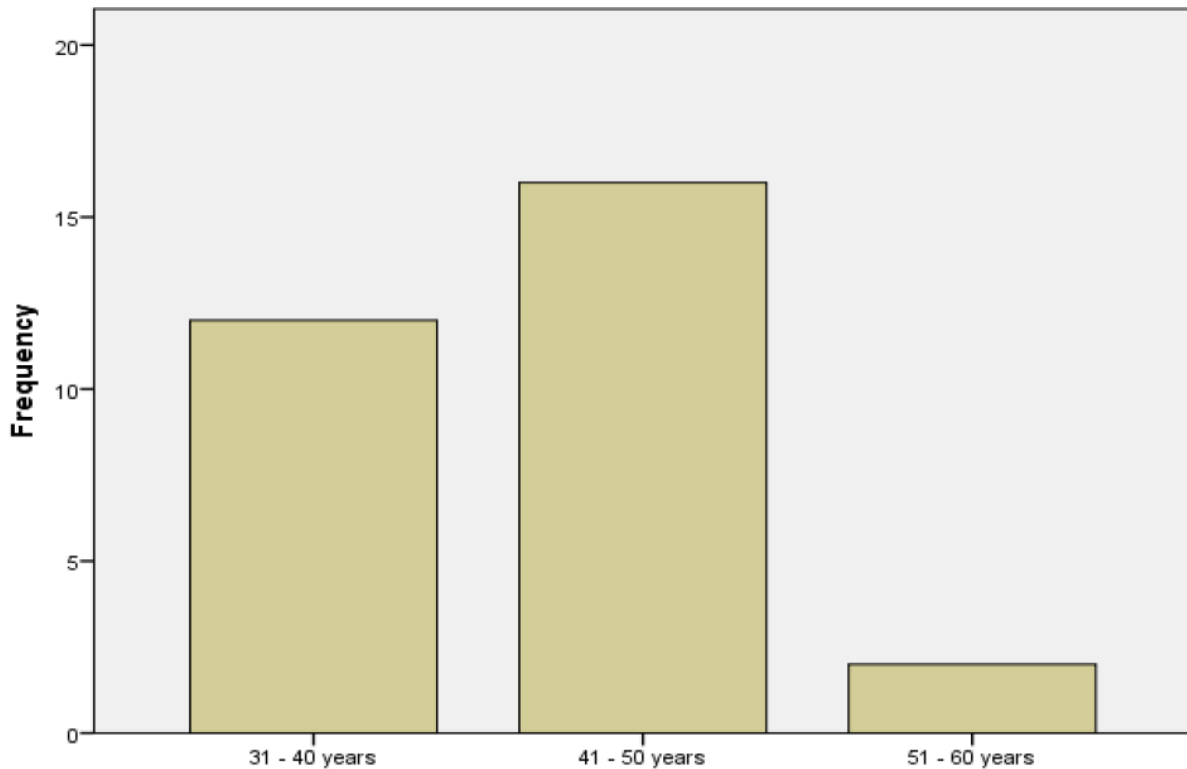


Figure 4.2: Age of respondents

Figure 4.2 reveals that the respondents are predominantly middle-aged (41-50 years) and also a reasonable number are between 31-40 years of age, which may suggest that Absa business bank has a more mature and experienced workforce; however, it might also pose some challenges to Absa to start thinking hard about business continuity in terms of succession planning. These results might also suggest stability in Absa business bank, as it has been proven before that people above 40 years find it hard to change jobs and find themselves in a new environment.

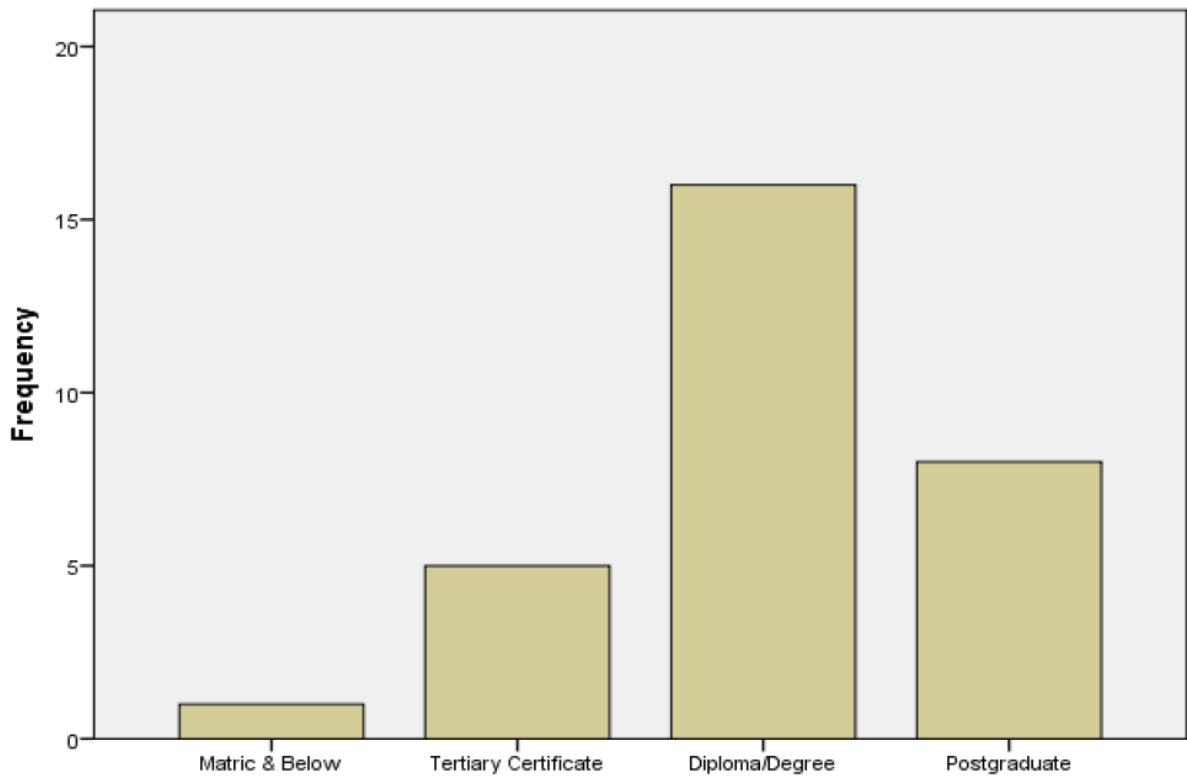


Figure 4.3: Respondents' highest level of education

Figure 4.3 shows that majority of Absa business bank employees are fairly highly educated, as the majority have post-matric qualifications, and this should benefit the clients in terms of skills and knowledge level that these employees possess.

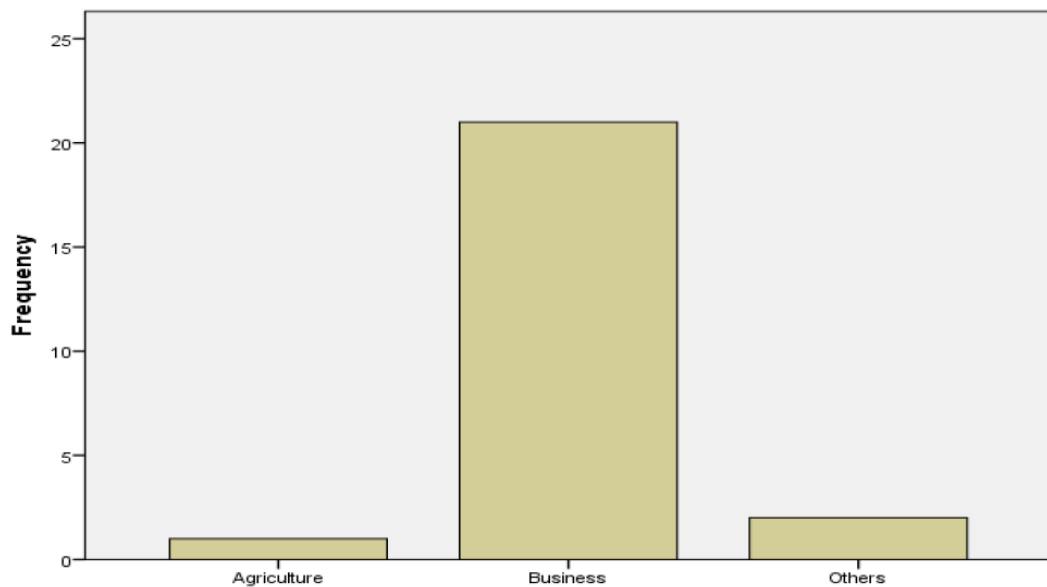


Figure 4.4: Respondents' type of education

Figure 4.4 shows that the majority of the respondents have business-related qualifications. This is to a large extent expected, given that it is a financial industry.

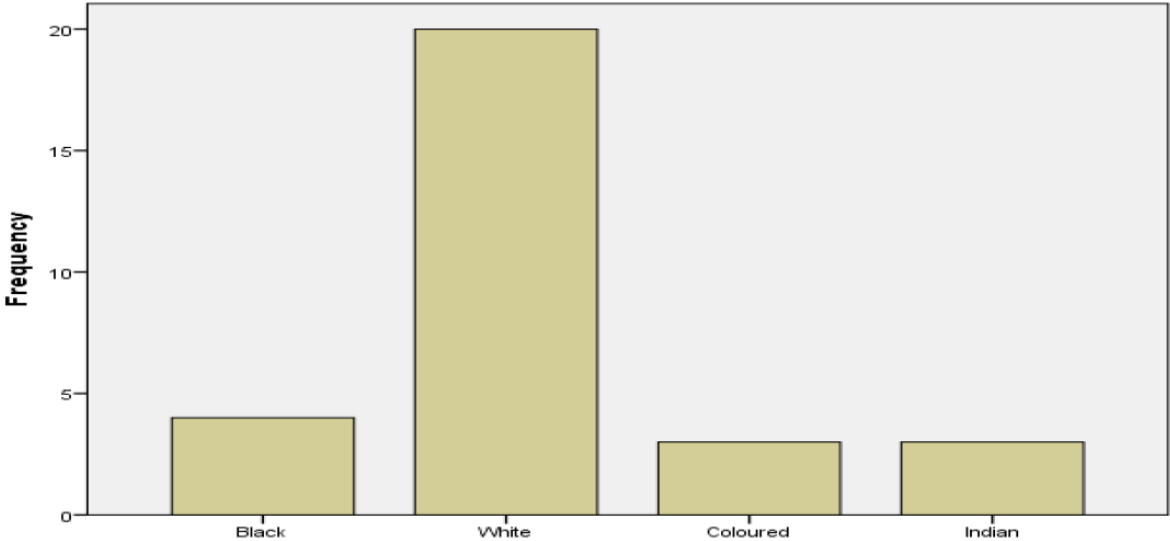


Figure 4.5: Respondents' race

As shown in Figure 4.5, the overwhelming majority of Absa business bank employees are whites. This means that the Absa client base does not reflect the real racial demographics of South Africa. This result is an indication that Absa still faces the challenge of attracting clients from the majority racial group of Blacks. Absa will need to address this imbalance for it to shed its tag of being the preserve of whites.

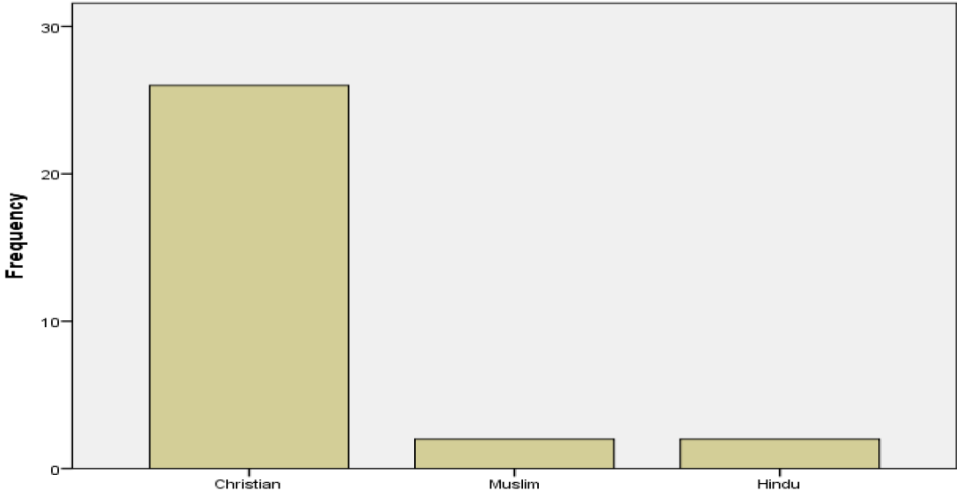


Figure 4.6: Respondents' religious denomination

As can be seen from Figure 4.6, the overwhelming majority of Absa business bank employees are Christians.

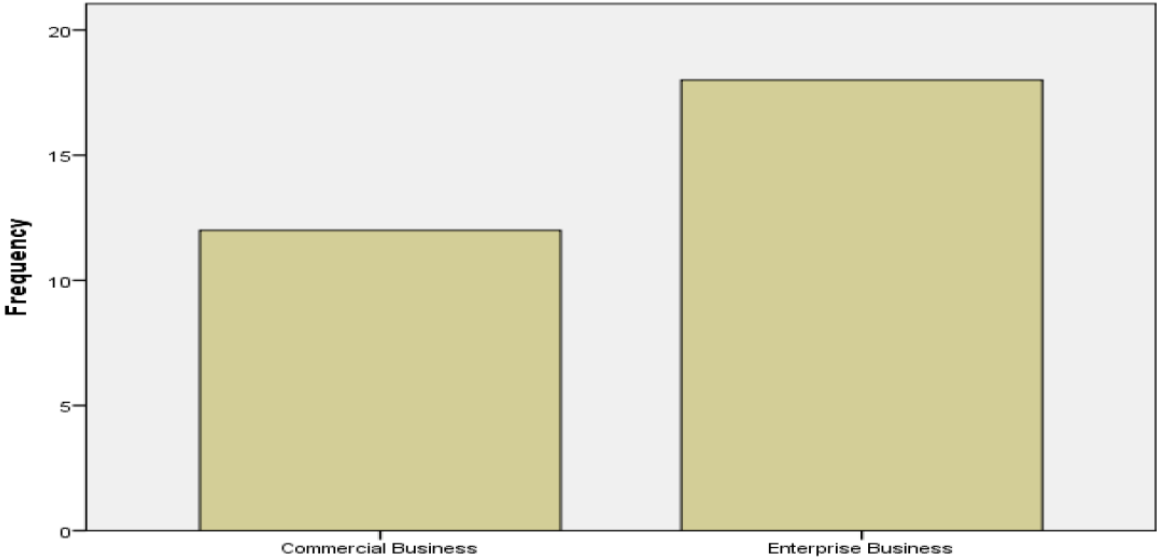


Figure 4.7: Respondents' work segment in Absa

Absa business bank has two segments, Commercial and Enterprise Businesses. Figure 4.7 above shows that the majority of the respondents come from the Enterprise Business segment.

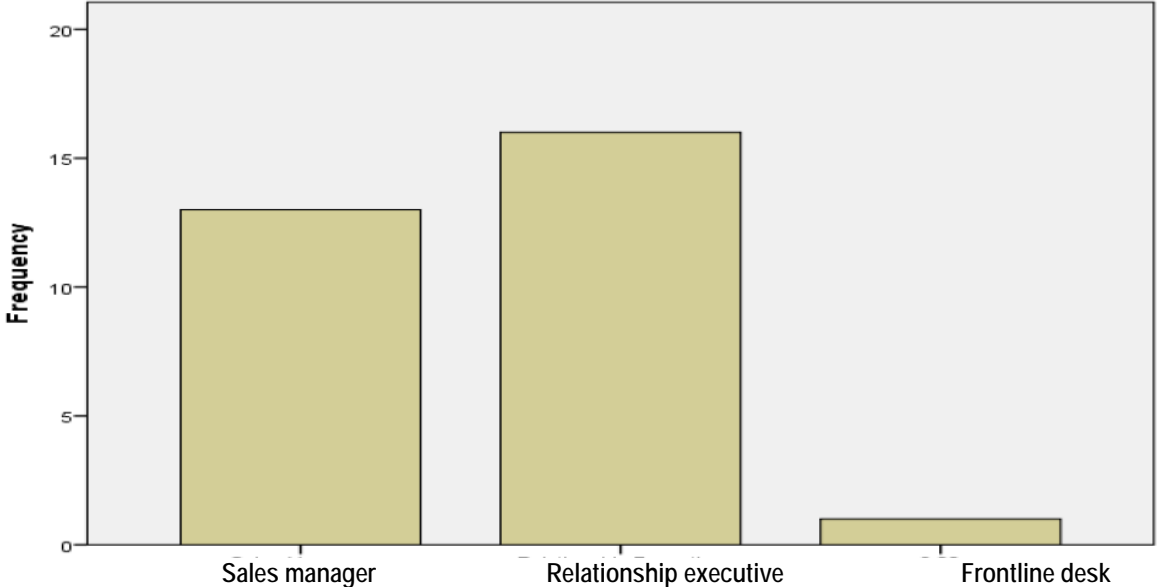


Figure 4.8: Respondents' position in Absa

Figure 4.8 shows that in Absa business bank, most of the respondents were Relationship executives, followed closely by Sales managers, with relatively few being

frontline desk employees. This result is expected, as the Relationship executives were specifically targeted because they are the ones that deal with clients the most and are tasked with maintaining relationships with clients and therefore were considered most important to provide relevant information.

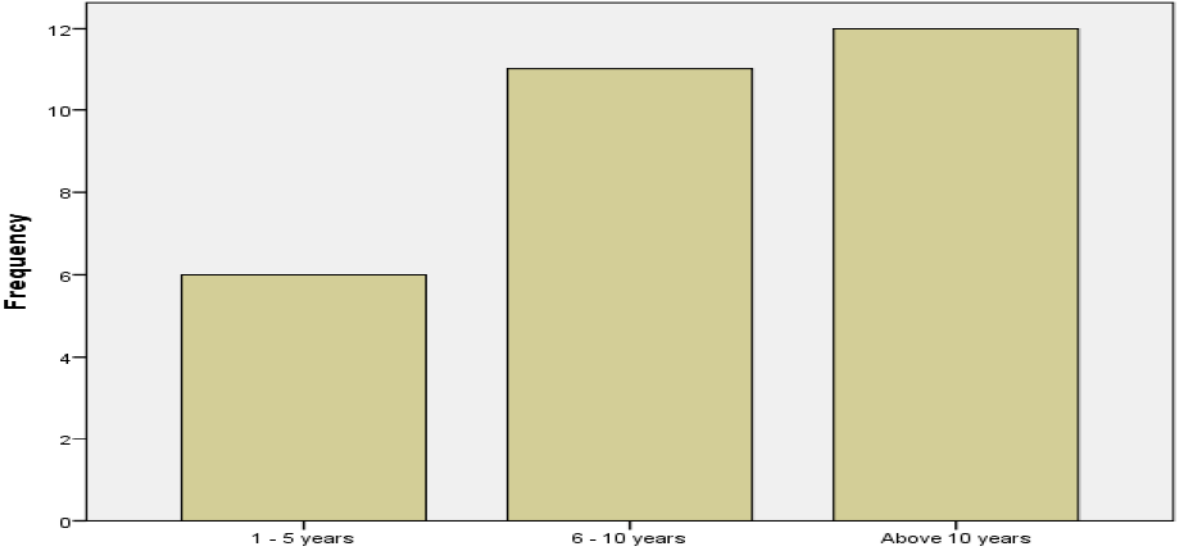


Figure 4.9: Respondents' years of experience in current position in Absa

As shown in Figure 4.9, a large proportion of Absa business bank employees have more than 6 years of experience in their current roles, which shows a high level of stability and also high level of skills and knowledge (due to experience in the same position) that can only benefit Absa's drive for effective CRM.

4.3 OVERALL RELIABILITY OF STAFF QUESTIONNAIRE

In this section, a consolidated table of reliability analysis of staff-related questions is provided and discussed.

Table 4.2: Reliability statistic of staff questionnaire

Case Processing Summary			Reliability Analysis	
Cases	N	%	Cronbach's Alpha	N of Items
Valid	27	90.0	0.776	38
Excluded	3	10.0		
Total	30	100.0		

Table 4.2 shows the results of the reliability of staff/employee as indicated by the Cronbach's Alpha statistic. The higher than average Cronbach's Alpha of 0.776 out of

a maximum (1) for all Likert scale items shows that the questionnaire can be regarded as reliable according to convention.

4.4 CUSTOMER RELATIONSHIP ORIENTATION OF STAFF

In this section, Absa bank staff responses to questions are presented and discussed. Absa staff are divided into two groups, namely management and employees. Staff responses presented and discussed relate to the four key constructs under customer relationship orientation: (i) building trust with customers; (ii) commitment to service; (iii) communicating with customers in a timely, reliable and proactive fashion; and (iv) handling conflict efficiently.

4.4.1 BUILDING TRUST WITH CUSTOMERS

4.4.1.1 Employee perception of Absa bank’s trust building with customers

As the results in Table 4.3 show, there are generally positive sentiments by Absa employees about trust building with customers (percentages agreeing/strongly agreeing to aspects of building trust >70% and means > neutral score of 3.00). An index for building trust construct has a very high reliability level (Cronbach’s Alpha=0.837) after removing question 15 (Feels justifiable to lie a little bit to customers sometimes), which is moving in the opposite direction of the other questions.

Table 4.3: Employee perspective on building trust with customers

Building trust with customers	Frequencies					% Agreeing	Descriptives		Latent Factor		Reliability (Cronbach’s Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree		Mean	Std. Dev	Coefficient	% of Total variation	
Go out of way to provide reliable and accurate information to customers	0	0	3	10	17	90.0%	4.47	0.68	0.812	60.6%	0.837
Always seek approval before disclosing client information to third party	0	0	4	7	19	86.7%	4.50	0.73	0.873		
Always act in the best interest of clients	0	0	8	18	4	73.3%	3.87	0.63	0.705		
Always deliver promises made to customers	0	0	6	17	7	80.0%	4.03	0.67	0.825		
Average	26.7%	26.7%	3.3%	43.3%	0.0%	82.5%	4.22				

Results of Table 4.3 show that the overwhelming majority of employees (82.5%) agree/strongly agree that Absa business bank CRM practices are aimed at building trust with their customers, especially where it's important to provide reliable and accurate information and also act in the best interest of the client, which is consistent with literature in Chapter 2, where according to Siau and Shen (2003), gaining customer trust involves consideration of its three components: *competence trust*, which emerges from an economic foundation; *predictability trust*, which emerges from a familiarity foundation; and *goodwill trust*, which emerges from empathy.

Table 4.4: Correlations of building trust variables

Trust building constructs		Go out of way to provide reliable and accurate information to customers	Always seek approval before disclosing client information to third party	Always act in the best interest of clients	Always deliver promises made to customers
Go out of way to provide reliable and accurate information to customers	Correlation				
	p-value				
Always seek approval before disclosing client information to third party	Correlation	0.831**			
	p-value	0.000			
Always act in the best interest of clients	Correlation	0.392*	0.450*		
	p-value	0.032	0.013		
Always deliver promises made to customers	Correlation	0.570**	0.670**	0.421*	
	p-value	0.001	0.000	0.021	
Average			82.5%	4.22	

Table 4.4 shows that there is high correlation (82.5%) for going out of the way to provide reliable and accurate information, not just disclosing customer information, acting in the best interest of the customer and fulfilling promises made. All these factors play a huge role in building trust with customers, which highlights that it becomes more important for Absa to work very hard in getting customers' trust in order to improve the probability of the customer becoming loyal to the bank. This is in line with literature where trust is thought to be one key component of a lasting exchange relationship. Trust is what drives customer loyalty. When customers trust a company to act in their interest, they become more loyal, and they want to do more business with that company (Peppers & Rogers, 2006).

4.4.1.2 Management's perception of Absa building trust with customers

As the results in Table 4.5 show, there are generally positive sentiments by Absa management towards building trust with customers.

An index (factor) for the measurement of building trust (building trust construct) has above average reliability level (Cronbach's Alpha=0.633).

Table 4.5: Management perspective on building trust with customers

The Banks perspective of building trust with customers	Frequencies					% Agreeing	Descriptive		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree		Mean	Std. Dev.	Coefficient	% of Total variation	
ABSA business bank promotes strong sense of shared purpose and values with clients	0	1	2	25	2	90.0%	3.93	0.52	0.784	48.4%	0.633
ABSA business bank is known for making and keeping commitments to clients	0	1	7	21	1	73.3%	3.73	0.58	0.797		
ABSA business bank listens and value feedback from clients	0	0	7	21	2	76.7%	3.83	0.53	0.749		
ABSA business bank has reputation of being trusted and acting in clients best interest	0	7	7	16	0	53.3%	3.30	0.84	0.097		
ABSA Business bank promotes a culture of trust and relationship with clients and employees	0	0	3	25	1	89.7%	3.93	0.37	0.740		
Average						76.6%	3.74				

Table 4.5 shows an overwhelming majority (76.6%) of respondents agreed or strongly agreed that Absa's CRM practices help to build trust between clients and Absa. These results are consistent with literature that highlighted that success of organisations lies in their ability to identify and address the needs of their customers as they strive to build trust with them.

4.4.2 STAFF COMMITMENT TO SERVICE

4.4.2.1 Employee perspective on commitment to service

Table 4.6 shows there is generally high commitment by Absa employees to service clients (percentages agreeing/strongly agreeing to aspects of commitment to service >70% and means > neutral score of 3.00). An index (factor) for the measurement of commitment to service has above average reliability level (Cronbach's Alpha=0.577).

Table 4.6: Employee perspective on Commitment to Service

Employee perspective on Commitment to Service	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev	Coefficient	% of Total variation	
I assist clients because I want to not because I have to	0	0	0	13	17	100.0%	4.57	0.50	0.787	45.1%	0.577
I feel good even when I satisfy rude clients	0	0	1	14	15	96.7%	4.47	0.57	0.919		
Always endeavour to exceed customer expectations as long as it doesn't breach bank regulations	0	0	1	11	18	96.7%	4.57	0.57	0.852		
Always readily available for appointments with customers	0	1	5	18	6	80.0%	3.97	0.72	0.497		
I have realised time spent listening to customer grievances could be used better for other things	2	4	2	11	11	73.3%	3.83	1.26	0.190		
Help other customers in with queries when not busy with own task	0	1	1	24	4	93.3%	4.03	0.56	0.481		
Average						90.0%	4.24				

As Table 4.6 shows, an overwhelming majority (90%) of respondents agreed/strongly agreed that Absa business bank CRM practices are committed to service, which is important for Absa if they must retain and build loyalty among their customers. This needs to be shared by everybody within the organisation, which is consistent with the literature in chapter 2 that commitment is about being loyal, reliable and showing stability in a relationship, and that means ensuring continuous commitment to service. Banks need to establish a culture of service excellence that requires management commitment, accountability, pride in the work done by the employees and integration of service excellence into organisational planning (Fontini, 2007).

4.4.2.2 Management's perspective on commitment to service

As the results in Table 4.7 show, there are general negative sentiments by Absa management towards commitment to service provided to customers (percentages agreeing/strongly agreeing to aspects of commitment to service <70% and means >

neutral score of 3.00). What stood out is the perception of management that Absa is not paying attention to employee morale, attitude and perceived obstacles to provision of quality service (46.7% agreeing/strongly agreeing). An index (factor) for the measurement of commitment to service has high reliability level (Cronbach's Alpha=0.770).

Table 4.7: The Bank's perspective on commitment to service

The Bank's perspective on Commitment to Service	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev.	Coefficient	% of Total variation	
ABSA business bank provides training to staff on CRM	0 0.0%	1 3.3%	8 26.7%	18 60.0%	3 10.0%	70.0%	3.77	0.68	0.788	66.7%	0.770
ABSA business bank continuously monitors clients experiences through complaints/compliments log book	0 0.0%	1 3.3%	6 20.0%	21 70.0%	2 6.7%	76.7%	3.80	0.61	0.893		
ABSA business bank consistently measure clients expectations concerning customer service	0 0.0%	0 0.0%	6 20.0%	22 73.3%	2 6.7%	80.0%	3.87	0.51	0.934		
ABSA business bank pays attention to employee's morale, attitude and perceived obstacles to provision of quality service	0 0.0%	8 26.7%	8 26.7%	11 36.7%	3 10.0%	46.7%	3.30	0.99	0.614		
Average						68.4%	3.69				

Table 4.7 shows that 68.4% of Absa business bank management agree/strongly agree that Absa CRM practices are committed to service. This is quite interesting compared to the results of Table 4.6, where 90% of employees agree/strong agree that Absa CRM practices are committed to service. Commitment to service should be the responsibility of everybody in the organisation, and all efforts need to be made in ensuring that commitment to service becomes a major priority for everybody in the business, which is in line with literature in chapter 2, where commitment to service excellence would also imply that bank management should take accountability when service delivery is not matching customers' expectations and ensure that there are

measures in place to improve and that customer strategy forms part of the bigger organisational strategic intent (Fontini, 2007).

4.4.3 COMMUNICATION - STAFF PERSPECTIVES

4.4.3.1 Employee perspective on communication

Table 4.8 shows that there is generally consistent sentiment by Absa employees regarding communication to customers (percentages agreeing/strongly agreeing to aspects of communication =70% and means > neutral score of 3.00). An index (factor) for the measurement of communication to customers has high reliability level (Cronbach's Alpha=0.724).

Table 4.8: Employee perspective on communication

Employee perspective on Communication	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev	Coefficient	% of Total variation	
Always endeavour to communicate in client's language of choice	0	9	6	12	3	50.0%	3.30	1.02	0.811	53.2%	0.724
Only communicate openly and honestly without distorting any information from clients help	0	7	1	17	5	73.3%	3.67	1.03	0.921		
Promptly inform waiting customers when banking services are not available	1	3	9	15	2	56.7%	3.47	0.90	0.666		
It is worthwhile to encourage clients to communicate their ideas and opinions to improve service	0	0	6	19	5	80.0%	3.97	0.61	0.821		
Always remembers to share new information with clients even if the information is not important	0	1	2	27	0	90.0%	3.87	0.43	-0.187		
Average						70.0%	3.66				

Table 4.8 shows that the majority (70%) of respondents agreed/strongly agreed that Absa business bank practices are effective in communicating with its customers. These results are important for Absa, as effective communication is an important component of customer service, which is consistent with Jain, Sethi and Mukherji's (2009)

assertion that effective communication is an important component of customer service in an organisation itself and in dealing with customers, communication is essential.

4.4.3.2 Management’s perspective on communication

As the results in Table 4.9 show, there is generally negative perception by Absa management towards level of communication with customers (percentages agreeing/strongly agreeing to aspects of commitment to service <70% and means > neutral score of 3.00). Although all the questions asked on this aspect scored low, the question that really stood out is the perception of management that ABSA never takes action without first communicating with customers (36.7% agreeing/strongly agreeing), but it also must be mentioned that the majority (46.7%) were undecided on this question . An index (factor) for the measurement of communication to customers service has above average reliability level (Cronbach’s Alpha=0.543).

Table 4.9: The bank’s perspective on communication

The Bank's perspective on Communication	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev	Coefficient	% of Total variation	
ABSA business bank regularly communicate with clients	0 0.0%	2 6.7%	10 33.3%	17 56.7%	1 3.3%	60.0%	3.57	0.68	0.902	51.7%	0.543
ABSA business bank communicates with clients in only their chosen language	0 0.0%	7 23.3%	6 20.0%	17 56.7%	0 0.0%	56.7%	3.33	0.84	-0.001		
ABSA business bank encourages clients to communicate their ideas and opinions to the bank	0 0.0%	0 0.0%	12 40.0%	16 53.3%	2 6.7%	60.0%	3.67	0.61	0.922		
ABSA business bank never takes action without first communicating with clients	1 3.3%	4 13.3%	14 46.7%	9 30.0%	2 6.7%	36.7%	3.23	0.90	0.635		
Average						53.4%	3.45				

Table 4.9 shows that below an accepted level (53.40%) of respondents agreed/strongly agreed that Absa business bank practices are effective in communicating with its customers. This should be a concern for Absa, as this is the perception coming from its management, who are the ones who need to drive this effective communication on

behalf of Absa. Management at Absa needs to establish a culture of service excellence that requires their commitment in realising the value of communication in building customer loyalty. This is consistent with literature as indicated in chapter 2 by Heinonen Strandvi (2005) that the value of communication is an integral part of the perceived service value by consumers in any interaction with the company, both personal and media based.

4.4.4 STAFF PERSPECTIVE ON CONFLICT HANDLING

4.4.4.1: Employee perspective on conflict handling

As the results in Table 4.10 show, there are generally positive sentiments by Absa employees on conflict handling with customers (percentages agreeing/strongly agreeing to aspects of conflict handling trust > 70% and means > neutral score of 3.00). An index (factor) for the measurement of conflict handling has below average reliability level (Cronbach's Alpha = 0.409), and this reliability level would improve if question 43 (It is sometimes better to ignore customers complaints) were removed, as it moves in the opposite direction of the other questions.

Table 4.10: Employee perspective on conflict handling

Employee perspective on Conflict Handling	Frequencies						Descriptives		Latent Factor		Cronbach's Alpha
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev.	Coefficient	% of Total variation	
It is better to try everything to win over a troublesome customer than to get rid of them	1 3.7%	1 3.7%	2 7.4%	22 81.5%	1 3.7%	85.2%	3.78	0.75	0.928	44.7%	0.409
Always listen to customer grievances no matter how trivial	0 0.0%	0 0.0%	2 6.7%	26 86.7%	2 6.7%	93.3%	4.00	0.37	0.677		
Always bring customer grievance to the attention of the relevant person no matter how trivial	0 0.0%	2 6.7%	3 10.0%	23 76.7%	2 6.7%	83.3%	3.83	0.65	0.968		
It is sometimes better to ignore customers complaints	12 40.0%	7 23.3%	2 6.7%	9 30.0%	0 0.0%	30.0%	2.27	1.28	0.108		
It is my responsibility to provide clarity to every customer whenever there is a disagreement	0 0.0%	0 0.0%	0 0.0%	26 86.7%	4 13.3%	100.0%	4.13	0.35	-0.256		
Average						78.4%	3.60				

Table 4.10 shows that the overwhelming majority (78.4%) of Absa business bank employees agree/strongly agree that Absa business bank CRM practices are effective in handling conflict with its customers. These are very important results for Absa, as it was indicated on Chapter 2 that handling customer conflicts or complaints has become an integral part of CRM, and it should provide channels to its customers in order to effectively deal with those complaints and be able to track those complaints quickly and resolve them to achieve customer loyalty (Velazquez, Moliner, Blasco, Saura, and Contri, 2010). These results from an employee perspective show Absa as having an efficient conflict/complaint handling system, which will help in enhancing customer satisfaction and ultimately customer loyalty.

4.4.4.2: Management perspective on conflict handling

As shown in Table 4.11, there are generally positive sentiments by Absa management on conflict handling with customers (percentages agreeing/strongly agreeing to aspects of conflict handling trust >70% and of note is where Absa ensures that conflicts are resolved quickly (83.3% respondents agreeing/strongly agreeing) and means > neutral score of 3.00. An index (factor) for the measurement of conflict handling has a high reliability level (Cronbach's Alpha=0.762).

Table 4.11: The Bank's perspective on Conflict Handling

The Bank's perspective on Conflict Handling	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev	Coefficient	% of Total variation	
ABSA business bank has empowered employees to take ownership and resolve client enquires/conflicts	0 0.0%	3 10.0%	4 13.3%	22 73.3%	1 3.3%	76.7%	3.70	0.70	0.705	62.8%	0.762
ABSA business bank ensures that conflicts are resolved quickly	0 0.0%	0 0.0%	5 16.7%	24 80.0%	1 3.3%	83.3%	3.87	0.43	0.864		
ABSA business has mechanism which communicate with clients proactively and continually regarding conflicts	0 0.0%	4 13.3%	8 26.7%	17 56.7%	1 3.3%	60.0%	3.50	0.78	0.759		
ABSA business bank is always since and fair in resolving clients' conflicts	0 0.0%	0 0.0%	8 26.7%	21 70.0%	1 3.3%	73.3%	3.77	0.50	0.831		
Average						73.3%	3.71				

Table 4.11 shows Management's perspective of CRM practices of Absa in terms of handling of conflicts/complaints. These results show a majority (73.3%) agreeing/strongly agreeing that Absa is effective in handling conflicts/complaints as it strives to build long term relationships with its customers as highlighted in literature that effective complaint handling lies at the heart of successful efforts by any organisation to develop long-term customer relationships. Meng (2010) asserts that studying consumer complaint behaviour is essential for the Absa bank to have sustainable prosperity.

4.5 CUSTOMER-RELATED DATA

Before discussing the issues of trust and commitment of customers to the ABSA brand, a demographic summary of the customers is presented in Table 4.12 below.

4.5.1 CUSTOMERS' DEMOGRAPHIC DATA

Table 4.12 Demographic profile of customers

Biographical Variable	Category	Frequency	Percentage
Sector in which company operates	Agriculture	43	22.5%
	Construction	25	13.1%
	Manufacturing	37	19.4%
	Retail	47	24.6%
	Transport	38	19.9%
	Others	1	0.5%
Number of employees	Less than 25	51	26.7%
	25-50	41	21.5%
	51-100	64	33.5%
	More than 100	35	18.3%
Number of years of operation	Less than 1yr	5	2.6%
	1yr-5yrs	22	11.5%
	5yrs-10yrs	56	29.3%
	10yrs-15yrs	79	41.4%
	Over 15yrs	29	15.2%
Company annual turnover	Less than R5m	22	11.5%
	R5m-R20m	36	18.8%
	R20m-R100m	46	24.1%
	R100m-R500m	68	35.6%
	Over R500m	19	9.9%
Number of years doing business with ABSA business bank	Less than 1yr	7	3.7%
	1yr-5yrs	96	50.5%
	5yrs-10yrs	55	28.9%
	Over 10yrs	32	16.8%

Table 4.12 shows that Sectors in which companies that bank with Absa business bank operate are fairly equally distributed among Retail, Agriculture, Transport, Manufacturing, and Construction, respectively. More than half 51.8% (33.5% + 18.3%) of these companies employ more than 50 employees. The results also show that there is some level of experience in these companies within their respective sectors, as the

majority (85%--29.3%+41.4%+15.2%) have more than 5 years of experience. From a turnover perspective, the majority are in the turnover bracket of over R20m. More than half (50.5%) of these customers have been banking with Absa between 1 and 5 years, 28.9% have been with Absa for 5 to 10 years and 16.8% have been with Absa more than 10 years.

Figure 4.9: Sector in which business operates

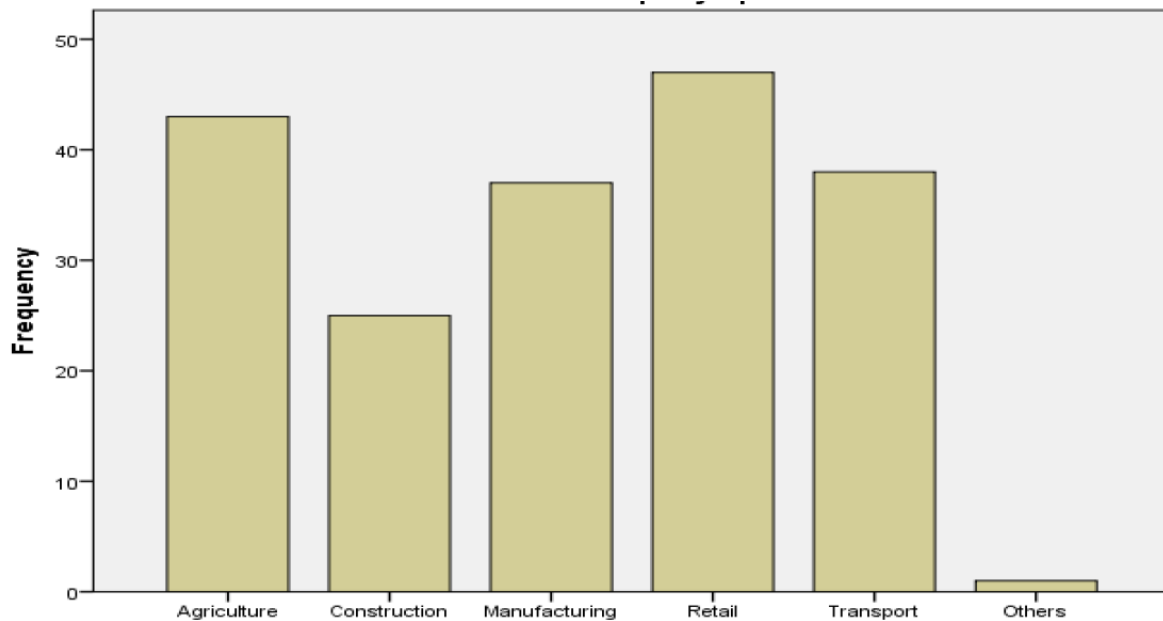


Figure 4.9 shows that the sectors in which these businesses operate are fairly equally distributed, though a slight majority are within Retail and Agriculture.

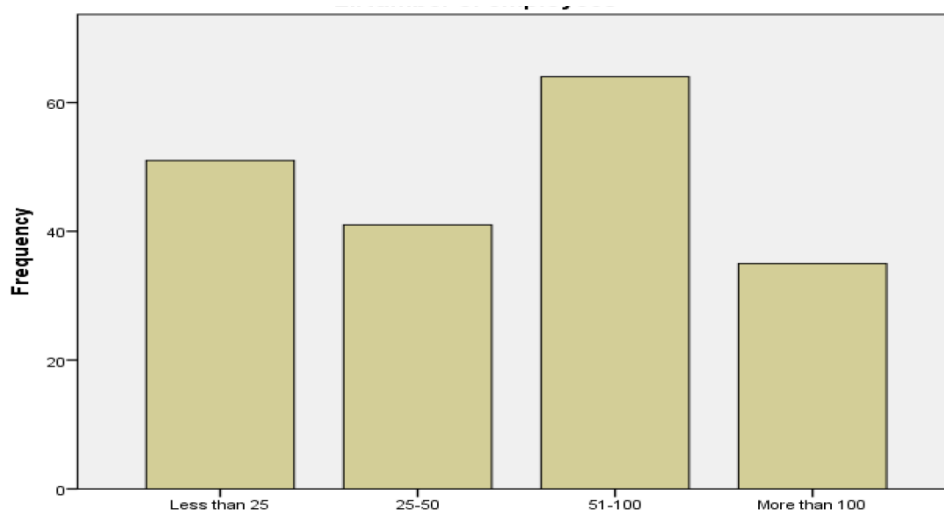


Figure 4.10: Number of employees

Figure 4.10 shows that the majority of businesses employ between 51 and 100 employees. This could be because most are Medium businesses and also a large portion of these businesses employ less than 25 employees, which can be reflection of small enterprises.

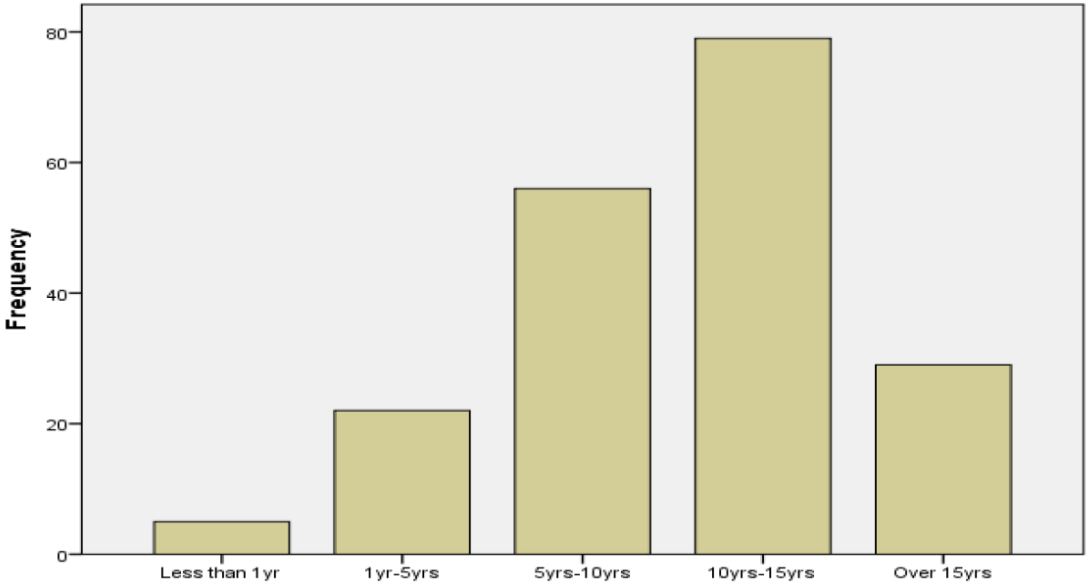


Figure 4.11: Number of years business has been operating

Figure 4.11 shows that these businesses have mainly been operating between 10 and 15 years, although a sizeable number of these businesses have also been operating between 5 and 10 years. This can be a reflection of high levels of experience in their respective sectors.

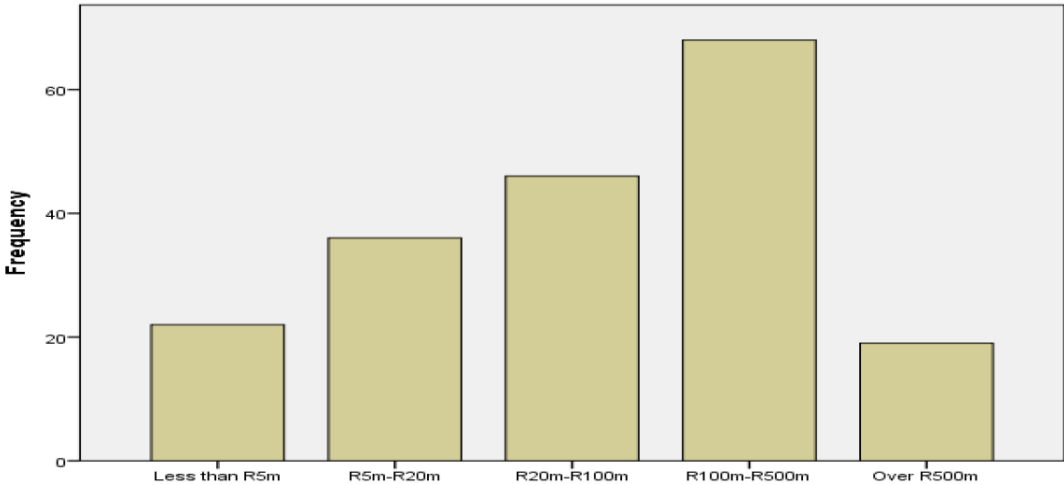


Figure 4.12: Annual turnover

Figure 4.12 shows that the majority of the businesses are producing between R100 and R500 million turnover, which could also suggest that they are mainly medium to large business in terms of size. Other sizeable numbers of businesses are producing turnover from R20 to R100 million, which would also suggest they are mainly small to medium size businesses.

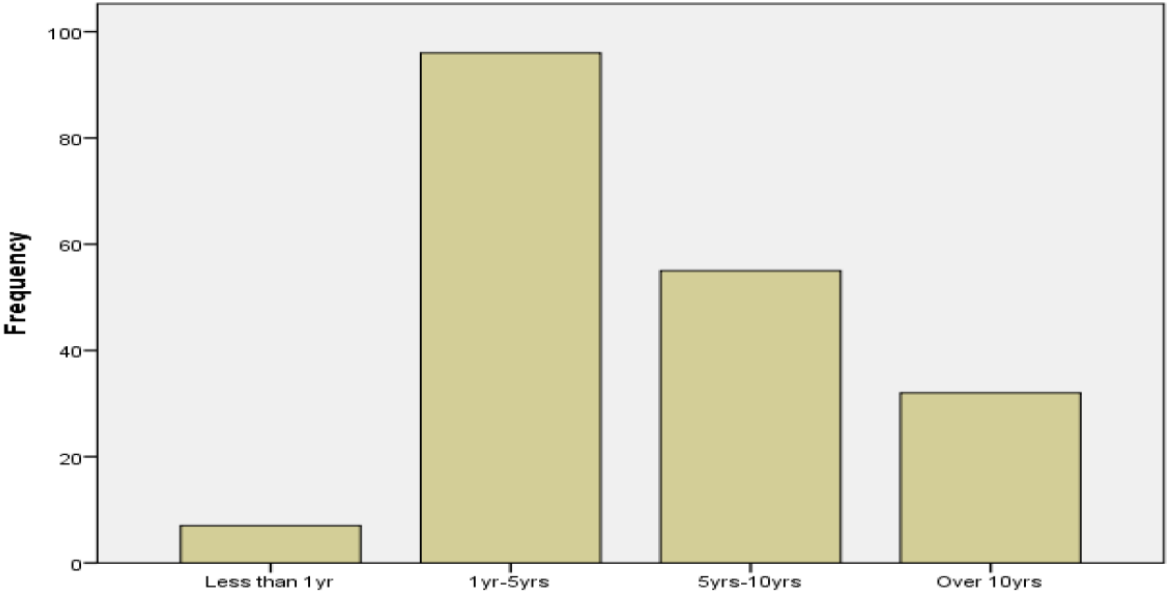


Figure 4.13: Number of years of doing business with Absa

Figure 4.13 shows that the majority of businesses have been doing business with Absa between 1 and 5 years but there is also a sizeable number of businesses that have been with Absa between 5 and 10 years and also over 10 years.

4.5.2 RELIABILITY OF CUSTOMER QUESTIONNAIRE

In this section, a consolidated table of the reliability analysis of customers' related questions is provided and discussed.

Table 4.13: Reliability of the customer questionnaire

Case Processing Summary			Reliability Statistics	
	N	%	Cronbach's Alpha	Number of Items
Valid	152	79.2	0.891	23
Excluded	40	20.8		
Total	192	100.0		

Table 4.13 shows the results of the questionnaires dealing with customers are highly reliable, as indicated by the Cronbach's Alpha statistic of 0.891 for all Likert scale items.

4.5.3 CUSTOMER PERSPECTIVE OF ABSA'S RELATIONSHIP MANAGEMENT

In this section, Absa business bank customers' responses to questions are presented and discussed. Customers' responses presented and discussed relate to the four key constructs under customer relationship management orientation: trust, loyalty/commitment, brand image and word-of-mouth behaviour.

4.5.3.1 Customer trust in Absa

As the results in Table 4.14 show, there is generally positive sentiment by Absa customers in having trust in Absa (percentages agreeing/strongly agreeing to aspects of having trust >70% and means > neutral score of 3.00). An index (factor) for the measurement of having trust (trust construct) has a very high reliability level (Cronbach's Alpha=0.801).

Table 4.14: Customer trust in Absa

B1 Customer trust in ABSA	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev	Coefficient	% of Total variation	
Easy to trust ABSA business bank	0	2	5	111	74	96.4%	4.34	0.58	0.594	56.0%	0.801
Feel ABSA business bank is reliable and trustworthy	1	3	14	90	84	90.6%	4.32	0.72	0.793		
ABSA business bank committed to protecting privacy and confidentiality	0	0	19	80	93	90.1%	4.39	0.66	0.805		
ABSA business bank will act in best interest	0	2	28	81	80	84.3%	4.25	0.74	0.722		
ABSA business bank is truly sincere in its promises	0	2	23	86	81	87.0%	4.28	0.71	0.805		
Average						89.7%	4.32				

Table 4.14 shows that an overwhelming number (89.7%) of customers agree/ strongly agree that Absa CRM practices are aimed at building trust with the customers. These results are very important to Absa, as it is important for banks to work very hard in getting customer's' trust in order to improve the probability of the customer becoming

loyal to the bank, which is consistent with literature in Chapter 2, where Peppers and Rodgers (2006) indicated that when customers trust a company to act in their interests, they become more loyal, and they want to do more business with that company. These results make it important for Absa bank to continue working very hard in maintaining and improving on these customers' trust in order to improve the probability of the customer becoming loyal to the bank.

4.5.3.2 Customer loyalty/commitment to Absa

Table 4.15 shows there are generally positive sentiments concerning Absa customers being loyal and/or committed in relationship with Absa (percentages agreeing/strongly agreeing to aspects of being loyal/committed to relationship >70% and means > neutral score of 3.00). An index (factor) for the measurement of being loyal/committed (loyalty/commitment construct) has a very high reliability level (Cronbach's Alpha=0.722).

Table 4.15: Customer loyalty/commitment to ABSA

B2 Customer Loyalty/commitment to ABSA	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev	Coefficient	% of Total variation	
Aimed for long term relationship with ABSA business bank	0	0	15	102	75	92.2%	4.31	0.61	0.582	45.1%	0.722
Deal with ABSA business because I want to and not because I have to	0	1	16	70	105	91.1%	4.45	0.67	0.627		
Increased loyalty based on satisfaction with relationship	0	0	6	76	110	96.9%	4.54	0.56	0.766		
Continues business with ABSA business bank if business meets expectations	0	4	11	83	94	92.2%	4.39	0.69	0.762		
Will choose ABSA bank for any other type of bank services	0	1	37	118	36	80.2%	3.98	0.63	0.593		
Only pay attention to ABSA bank	1	42	11	33	91	69.7%	3.96	1.25	0.672		
Average						87.1%	4.27				

Table 4.15 shows that a significant majority (87.1%) of respondents agree/strongly agree that they are committed and loyal to Absa. These results show that Absa CRM practices are effective and efficient, which will ensure that it retains its customer base. This is in line with literature on chapter 2, where Bruhn and Georgi (2006) indicated that a firm with an effective customer retention strategy convinces its clients to stay with the firm.

4.5.3.3 Customer perception of Absa brand image

Based on Figure 4.16, there is generally positive sentiment by Absa customers in their perception of the Absa brand image (percentages agreeing/strongly agreeing to aspects of confidence in the brand image >70% and means > neutral score of 3.00). An index (factor) for the measurement of confidence in the brand image (brand image construct) has a very high reliability level (Cronbach's Alpha=0.830).

Table 4.16: Customer perception of Absa brand image

B3 Customer perception of Absa brand image	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std. Dev	Coefficient	% of Total variation	
Still with ABSA business bank because of growing popularity and good reputation as compare to other banks	0	6	27	106	53	82.8%	4.07	0.73	0.789	59.8%	0.830
Loyalty to ABSA based on reputation and image of ABSA business bank	0	4	27	105	46	83.0%	4.06	0.70	0.678		
Still with ABSA business bank because of positive corporate image in the market	0	15	24	84	66	79.4%	4.06	0.89	0.808		
Will stay with ABSA business bank as long as corporate image is enhanced	0	2	33	68	81	81.0%	4.24	0.78	0.812		
Will leave ABSA business bank regardless	4	6	38	111	19	73.0%	3.76	0.78	0.770		
Average						79.8%	4.04				

Table 4.16 results shows that the overwhelming majority (79.8%) of customers perceiving the Absa brand image very positively. These are very good results for Absa

because it makes it easier to deliver its key strategic messages. It becomes very difficult for any company to deliver the message when there is negative perception about its brand image. This is supported by literature in chapter 2, where Bravo et al. (2009) indicated that corporate image is a result of a communication process in which organizations create and spread a specific message that constitutes their strategic intent, mission, vision, goals and identity that reflect their core values.

4.5.3.4 Customer word-of-mouth behaviour towards Absa

As the results in Table 4.17 show, there are generally negative sentiments by Absa customers in their word-of-mouth behaviour towards Absa (percentages agreeing/strongly agreeing to positive word-of-mouth <70% and means > neutral score of 3.00). An index (factor) for the measurement of word-of-mouth behaviour (word-of-mouth behaviour construct) has a high reliability level (Cronbach's Alpha=0.675).

Table 4.17: Customer word-of-mouth behaviour towards ABSA

B4 Customer word-of-mouth behaviour towards ABSA	Frequencies						Descriptives		Latent Factor		Reliability (Cronbach's Alpha)
	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	% Agreeing	Mean	Std.Dev	Coefficient	% of Total variation	
Will persuade people to bank with ABSA business bank	0	34	53	69	36	54.7%	3.56	0.99	0.726	48.2%	0.675
Says positive things about ABSA business bank to others who seek business advice	0	7	33	132	20	79.2%	3.86	0.64	0.789		
Always promote ABSA business as the best in the market	0	13	71	69	38	56.0%	3.69	0.87	0.733		
Says positive things about ABSA business bank even if they fail to deliver quality service	129	24	20	18	1	9.9%	1.64	1.03	-0.110		
Will promote ABSA business bank with networks who bank with other banks	0	6	67	89	30	62.0%	3.74	0.75	0.646		
I will recommend this bank to others who seek my advice	0	6	18	108	56	87.2%	4.14	0.71	0.880		
Average						58.2%	3.44				

Table 4.17 shows that over half (58.2%) of customers have positive word-of-mouth about Absa. This is quite interesting, taking into account the results in Table 4.16, which largely favoured Absa in terms of corporate image. To a large extent one could assume that when customers have positive perceptions about a brand image they would also promote (word-of-mouth) that brand positively; however, these results show that it does not necessarily mean that will be the case. Bilieu (2008) contends that consumers spend hard-earned money on products and services; hence they will always remember an outstanding service, just as they never forgive and forget mediocrity. Therefore, if a bank is known for good performance, it will have a higher chance of attracting more customers and keeping existing ones. Current customers also spread positive word-of-mouth about the bank. It is important for Absa, based on these results, to address issues that will influence customers to start spreading positive word-of-mouth about Absa.

4.6 PROBABILITY OF CUSTOMERS SWITCHING TO COMPETITORS

The results in Table 4.18 indicate that 55% of all customers are loyal and would stay with the bank without the possibility of switching to a competitor. However there is a significant proportion of the bank's customers (44%) who are undecided and might switch to a competitor. In other words, Table 4.18 shows that 55% of customers will not switch to other bank; however, 44% have a 50/50 chance of switching to competitors. This proportion would be quite a big loss of business should the customers decide to switch. These should be concerning results to Absa and they will need to improve the confidence that the customers have in Absa business bank to ensure that they stay and remain loyal to Absa. As indicated in chapter 2, according to Zeithaml and Bitner (2003), the confidence that customers have in an organisation reduces their sense of anxiety. It comprises feelings of trust and confidence in the provider and boosts comfort in knowing what to expect from the provider.

Table 4.18: Customer propensity to switch to another bank

C	Frequencies		
	I will soon switch to a competitor	There is 50/50 chance of switching to a competitor bank	There is no chance of me switching to a competitor bank
Considering the way ABSA bank relates to me	2	84	105
	1.0%	44.0%	55.0%

4.7 PROBABILITY OF SWITCHING VS. TRUST, COMMITMENT, BRAND IMAGE AND WORD-OF-MOUTH BEHAVIOURS

In order to investigate the relationship between the chance of a customer staying with Absa and the CRM constructs, a regression model was fit to the data. Table 4.19 is a summary of the regression model fit to the data. The results indicate that the chance of a customer staying significantly depends on **B2 – loyalty/commitment** (Coeff=0.233, t=3.475. p-value=0.001) and **B4 – word-of-mouth behaviour** (Coeff=0.099, t=2.183. p-value=0.031) and **does not** significantly depend on **B1 – trust** (Coeff=-0.089, t=-1.596. p-value=0.113) and **B3 – brand image** (Coeff=0.011, t=0.189. p-value=0.850).

The regression results also show that the model accounts for only 21.4% of the total variation in the willingness to stay on with Absa bank (R-square=0.214). This means that, although some of the identified factors affect the propensity of customers to stay with the bank, there are some other factors that could account for the other 78.6% of the total variation.

The constructs (factors) B1- *trust*; B2 – *loyalty/commitment*; B3 – *brand image*; and B4 – *word of mouth behaviour* are derived from the questionnaire items of the customers' questionnaire using the factors coefficients derived from principal components as shown in Tables 4.14, 4.15, 4.16 and 4.17, respectively.

Table 4.19: Regression of chance of staying on B1, B2 B3 and B4

Model Fitting					
Dependent Variable = Chance of Staying with ABSA		Coefficients		T-tests	
		Coeff	Std. Error	t	p-value
Independent Variables	(Constant)	2.570	0.038	67.026	0.000
	B1. CUSTOMER TRUST	-0.089	0.056	-1.596	0.113
	B2. CUSTOMER LOYALTY/COMMITMENT	0.233	0.067	3.475	0.001
	B3. CUSTOMER PERCEPTION OF ABSA BRAND IMAGE	0.011	0.056	0.189	0.850
	B4. CUSTOMER WORD-OF-MOUTH BEHAVIOUR	0.099	0.045	2.183	0.031
ANOVA					
Sum of Squares		df	Mean Square	Sig.	
Regression	8.859	4	2.215	0.000 ^b	
Residual	32.608	147	0.222		
Total	41.467	151			
R-Square= 0.214					

The correlations in Table 4.20 can be used to assess the effects of the factors B1, B2 and B3 and B4 but only when they are considered one on one with the propensity to switch. The results show that each factor is significantly, positively correlated with the propensity to switch. However, it must be noted that the pairwise correlations do not take into account the intervening effects of other factors. The regression model makes this consideration and identifies B2 and B4 as the significant factors affecting the propensity to switch when all factors are considered together. Therefore, for decision making purposes, it is important to rely on the regression results. Nonetheless, it is wise to see what the pairwise comparison produces.

The correlations between the propensity to switch and B1, B2 B3 and B4 are of very low effect size ($r < 0.4$), although significant at the 5% level. The correlations between the factors themselves are of moderate to high effect size. The correlations between these elements (trust, loyalty/commitment, brand image and word-of-mouth behaviour) make it important for Absa to understand what makes clients stay with Absa but also what makes it difficult for Absa to retain its clients. This understanding will inform decisions on the implementation of customer retention strategies that recognise and reward customers for remaining loyal. This statement is consistent with literature: according to Buttle (2004), a firm implementing positive customer retention strategies rewards clients for remaining firm “supporters”; in other words, purchasers of the firm’s products and services.

Table 4.20: Correlations of chance of staying/ switching, B1, B2 B3 and B4

Pearson’s correlations		When I consider the way Absa bank relates to me	B1. TRUST	B2. LOYALTY/ COMMITMENT	B3. ABSA BRAND IMAGE	B4. WORD-OF-MOUTH BEHAVIOUR
B1. TRUST	Corr	0.220**	-			
	p-value	0.002				
B2. LOYALTY/ COMMITMENT	Corr	0.376**	0.733**	-		
	p-value	0.000	0.000			
B3. ABSA BRAND IMAGE	Corr	0.291**	0.586**	0.728**	-	
	p-value	0.000	0.000	0.000		
B4. WORD-OF-MOUTH BEHAVIOUR	Corr	0.264**	0.508**	0.427**	0.488**	-
	p-value	0.000	0.000	0.000	0.000	

Table 4.20 shows that trust, loyalty/commitment, Absa brand image and word-of-mouth behaviour are correlated to the reasons to switch to other banks, which becomes more important to Absa to ensure that these factors are always addressed in their strategic

intent to ensure that Absa keeps its customer base, which should always be channelled through efforts to exceed customer expectations. This is consistent with literature; Buttle (2004) confirms that to ensure customer retention, firms definitely need to meet and also to exceed consumer expectations with regard to the required products and/or services. All these efforts (building trust, creating loyalty/commitment/, building positive brand image and creating positive word-of-mouth) will ultimately create loyalty among clients towards Absa. Loyal customers are less likely to switch to a competitor (Bowen & Shoemaker, 2003).

4.8 GENERAL COMMENTS FROM EMPLOYEES

Tables 4.21 to 4.23 provide results of general comments from employees.

Table 4.21: Most important things Absa business bank must do to maintain customer trust

Item	Frequency	Percent
Customer Focus	14	50.0%
Transparent with customers	3	10.7%
Strong Customer Relationship	4	14.3%
Enough Staff	1	3.6%
Communicate with Customers	1	3.6%
Excellent services	2	7.1%
Deliver on promise	1	3.6%
Improvement in processing time	1	3.6%
Trust Employees with responsibility	1	3.6%
Total	28	100%

Table 4.21 shows that half (50%) of the employees commented on **Customer focus** as most important thing that Absa business bank must do to maintain customer trust. To earn customers’ trust Absa will need to have a deep understanding of their customers’ needs and focus on satisfying those needs. To get this right, Absa will need to develop a strong understanding of their customers and respond to their changed needs with innovative measures, such as product and service solutions or pricing and marketing campaigns. All these efforts need to be coordinated across Absa in order to ensure they achieve intended results of maintaining customer trust, which is consistent with literature: Kamal and Yunus (2009) as well as Singh (2011) explain that a proactive move by banks to offer products based on customer need awakens trust as customers acknowledge these efforts.

Table 4.22: Things Absa business bank need to do for clients to become loyal and committed

Item	Frequency	Percent
Loyalty Programmes	2	7.4%
Customer Focus	13	48.1%
Strong Customer Relationship	2	7.4%
Consistent with Customers	4	14.8%
Passionate Staff	1	3.7%
Transparent with Customers	4	14.8%
Faster Turnover time	1	3.7%
Total	27	100%

As results in Table 4.22 show, 48% of employees commented on **Customer focus** as things that Absa business bank needs to do to for clients to become loyal and committed. This is in line with literature as indicated by Peppers and Rogers (2006) that when customers trust a company to act in their interests, they become more loyal and they want to do more business with that company.

Table 4.23: Suggestions for Absa business bank to improve corporate image

Item	Frequency	Percent
Advertise more	16	57.1%
Customer Focus	3	10.7%
Corporate Social Responsibility	1	3.6%
Deliver on promise	1	3.6%
Support SMEs	1	3.6%
Improvement in Processing time	1	3.6%
No Comment	4	14.3%
Trust employees with responsibilities	1	3.6%
Total	28	100%

Last, Table 4.23 shows that 57.1% of employees suggest that Absa should **advertise more** to improve corporate image. This is consistent with literature that corporate image is a result of a communication process in which organizations create and spread a specific message that constitutes their strategic intent, mission, vision, goals and identity that reflects their core values (Bravo et al., 2009). The best way of doing this communication process is through advertising.

4.9 GENERAL COMMENTS FROM CUSTOMERS

Tables 4.24 to 4.29 provide results of general comments from customers.

Table 4.24: When I consider the way Absa bank relates to me

Item	Frequency	Percent
I will switch soon to a competitor	2	1.0%
There is a 50/50 chance of me switching to a competitor bank	84	44.0%
There is no chance of me switching to a competitor bank	105	55.0%
Total	191	100%

As results in Table 4.24 show, **55% of customers** commented that **there is no chance of switching** to a competitor bank when they consider the way Absa relates to them, whereas **44% commented that there is a 50/50 chance of switching** to a competitor. Although 55% looks positive for Absa, it needs to focus on the 44% that are not sure because they are vulnerable to lose to competitors. Absa needs to understand that due to intense competition in the financial industry, customers are spoilt for choice and can switch to competitors when that opportunity arises due to how Absa relates to these customers. In improving this relationship with the customer, intended to build and maintain loyalty, Absa's CRM practices need to be focused on the customer. This is consistent with literature; according to Yanovitch (2007) there are four factors that build loyalty. The first is for the organisation to always see things through the eyes of the customer. Yanovitch (2007) further argues that because bank customers are spoilt for choice, they need to be convinced that the bank truly cares.

Table 4.25: Main reason to move from Absa business bank to a competitor

Item	Frequency	Percent
Quality Service Else where	10	5.3%
Availability of a particular type of service	1	0.5%
Pricing and Rates	28	14.8%
Product and Services	10	5.3%
Customer Services and Staff Attitude	39	20.6%
Banks are the same	5	2.6%
Be able to trust bank	1	0.5%
Poor service	88	46.6%
No reasons	7	3.7%
Total	189	100%

Table 4.25 shows that 46.6% of customers mentioned **Poor service** as the main reason to move from Absa business bank to a competitor. As indicated in literature, client loyalty can be pursued through commitment to service, so Absa will need to continuously improve on service in order to ensure the customer base is maintained. This is consistent with literature; according to Rootman (2006), previous studies have proven that the quality of a service provider's relationships with its clients influences other aspects of the firm, for example, among others, its level of service quality.

Table 4.26: The most important things Absa can do to maintain your trust

Item	Frequency	Percent
Provision of Feedbacks	4	2.2%
Reliable and Consistent	38	20.5%
Good Customer Service and Staff attitude	105	56.8%
Continuous improvement	5	2.7%
Continuous interest in business	10	5.4%
Provision of financial advice	7	3.8%
Nothing Considers best deal	6	3.2%
Pricing and Rates	10	5.4%
Total	185	100%

Table 4.26 shows that **56.8% of customers commented that Good Customer Service and Staff attitude** were the most important things Absa can do to maintain their trust. These results highlight that in building trust with its customers, Absa will need to establish a culture of service excellence that requires management commitment, accountability, pride in the work done by the employees and integration of service excellence into their organisational planning. All these efforts address the issues, including staff attitude, morale and service culture within the organisation, and in this manner Absa will always ensure it offers good customer service and employees' attitudes are driven by satisfaction of the customer, since every effort will be channelled to satisfy customers' needs in building and maintaining their trust. These statements are consistent with literature, where Peppers and Rogers (2006) indicated that when customers trust a company to act in their interests, they become more loyal, and they want to do more business with that company.

Table 4.27: What Absa business bank needs to do for you to become loyal and committed

Item	Frequency	Percent
Provision of feedback	10	5.5%
Interest in business activities	23	12.7%
Competitive Pricing and Rates	6	3.3%
Competitive Products and Services	38	21.0%
Good customer service and relationship	59	32.6%
Consistent and Reliable	18	9.9%
Trust me as a customer	2	1.1%
Already Loyal	23	12.7%
Banks are selfish	2	1.1%
Total	181	100%

Results in Table 4.27 show that **32.6% of customers commented that Good customer service and relationship** are what Absa business bank needs to do for them (customers) to become loyal and committed. These results show that Absa will need to continuously strive to provide quality customer service, build and maintain lasting relationships with its customers and create an environment that is familiar to the customer to ensure customers become or remain loyal and committed to Absa. These results are consistent with literature: Zeithaml and Bitner (2003) believe that some customers over time develop a sense of familiarity. They argue that the personal and professional relationships between the service provider and client become the basis of the clients' loyalty. Showing further consistency of these results with literature, Rootman (2006) indicated that previous studies have proven that the quality of a service provider's relationships with its clients influences other aspects of the firm, for example, among others, its level of service quality.

Table 4.28: Suggestion for Absa business bank to help improve its corporate image

Item	Frequency	Percent
Improve customer service and relationship	19	11.9%
Competitive pricing and rates	6	3.8%
Improve Product and services	16	10.0%
Advertise more	36	22.5%
No Advice	55	34.4%
Be Responsible	23	14.4%
Improve knowledge of staff	1	0.6%
Maintain Management	4	2.5%
Total	160	100%

Table 4.28 shows that **34.4%** of customers **suggested no advice** for Absa business bank to help improve its corporate image. The next highest percentage (**22.5%**) of customers suggested Absa should **advertise more** to improve its corporate image. The second suggestion can be used by Absa to communicate effectively and position its brand positively in the market by responsibly advertising more, which is consistent with what we learned on the literature, where a good corporate image is seen as an efficient marketing and promotional tool. Bilieu (2008) contends that consumers spend hard-earned money on products and services; hence they will always remember an outstanding service just as they never forgive and forget mediocrity.

Table 4.29: How likely are you to speak about and recommend Absa business bank to people

Item	Frequency	Percent
Not Really Sure	21	11.1%
Sometimes	2	1.1%
It depends on the situation	17	9.0%
Likely	22	11.6%
Very Likely	26	13.8%
I will always	8	4.2%
Undecided	4	2.1%
I will recommend	89	47.1%
Total	189	100%

Last, Table 4.28 shows that **47.1% of customers commented that they will recommend** when asked how likely they are to speak about and recommend Absa business bank to people. These are positive results for Absa, as it shows positive advocacy by the customers, which can help Absa in attracting new customers. In general terms every business would like to do business or be associated with businesses that have a good corporate image. In such cases spreading positive word-of-mouth about this business will be much easier and can create further business opportunities. This is consistent with literature, where it is indicated that company image is instrumental in increasing business opportunities. Bilieu (2008) said corporate image is like a magnet that attracts customers, catches the attention of interested investors and business partners, and generates possibilities for business growth and expansion.

4.10 SUMMARY

In this chapter, the results obtained from the data analysis were presented and discussed. The results were presented and discussed under two categories: staff and customers. Staff responses presented and discussed related to the four key constructs under customer relationship orientation: building trust with customers, commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently. Customers' responses presented and discussed related to the four key constructs under customer relationship management orientation: trust, loyalty/commitment, brand image and word-of-mouth behaviour. The next chapter presents the conclusion, recommendations for practice and recommendations for future research.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

To recap, the background to this study (see Chapter 1) made it abundantly clear that there is a need for businesses to retain customers, which has become an important issue in today's global marketplace. To retain customers, a business must forge loyal and long-term relationships with profitable customers. This statement gives an indication of the importance of customer loyalty/retention and by implication CRM to a business. Thus, for banks operating in South Africa today, relationship building with customers (that will lead to customer retention and subsequently loyalty) must be a primary concern for their very existence and growth. The problem when this is not the case is that, in an environment where customers are spoilt for choice, commercial banks stand to lose customers to their rivals when they do not have effective relationship marketing strategies in place.

It has become more expensive for companies to acquire a new customer than to retain existing customers. The banking industry is very competitive, and banks are facing service delivery challenges. CRM has largely become a strategy for building and maintaining relationships with clients, and customer retention has become even more important for banks, as it refers to the maintaining of profitable banking clients.

In general terms, this study investigated the notion of CRM and its influence on customer loyalty. Specifically, the study investigated Absa business bank's CRM practices in relation to customer loyalty or retention using primary data from employees, management, and customers.

Against this background, the main research question of this study was to investigate the extent to which Absa business bank's CRM practices impacted on customer loyalty. The specific research questions posed in order to answer the main question were:

1. What is the general customer relationship orientation of Absa business bank staff with respect to:
 - Building trust with customers?

- Commitment to service?
- Communicating with customers in a timely, reliable and proactive fashion?
- Handling conflict efficiently?

2. To what extent do Absa business bank customers:

- trust;
- show commitment/loyalty to;
- have positive corporate image; and
- Display or express willingness to display positive word-of-mouth behaviours about Absa business bank?

3. What is the probability of an Absa business bank customer switching to competitors in the near future?

4. What is the relationship (if any) between Absa business bank's customers' probability of switching bank on the one hand and trust, commitment, corporate/brand image and word-of-mouth behaviours on the other hand?

5. On the basis of evidence from the study have Absa business bank's CRM practices been effective in winning customer loyalty?

6. Is it reasonable to conclude, on the basis of evidence from the study, that customer loyalty can be attributed to CRM (and more specifically, those aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently)?

Chapter 1 introduced the study, which included the problem statement, specific research questions, and research objectives. This was followed by a review of the related literature in Chapter 2. In Chapter 3, the research methodology followed in the study was outlined and discussed. Chapter 4 presented and discussed the results of the empirical study. This chapter will conclude the study report with the presentation of conclusions and recommendations for practice and further research.

5.2 CONCLUSIONS BASED ON THE LITERATURE

Although this was not an objective, it is important to state that the literature makes it evident that in an environment where customers are spoilt for choice, commercial banks stand to lose customers to their rivals when they do not have effective relationship management strategies in place. Specifically, the literature review indicates that CRM should aim to build long-term, mutually satisfying relations with customers; however, banks can only engage in effective CRM if they fully understand all the dynamics of CRM that affect their success and what will differentiate them from their competitors.

Further, the literature review indicates that the success of CRM strategy depends upon a bank's ability to understand the needs of the customer and to integrate them with its strategy, people, technology and business process. Based on this finding, it was concluded that CRM is very important strategy for banks to facilitate relationship building and maintaining this relationship with their customers. For the purpose of this study, Absa bank can benefit by responding to this challenge by implementing its own CRM strategy to attract and retain customers, and these CRM practices can have an impact on the loyalty of its customers. For Absa, creating and sustaining competitive advantage should be the focus of its CRM strategy, and this can be achieved through ensuring that they build trust with customers, commit to providing exclusive services, communicate with the customer in a timely, reliable and proactive manner and ensure that any conflicts are being handled amicably.

5.3 CONCLUSIONS BASED ON ANALYSIS OF THE EMPIRICAL DATA

The next section of the chapter will focus on conclusions reached on each of the six research questions based on the analysis of the empirical data.

5.3.1 CONCLUSION REGARDING RESEARCH QUESTION 1

What is the general customer relationship orientation of Absa business bank staff with respect to:

- i. Building trust with customers;
- ii. Commitment to service;

- iii. Communicating with customers in a timely, reliable and proactive fashion;
- iv. Handling conflict efficiently?

The results in Table 4.3 and Table 4.5 show that although not all employees and Absa management agree, the majority (82.5% and 76.6%, respectively) believe that Absa strives to build trust with customers.

Therefore, in terms of Question 1.i, it is concluded that **Absa business bank staff are committed to building trust with customers.**

The results in Table 4.6 show that an overwhelming high percentage (90%) of employees show commitment to service, whereas comparable results in Table 4.7 show fewer (68.4%) management responded positively to Absa's commitment to service. Nonetheless, it can be said that with 90% and 68% both employees and management respectively appear to show commitment to rendering excellent service to customers.

On this basis, with regard to Question 1.ii, it is concluded that **Absa business bank staff members are committed to rendering excellent customer service.**

The results in Table 4.8 show a high number (70%) agreeing that Absa communicates with customers in a timely, reliable and proactive manner; results in Table 4.9 show a lower number (53.4%) of management feel that Absa communicates with customers in a timely, reliable and proactive manner.

Therefore, regarding Question 1.ii, it is concluded that **Absa business bank staff communicates with customers in a timely, reliable and proactive manner.**

Lastly, the results in Table 4.10 show that a high percentage (78.4%) of employees agree that conflict with customers is handled efficiently, and Table 4.11 also shows a high percentage (73.3%) of management agreeing that Absa is handling conflict with customers efficiently.

Therefore it is concluded that in respect of Question 1.iv, it is concluded that **Absa business bank is handling conflict with customers efficiently.**

Based on all the above, overall, it is concluded that:

The customer relationship orientation of Absa business bank staff is very positive.

5.3.2 CONCLUSION REGARDING RESEARCH QUESTION 2

To what extent do Absa business bank customers:

- i. Trust;
- ii. Exhibit commitment/loyalty to;
- iii. Have positive corporate image;
- iv. Display or express willingness to display positive word-of-mouth behaviours about Absa business bank?

The results in Table 4.14 indicate that the vast majority (89.7%) of customers have trust in Absa business. Even of more significance is that they find it very easy to trust Absa business bank.

Therefore with regard to Question 2.i, it is concluded that **customers have a high degree of trust in Absa business bank.**

The results in Table 4.15 show that an overwhelming majority (87.1%) of customers say they are loyal to Absa and committed to their relationship with Absa business bank. In those results, a significant number (96.9%) agree that their increased loyalty is based on satisfaction with the relationship.

Therefore with regard to Question 2.ii, it is concluded that **customers are highly committed and loyal to Absa business bank.**

The results in Table 4.16 show that a high percentage (79.8%) of customers say they perceive Absa brand image positively; and within those results, a significant number (82.3%) agree that they are still with Absa business bank because of growing popularity and good reputation as compared to other banks.

Therefore in terms of Question 2.iii, it is concluded that **customer's perception of Absa brand image is highly positive.**

Table 4.8 results show that a slight majority (58.2%) of customers will say positive things about Absa. Further, in these results, it is important to note that 22.82% of customers are undecided about their word-of-mouth behaviour, whereas 18.98% of customers disagreed that they will say positive things about Absa.

Therefore, despite this low majority, with regard to Question 2.iv, it can be concluded that most customers will say positive things about **Absa**.

So, on the whole, with respect to research Question 2, it can be concluded that:

Absa business bank customers trust and are committed/loyal to the bank; view the bank in a positive light and will say positive things about Absa to the outside world.

5.3.3 CONCLUSION REGARDING RESEARCH QUESTION 3

The third research question is, what is the probability of an Absa business bank customer switching to competitors in the near future? The results in Table 4.18 indicate that 55% of all customers are loyal and would stay with the bank without the possibility of switching to a competitor; however, there is large proportion (44%) of the bank's customers who are undecided and might switch to a competitor.

On the basis of majority response, **it is concluded that most Absa business bank customers are not likely to switch to competitors in the near future.** However, Absa needs to address the high proportion of undecided customers because it would be quite a big loss of business should the customers decide to switch to a competitor.

5.3.4 CONCLUSION REGARDING RESEARCH QUESTION 4

Research question four was, what is the relationship (if any) between Absa business bank's customers' probability/chance of switching banks on the one hand and trust, commitment, corporate/brand image and word-of-mouth behaviours on the other hand?

As the results in Table 4.19 indicate, **statistically** speaking, the chance of a customer staying significantly depends on: (i) **customer loyalty/commitment**; and (ii) **customer word-of-mouth behaviour** but **does not** depend on **customer trust** and **customer perception of Absa brand image**. This result was arrived at in Chapter 4 Section 4.7 when regression analysis was done and the effect of all factors are considered. In the same Section 4.7, it was stated that another method, pairwise comparison can also be used but the disadvantage is that it ignores the effect of other factors. Hence it was considered that to get a total picture, it would be wise to utilise regression analysis as opposed to pairwise comparison.

On that basis, **it is concluded that (i) customer loyalty/commitment; and (ii) customer word-of-mouth behaviour are positively correlated with Absa bank customer propensity to switch bank in the near future.**

5.3.5 CONCLUSION REGARDING RESEARCH QUESTION 5

The On the basis of evidence from the study, is it reasonable to conclude that Absa business bank's CRM practices have been effective in winning customer loyalty? To properly answer this research question, it is important to look at it from both Absa staff and customer perspectives. From Absa staff perspective, it was concluded in Section 5.3.1 that, Absa business bank staff: are committed and supportive of building trust with customers; are committed to excellent customer service; believe that Absa communicates with customers in a timely, reliable and proactive manner; and Absa is handling conflict efficiently. From the customer perspective, it was concluded in Section 5.3.2 that: customers have trust in Absa business bank; customers are committed and loyal to Absa business bank; customers' perception of Absa brand image is positive; and customers have positive word-of-mouth behaviour towards Absa.

From these two perspectives, **it is concluded that even though they will need to improve on certain aspects as shared in previous sections of this chapter, Absa business bank's CRM practices appear to have been effective in winning customer loyalty.**

5.3.6 CONCLUSION REGARDING RESEARCH QUESTION 6

The final research question was, is it reasonable to conclude, on the basis of evidence from the study that customer loyalty can be attributed to CRM (and more specifically those aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently)? As indicated in Table 4.19, the regression results indicate, the chance of a customer staying significantly depends on two factors **customer loyalty/commitment** and **customer word-of-mouth behaviour** only and **not** on customer trust and customer perception of Absa brand image. However, as results in Table 4.20 show, from pairwise comparison, each factor (**trust, loyalty/commitment, Absa's brand image and word-of-mouth behaviour**) is significantly, positively correlated with the propensity to switch, although loyalty/commitment and word-of-mouth behaviour are the significant factors affecting the propensity to switch when factors are considered one on one and this ignores effect of other factors.

On the basis of these statistical results from the two types of analysis, it is considered wise to take the conservative approach in concluding that **it is reasonable to conclude that customer loyalty can be attributed to CRM (and more specifically those aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently.**

5.4 RECOMMENDATIONS

The next section of the chapter will focus on recommendations for practice and further research and offer a summary of the chapter.

5.4.1 RECOMMENDATIONS FOR PRACTICE

These recommendation for practice will be relevant to Absa business bank and also to the banking industry in general. The results have shown that it is of significance that banks make one-to-one and individualized relationships with their customers, offer customized services and determine the customers' needs. To collect information about the customer and communicate consistently with them are among the important

milestones of customer relationship management. Research results show that not only is communicating with customers important but being reliable and consistent in that communication are also critical.

The results have shown that a bank's CRM objective should be to gain customers, namely to activate potential customers and to keep existing customers and ultimately this turns customers into loyal and committed customers. That is to say, banks' ability to retain their existing customers and gain new customers depends on effective CRM approach. The results have also shown that in order to establish effective CRM, it is important to eliminate any possible gap between the focus areas regarded as important by customers on the one hand and by bank managers on the other hand. Thus, banks should focus on the same areas that their customers regard as important to improve bank-client relationships, and this can be realized by engaging more with the client.

Building customer loyalty is no longer a choice any longer for the banks. Rather, it is a must because in a highly competitive banking environment, it has become the only proactive way of a building sustainable competitive advantage. The strategic approach for banks in building a loyal customer base should be to focus on the client and offer competitive products and services. Additionally, banks need to proactively generate high levels of customer satisfaction with every customer interaction. It is always important for banks to anticipate customer needs and respond to these needs before the competition does. On matters of brand image, it is important for banks to advertise more to remain in the mind of the customer. It is important for banks to note that a satisfied customer will not necessarily translate into a loyal customer; however, satisfaction will foster loyalty. It is important for Absa business bank to focus on improving customer word-of-mouth behaviour, as that will ensure attraction of new customers through positive brand image. In fact, it is fair to say that customers are likely to recommend the bank when they are satisfied with that particular bank.

In summary, based on this study, it can be concluded that customer trust in the bank, perception of that brand and how the customer is being satisfied with all aspects of the customer relationship management play important roles in ensuring customer loyalty and retention. Therefore, banks should always strive to ensure that their customers are

satisfied and they (banks) can be trusted with reliable and consistent provision of tailor-made service.

5.4.2 RECOMMENDATIONS FOR FURTHER RESEARCH

Based on the findings of this study, the following recommendations for future research are proposed.

First, future research regarding this topic can be extended to the entire business banking industry (not confined to one bank), which should include other geographical areas across all the provinces of South Africa so that findings can be generalised across South Africa.

One of the findings of this study is that Bank managers and bank employees that have interaction with clients influence the bank's CRM and customers' probability to remain or to switch to the competitor. The regression results show that the model accounts for only 21.4% of the total variation in the willingness to stay on with Absa bank ($R\text{-square}=0.214$). This means that, although some of the identified factors affect the propensity of customers to stay with the bank, there are some other factors that could account for the other 78.6% of the total variation. This was not necessarily what this study was intended to probe. The question of whether it is possible that other variables (skills, level of knowledge, etc.) concerning the bank's staff members can have an influence on the CRM and loyalty to the bank needs to be probed further.

5.5 CONCLUDING REMARKS

In conclusion, among other things already mentioned, this study has shown that for Absa to remain competitive and for its customers to be loyal and committed, it has to deliver quality service, and it can only do this when it is fully aware of the needs of the customer and how to satisfy them. To eliminate the gap between the client and the bank's perceptions of quality of service, regular communication needs to occur and that could include conducting customer surveys to remain aware of client perspectives. This chapter has concluded the report on the study intended to find out the extent to which Absa business bank's CRM practices have impacted customer loyalty, that is, to determine the effectiveness of CRM practices of Absa business bank in maintaining loyalty among its customers in the Eastern and Southern Cape region. The chapter

has provided conclusions based on the literature findings as well as the empirical study. Stemming from these conclusions, recommendations were made on practice, as well as for future research.

REFERENCE LIST

Adams, M. (2010). Damage to company image impacts intangible capital. *Boston Business Journal*, 4(1), 4-8.

Agbor, J.M. (2011). *The relationship between customer satisfaction and service quality: A study of three service sector in Umea*. Umea University, Sweden: Umea School of Business.

Alireza, F., Ali, K. & Aram, F. (2011). How quality, value, image, and satisfaction create loyalty at an Iran Telecom. *International Journal of Business and Management*, (6)8, 271-279.

Amassoma, D. & Nduka, K. S. (2010). *The effect of corporate image on customers' satisfaction*. : LAP – Lambert Academic Publishing.

Amoako, G.K. (2012). Improving customer service in the banking industry – Case of Ghana Commercial Bank (GCB). *International Business Research*, (5)4, 134-148.

Amstrong, G. & Kotler, P. (2006). *Principles of Marketing*, 12th ed. Boston, MA: Addison Wesley Publishing Company.

Aydin, S. & Ozer, G. (2005). The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication market. *European Journal of Marketing*, 39(7/8), 910-925.

Babbie, E. & Mouton, J. (2009). *The practice of social research: South African edition*. Cape Town: Oxford University Press.

Bamford, D. & Xystouri, T. (2005). A case study of service failure and recovery within an international airline. *Journal of Managing Service Quality*, 15(3), 306–322.

Barclays Africa transaction. (2012). Investor presentation. Retrieved 24 September 2013 from <http://www.absa.co.za>.

Baron, S. & Harris K. (2003). *Services marketing*, 2nd Ed. New York: Palgrave MacMillan.

Bilieu, G. (2008). Five Benefits of Good Corporate Image. Retrieved 25 April 2014 from <http://ezinearticles.com/?Five--Benefits--of--Good-Corporate--Image&id=1369432>

Blumberg, B., Cooper, D. R., & Schindler, P. S. (2008). *Business research methods*, 2nd ed. European Edition. Berkshire, London, United Kingdom: McGraw-Hill Education Limited.

Bowen, J.T. & Shoemaker, S. (2003). Loyalty: A strategic commitment, Cornell Hotel and Restaurant. *Administration Quarterly Journal*, 44(5/6), 31-46.

Bravo, R., Montaner, T. & Pina, J.M. (2009). The role of bank image for customers versus non-customers. *International Journal of Bank marketing*, 27(4), 315-334.

Brink A. & Berndt A. (2004). *Customer relationship management and customer service*. Lansdowne: Juta and Co, Ltd.

Brink, A. & Berndt, A. (2008). *Relationship marketing and customer relationship management*. Lansdowne: Juta & Co, Ltd.

Bruhn, M. & Georgi, D. (2006). *Services marketing: Managing the service value chain*. England: Pearson Education.

Bruno-Britz, M. (2008). 'Reading customers' minds: Predictive analytics tools are helping banks understand customers' behaviour and meet their unique needs with tailored products and services, improving customer retention as a result'. *Bank Systems and Technology Journal*, 45(5), 30.

Broady-Preston, J., Felice, J. & Marshall, S. (2006). Building better customer relationships: Case studies from Malta and the UK. *Library Management Journal*, 27(6/7), 430 – 445.

Buckinx, W. & Van den Poel, D. (2005). Customer base analysis: Partial defection of behaviourally loyal clients in a non-contractual FMCG retail setting *European Journal of Operational Research*, 164, 252–268.

Bulgarella, C.C. (2005). *Is there a relationship?* Guide Research: White Paper- February edition.

Burns, R.P. & Burns, R. (2008). *Business research methods and statistics using SPSS*. London, UK: Sage Publications.

Cooper, D.R. & Schindler, P.S. (2011). *Business Research methods*, 11th ed. Singapore: McGraw-Hill.

Buttle, F. (2004). *Customer relationship management: Concepts and tools*. Oxford: Butterworth-Heinemann.

Cengiz, E. (2010). Measuring customer satisfaction: Must or must not? *Journal of Naval science and Engineering*, 6(2), 76-88.

Chan, H. & Wan, L, C. (2008). Consumer responses to service failures: A resource preference model of cultural influences. *Journal of International Marketing*, 16(1), 72–97.

Chary, T., Satya, N. & Ramesh, R. (2012). Customer relationship management in banking sector. *A Comparative Study*, 1(2), 20-29.

Chen, I.J. & Popovich, K. (2003). Understanding customer relationship management (CRM): People, process and technology. *Business Process Management Journal*, 9(5), 672 – 688.

Chen, Q., & Chen, H. (2004). Exploring the success factors of eCRM strategies in practice. *Journal of Database Marketing & Customer Strategy Management*, 11(4), 333-343.

Chipunza, C. (2008). A comparison of perceptions of loyalty between bank tellers and internal customer groups in a retail bank in South Africa. *The Service Industries Journal*, 28(2), 139-149.

Christopher, M., Payne, A. & Ballantyne, D. (2002). *Relationship marketing: Creating stakeholder value*. Oxford: Butterworth-Heinemann.

Chu, K. (2009). The construction model of customer trust, perceived value and customer loyalty. *The Journal of American Academy of Business*, 14(2), 98-103.

Collis, J., & Hussey, R. (2009). *Business research: A practical guide for undergraduate and postgraduate students*, 3rd Ed. New York, United States of America: Palgrave Macmillan.

Cooper, D. R & Schindler, P. S. (2011). *Business Research Methods*, 11th Ed. New York: McGraw-Hill.

Cranage, D. (2004). Plan to do to right: and plan for recovery. *International Journal of Contemporary Hospitality Management*, 16(4), 210–219.

Curry A, & Kkolou E. (2004). Evaluating CRM to contribute to TQM improvement: A cross case comparison. *The TQM Magazine*, 16(5), 314-324.

Dagger, T.S. & Ward, T. (2007). The complexity of relationship marketing for service customers, *Journal of Services Marketing*, 21(4), 281–90.

De Vaus, D. (2006). *Research design in social research*. London: Sage Publications.

De Vos, A.S. Strydom, H. Fouche, C.B. & Delport, C.S.L. (2011). *Research at grass roots: for the social sciences and human service professions*. Pretoria: Van Schaik publishers.

Dimitriadis, S. & Stevens, E. (2008). Integrated customer relationship management for service activities: An internal/external gap model. *Managing Service Quality*, 18(5), 496-511.

Dzansi, D.Y. (2004). *Social responsibility of SMMEs in rural communities*. A PhD Thesis, University of Pretoria, South Africa, October 2004.

Eid, R. (2007). Towards a successful CRM implementation in banks: An integrated model. *The Service Industry Journal*, 27(8), 1021-1039.

Falkena, H., Davel, G., Hawkins, P., Llewellyn, D., Luus, C., Masilela, E., Parr, G., Pienaar, G. & Shaw, H. (2004). *Competition in South African Banking. Task Group Report for the National Treasury & the South African Reserve Bank*. April: Pretoria.

Firer, C., Ross, S.A., Westerfield, R.W. & Jordan, B.D. (2008). *Fundamentals of corporate finance*. New York: McGraw-Hill.

Fontini, C. (2007). Organisational excellence: Designing a leadership system. *Management Today*, 22(10), 44-46.

Gaiser, T.J. & Schreiner, A.E. (2009). *A guide to conducting online research*. London: Sage Publications.

Gartner Group. (2008). *Magic quadrant for CRM services providers North America: Core Research Note G00156898*. Retrieved 28 September 2013 from Gartner.com.

Gay, R., Charlesworth, A. & Esen, R. (2007). *Online marketing: A customer-led approach*. New York: Oxford.

Gee, R., Coates, G. & Nicholson, M. (2008). Understanding and profitably managing customer loyalty. *Marketing Intelligence & Planning*, 26(4), 359 – 374.

Gilbert, G.R. & Veloutsou, C. (2006). A cross-industry comparison of customer Satisfaction. *The Journal of Services Marketing*, 20(5), 298-308.

Greenberg, P. (2004). *CRM at the speed of light: Essential CRM strategies for the 21st century*. Osborne: McGraw Hill.

Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. & Tatham, R.L. (2006). *Multivariate data analysis*, 6th edition. Upper Saddle River: Pearson.

Hair, J.F., Black, W.C., Babin, B.J. & Anderson, R.E. (2010). *Multivariate data analysis: A global perspective*, 7th ed. Upper Saddle River: Pearson.

Harwood, T., Garry, T. & Broderick, A. (2008). *Relationship marketing: Perspective, dimensions and contexts*. London: McGraw Hill.

Hayes, B. E. (2008). The true test of loyalty. *Quality Progress*, 41(6), 20-26.

Heffernan, S. (2005). *Modern Banking*. The Atrium, Southern Gate, Chichester, West Sussex, England: John Wiley & Sons Ltd.

Heinonen, K. & Strandvik, T. (2005). Communication as an element of service value. *International Journal of Service Industry Management*, 16(2), 186–98.

Hess Jr., R.L. (2008). The impact of firm reputation and failure severity on customers' responses to service failures. *Journal of Service Marketing*, 22(5), 385-398.

Hitachi Consulting On Financial Services. (2010). Better business banking segmentation: Understanding Lifecycle Needs. Retrieved 24 October 2013 from <http://www.hitachiconsulting.com>.

Hsu, C., Liu, C. & Lee, Y. (2010). Effects of commitment and trust towards micro-blogs on consumer behavioural intention: A relationship marketing perspective. *International Journal of Electronic Business Management*, 8(4), 292-303.

Heffernan, S. (2005). *Modern banking*. England: John Wiley & Sons.

Industry overview & database of the South African banking industry. (2001). Retrieved 29 September 2013 from <http://www.compcom.co.za>.

Jain, N., Sethi, A. & Mukherji, S. (2009). Impact of communication during service encounters on customer's perception of organization image. *Paradigm*, 13(1), 15-20.

Jobber D, (2004). *Principles and practices of marketing*, 4th ed. Berkshire, England: McGraw-Hill International.

Kamakura, W., Mela, C.F., Ansari, A., Bodapati, A., Fader, P., Iyenger, R., Naik, P., Neslin, S., Sun, B., Verhoef, C.P., Wedel, M., & Wilcox, R. (2005). Choice models and customer relationship management. *International Journal of Service Industry Management*, 10(3), 320-336.

Kamal, N. & Yunus, Y. (2009). Justice oriented recovery strategies and customer retention in the retail banking industry in Malaysia. *International Review of Business Research Papers*, 5(5), 212-228.

Kandampully, J. & Hu, H.H. (2007). Do hoteliers need to manage image to retain loyal customers? *International Journal of Contemporary Hospitality Management*, 19(6), 435 – 443.

Karakostas, B., Kardaras, D. & Papathanassiou, E. (2005). The state of CRM adoption by the financial services in the UK: An empirical investigation. *Journal of Information & Management*, 42(6), 853-863.

Kerin, R., Hartley, S. & Rudelius, W. (2012). *Marketing*. 11th ed. Irwin: McGraw-Hill.

Khvtisiashvili, I. (2012). How does corporate image affect the competitive advantage of Georgian banking segment. *Journal of Business*, 1(1), 35-44.

Kim, Y. & Lee, J. (2010). Relationship between corporate image and customer loyalty in mobile communications service markets. *Africa Journal of Business Management*, 4(18), 4035-4041.

Kinard, B. R. & Capella, M. L. (2006). Relationship marketing: The influence of consumer involvement on perceived service benefits. *Journal of Services Marketing*, 20(6), 359 – 368.

Kirshenblatt-Gimblett, B. (2006). What is research design? The context of design. Performance Studies Methods Course syllabus. New York University.

Kitapci, O & Dortyol T.I. (2009). The differences in customer complaint behaviour between loyal customers and first comers in the retail banking industry. *Journal of Management Research News*, 32(10), 932- 941.

Kofi, K.F., Mintaa, D.P., Ernestina, A., Boatemah, A.E., Samuel, T.F. (2012). Assessment of customer satisfaction in the banking industry (A case study of the Trust Bank in Kumasi Metropolis). Christian Service University College. Business Studies Department.

Kotler, P. (2005). *Kotler On marketing: How To create, win, and dominate markets*. New York, NY: The Free Press.

Kotler, P. & Keller, K.L. (2009). *Management marketing*, 13th ed. Upper Saddle River, New Jersey: Pearson Education Inc.

Kracklauer, A.H., Mills, D.Q. & Seifert, D. (2004). Collaborative customer relationship management: Taking CRM to the next level. Berlin, Heidelberg: Springer-Verlag.

Kueh, K. (2006). Service satisfiers and dissatisfiers among Malaysian consumers. *Australasian Marketing Journal*, 14(1), 79-92.

Kumar, V. & Reinartz, W. (2012). *Customer relationship management: Concept, strategy and tools*, 2nd Ed. Berlin, Heidelberg: Springer-Verlag.

Lai, S., Hsiao, Y., Yang, Y., Huang, Y. & Lee, I. (2009). The mediating influence of service quality satisfaction and information trust on the e-CRM process model: An empirical bank marketing research. *The Journal of American Academy of Business*, 15(1), 243-253.

Leedy, P. D., & Ormrod, J. E. (2010). *Practical research: Planning and design*, 9th ed. Upper Saddle River, NJ: Toronto: Pearson.

Lenth, R. V. (2009). Response-surface methods in R: Using rsm. *Journal of Statistical Software*, 32(7), 1-17. Retrieved 24 November 2013 from <http://www.jstatsoft.org/v32/i07/>.

Leverin, A. & Liljander, V. (2006). Does relationship marketing improve customer relationship satisfaction and loyalty? *International Journal of Bank Marketing*, 21(4), 232-251.

Lowenstein, M.W. (2011). Corporate image, trust, and reputation and customer advocacy behavior: Is there linkage? Customer Think Corporation. Retrieved 29 September 2013 from: http://www.customerthink.com/article/corporate_reputation_and_advocacy_linkage.

Lovelock, C.A. (2008). *Service marketing: People, technology, strategy*, 5th Ed. New Jersey: Prentice Hall.

Marczyk, G.R., DeMatteo, D & Festinger, D. (2010). *Essentials of research design and methodology*. Hoboken, New Jersey: John Wiley & Sons, Inc.

Mattila, A.S. & Cranage, D. (2005). The impact of choice on fairness in the context of service recovery. *Journal of Services Marketing*, 19(5), 271–279.

Meng, L. (2010). Exploration of Chinese consumer complaint behaviour in the hospitality industry. Retrieved 29 October 2013 from <http://digitalcommons.library.unlv.edu/cgi/query.cgi>.

Menon, K. & O'Connor, A. (2007). Building customers' affective commitment towards retail banks: The role of CRM in each "moment of truth". *Journal of Financial Services Marketing*, 12(2), 157-168.

Metcalfe, B. (2009). *Strategic and emerging issues in South African banking*. Johannesburg: PricewaterhouseCoopers.

Metcalfe B. (2011). *Strategic and emerging issues in South African banking*. Johannesburg: PricewaterhouseCoopers Inc.

Mohamed, H. & Shirley, L. (2009). Customer perception on service in Middle East: The case of Qatar. *International Journal of Islamic and Middle Eastern Finance and Management*, 2(4), 338-350.

Mohammad, A.B.S. & Alhamadani, S.Y.M. (2011). Service quality perspective and customer satisfaction in commercial banks working in Jordan. *EuroJournals Publishing*, 1(14), 61-69.

Mostert, P.G., De Meyer, C. F. & van Rensburg, L.R.J. (2009). The influence of service failure and service recovery on airline passengers' relationships with domestic airlines: an exploratory study. *Journal of Southern African Business Review*, 13(2), 118-140.

Murray, S. (2004). Transforming the performance of Client Relationship Management teams. *Bank Marketing International*, 1(1), 14-15.

Nasir, S. & Nasir, V.A. (2005). Analysing the role of customer-base differences in developing customer relationship management strategies. *Journal of American Academy of Business*, 7(2), 32–38.

Nauert, R. (2011). Social media can damage corporate image. *Psych Central*. 10 Retrieved November 2013 from <http://psychcentral.com/news/2011/06/22/social-media-can-damage-corporate-image/27146.html>.

Nguyen, T.H., Sherif, S.S. & Newby, M. (2007). Strategies for successful CRM implementation. *Journal of Information Management & Computer security*, 15(2), 102-115.

Noor, N.A.M. (2012). Trust and commitment: Do they influence e-customer relationship performance? *International Journal of Electronic Commerce Studies*, 3(2), 281 – 296.

Onut, S., Erdem, I. & Hosver, B. (2008). Customer relationship management in banking sector and a model design for banking performance enhancement. *Unifying Themes in Complex Systems IV*, Springer Berlin, Heidelberg 2008, 370-378.

Patterson, P.G., Cowley, E. & Prasongsukarn, K. (2006). Service failure recovery: The moderating impact of individual-level cultural value orientation on perceptions of justice. *International Journal of Research in Marketing*, 23(3), 263–277.

Pearson, A.W. & Lumpkin, G. T. (2011). Measurement in family business research: How do we measure up? *Family Business Review*, 24(4), 287–291.

Pedhiwal, G.L. & Tale, S.J. (2012). Analytical study of CRM: As a strategic tool in Banking sector in Western Vidarbha with reference to Akola District. *Banking CRM Research Paper*, 1(3), 1-4.

Peelen, E. (2005). *Customer relationship management*. Edinburgh Gate, England: Pearson Education Limited.

Peppers, D. & Rogers, M. (2006). Customer loyalty: A matter of trust. *Sales & Marketing Management*, 158(5), 22.

Perreault, W.D., Cannon, J.P. & McCarthy, E.J. (2011). *Basic marketing: A marketing strategy planning approach*, 18th Ed. New York: McGraw-Hill.

Phau, I. & Baird, M. (2008). Complainers' versus non-complainers' retaliatory responses towards service dissatisfactions. *Marketing Intelligence & Planning*, 26(6), 587-604.

Pi-Chuan, S. & Chia-Min, L. (2010). Building customer trust and loyalty: An empirical study in a retailing context, *The Service Industries Journal*, 30(9), 1439–1455.

Roos, J.T. (2008). What role should the financial planners of ABSA Brokers play when ABSA Business Bank extends credit facilities to its SME customers? MBA thesis, Stellenbosch University.

Rootman C. (2006). CRM in banks. *Journal of Financial Services Marketing*, 13, 32-62.

Rootman, C., Tait, M., & Sharp, G. (2011). Relationship marketing and customer retention lessons for South African banks. *Southern African Business Review*, 15(3), 184 – 206.

Russell, B. & Purcell, J. (2009). *Online research essentials: Designing and implementing research studies*. San Francisco: Jossey-Bass.

Salkind, N.J. (2009). *Exploring research*, New Jersey: Pearson Education Inc.

Sapford, R. & Jupp, V. (2006). *Data collection and analysis*, 2nd edition. London: Sage Publications.

Sekaran, U. (2006). *Research methods for business: A skill-building approach*, 4th Ed. New York: John Wiley & Sons.

Shang, S.S.C. & Lin, S.F. (2010). People-driven processes in customer relationship management. *The Service Industries Journal*, 30(14), 2441-2456.

Shaw, E. & Jones, B. (2005). A history of schools of marketing thought. *Marketing Theory*, 5(3), 239-281.

Siau, K. & Shen, Z. (2003). Mobile communications and mobile services. *International Journal of Mobile Communications*, 1(1/2), 3-14.

Singh, H. (2011). Winning and keeping customers' trust: Perspective. Retrieved 24 September 2013 from <http://www.infosys.com/finacle/solutions/thought-papers/Documents/winning-and-keeping-customers.pdf>.

South African Financial Forum. (2011). A safer financial sector to serve South Africa better. Retrieved 30 April 2013 from www.finforum.co.za/.

South African Yearbook. (2003/04). Pretoria: Government Communications (GCIS).

Strauss, J., El-Ansary, A. & Frost, R. (2003). *E-marketing*, 3rd Ed. New Jersey: Prentice Hall.

Suntornpithug, N., Karaatli, G.M. & Khamalah, J.N. (2010). Investigating relationships between organisational commitment, employee empowerment, customer intelligence and Customer Relationship Performance among small service firms. *International Journal of Services Technology and Management*, 14(1), 77-91.

Szwarc, P. (2005). *Researching customer satisfaction & loyalty: How to find out what people really think*. London, United Kingdom: Kogan Page Limited.

The Banking Association South Africa. (2013). Retrieved 24 September 2013 from www.banking.org.za.

Thomas, L.B. (2006). *Money, banking and financial markets*. United States of America: Thomson South-Western.

Tseng Y. M. (2007). The impacts of relationship marketing tactics on relationship quality in service industry. *The Business Review*, 7(2), 310-314.

Velazquez, B., Moliner, M., Blasco, F., Saura, I.G. & Contri, G.B. (2010). Causes for complaining behaviour intentions: The moderator effect of previous customer experience of the restaurant. *Journal of Services Marketing*, 24(7), 532-545.

Walsh, S., Gilmore, A. & Carson, D. (2004). Managing and implementing simultaneous transaction and relationship marketing. *International Journal of Bank Marketing*, 22(7), 468–483.

Walton, J. & Xu, M. (2005). Gaining customer knowledge through analytical CRM. Department of Strategy and Business Systems, Portsmouth Business School. University of Portsmouth.

Wegner, T. (2012). *Applied business statistics: Methods and Excel-based applications*, 3rd ed. Juta: Legal and Academic Publishers.

Welman, C., Kruger, F. & Mitchell, B. (2005). *Research methodology*, 3rd ed. Cape Town: Oxford University Press.

Wiese, P.B. (2013). The role of multi-level customer relationship management in satisfaction and cross-selling in the South African business banking sector. Department of Marketing, University of Pretoria.

Wilson, R.D. (2006). Developing new business strategies in B2B markets by combining CRM concepts and online databases. *Competitiveness Review*, 16(1), 38 – 43.

Xu, J., Yansinzai, M. & Lev, B. (2013). *Proceedings of the Sixth International Conference on Management Science and Engineering Management*. Springer-Verlag: London.

Yanovitch, T. (2007). 4 habits that build loyalty: Customer loyalty flows directly from customer experience. Here's what creates an exceptional experience. *ABA Banking Journal*, 99(10), 54-58.

Yatish, J. & Ehtesham, A. (2013). Customer relationship management in banks. *International Journal of Business and Management Research*, 3(6), 256.

Yoo, D.K & Park, J.A. (2007). Perceived service quality: Analysing relationships among employees, customers, and financial performance. *International Journal of Quality & Reliability Management*, 24(9), 908-926.

Zablah, Alex R., Bellenger, Danny N., and Johnston, Wesley J. (2004). An evaluation of divergent perspectives on Customer Relationship Management: Towards a common understanding of an emerging phenomenon. *Industrial Marketing Management*, 33(6), 475-489.

Zeithaml, V. A. & Bitner, M. J. (2003). *Services marketing: Integrating customer focus across the firm*, 3rd Ed. New York: McGraw-Hill.

Zeithaml, V. A. & Bitner, M. J. (2006). *Service marketing: Integrating customer focus across the firm*, 4th Ed. New York: McGraw-Hill.

Zeithaml, Valarie A., Rust, Roland T., Lemon, Katherine N. (2011). The customer pyramid: Creating and serving profitable customers. *California Management Review*, 43(4), 118.

Zhao, W & Othman, M. (2010). The influence of knowledge of consumer protection and perception of marketing factors on consumer complaint behaviour: A study of Malaysian consumers. *International Journal of Sustainable Development*, 1(9), 27-35.

Zikmund, W. G. (2009). *Business research methods*, 8th ed. South-Western College publications.

Zineldin, M. (2006). The royalty of loyalty: CRM, quality and retention. *Journal of Consumer Marketing*, 23(7), 430 – 437.

Zineldin, M. & Philipson, S. (2007). Myth of relationship marketing and truth of the 4Ps. *Journal of Consumer Marketing*, 24(4), 229–241.

ANNEXURE A – CRM QUESTIONNAIRE (FOR STAFF)



Faculty of Management Science
School of Entrepreneurship and Business Development

Dear Respondent,

CUSTOMER RELATIONSHIP MANAGEMENT QUESTIONNAIRE

In order to meet the requirements for the MTech in Business Administration at Central University of Technology, Free State, I am currently conducting a survey on the effectiveness of Customer Relationship Management practices of Absa business bank for customer retention and loyalty within Eastern and Southern Cape Region.

This research is conducted with the approval of Absa business bank and is not part of any other internal process happening in the organisation. The questionnaire that you are asked to complete will take about 25 minutes of your time. You were selected as part of the employees within Absa business bank in Eastern and Southern Cape Region and not because of any other reasons.

I would like to assure you that your responses will be treated confidentially. No individual respondent will be identified to any other person or organisation in any way. If you have any questions about the research, you are welcome to contact me at 041- 390 6109 or 082 855 2486 or contact Prof. Dzansi (who is the Supervisor/Promoter of the research) at 051- 507 3212 or 083 604 2292.

Please complete this questionnaire as soon as possible and return it within one week of receipt

Your co-operation and assistance is much appreciated!

Yours sincerely,

MR MOTABOLI DAVID MAPHAKISA (Researcher)

SECTION A: BIOGRAPHICAL DATA (PLEASE MARK THE MOST APPLICABLE ANSWER WITH (X))							Office use
1. Gender	1 Male			2 Female			1
2. Age	1 (20 yrs & below)	2 (21-30 yrs)	3 (31-40 yrs)	4 (41 -50 yrs)	5 (51 – 60 yrs)	6 (60+ yrs)	2
3. Marital status	1 Married	2 Divorced		3 Widowed		4 Single	3
4. Highest level of education	1 None	2 Primary	3 Matric & below	4 Tertiary Certificate	5 Diploma/ Degree	6 Postgraduate	4
5. Type of education	1 Agriculture	2 Business	3 General	4 engineering	5 Arts	6 Other(specify)	5
6. Racial group	1 Black	2 White	3 Coloured	4 Indian	5 Other(specify)		6
7. Your religious denomination	1 Christian		2 Muslim		3 Hindu	4 Other (specify)	7
8. Please indicate the segment in which you are working within Absa business bank	1 Commercial Business			2 Enterprise Business			8
9. Your Role in Absa business bank	1 Sales Manager			6 Relationship Executive			9
10. Years of experience in the current role	1 (less than 1 year)		2 (1- 5 years)		3 (6-10 yrs)	4(Above 10yrs)	10
B1: Building Trust1 - Indicate your agreement/disagreement with the following statements with an (X)							Office Use
11. I always go out of the way to provide reliable and accurate information to customers	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5		11
12. Before disclosing client information to third parties I always seek their approval	1	2	3	4	5		12
13. I always act in the best interest of client no matter how impolite the customer is	1	2	3	4	5		13
14. I always deliver on promises made to customers	1	2	3	4	5		14
15. I feel it is sometimes justifiable to "lie a little bit" to customers.	1	2	3	4	5		15
B2: Building Trust2 - Indicate your agreement/disagreement with the following statements with an (X)							
16. Absa business bank promotes a strong sense of shared purpose and values with clients	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5		16
17. Absa business bank known for making commitment and keeping them by clients?							17
18. Absa business bank listens and values feedback from clients							18
19. Absa business bank has reputation of being trusted and having client's best interest							19
20. Absa business bank promotes a culture of trust relationship with clients among its employees?							20
C1: Commitment to service1 - Indicate your agreement/disagreement with the following statements with an (X)							Office Use
21. When I go out of the way to assist clients, I do so because I want to, not because I have to.	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5		21
22. I feel really good when I go out of the way to satisfy clients even if they appear rude	1	2	3	4	5		22
23. I always endeavour to exceed customer expectation so long as it does not breach bank regulations	1	2	3	4	5		23
24. I am always readily available for appointments with customers.	1	2	3	4	5		24

25. I have come to realise that the time spent listening to customer grievances could better be used for other things	1	2	3	4	5	25		
26. When not busy with my own task, I help out with other customer queries	1	2	3	4	5	26		
C2: Commitment to service2 - Indicate your agreement/disagreement with the following statements with an (X)								
27. Absa business bank provides training to staff on CRM.	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5	27		
28. Absa business bank continuously monitors clients experiences through complaints/compliments log book	1	2	3	4	5	28		
29. Absa business bank consistently measure clients expectations concerning customer service	1	2	3	4	5	29		
30. Absa business pays attention to employee's morale, attitudes and perceived obstacles to the provision of quality service	1	2	3	4	5	30		
D1: Communication1 - Indicate your agreement/disagreement with the following statements with an (X)							Office Use	
31. I always endeavour to communicates in client's language of choice	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5	31		
32. I only communicating openly and honestly, without distorting any information from clients help in promoting their loyalty and to retain them	1	2	3	4	5	32		
33. I promptly inform waiting customers when banking services are not available, e.g. when the bank goes offline	1	2	3	4	5	33		
34. It is worthwhile encouraging clients to communicates their ideas and opinions to improve services	1	2	3	4	5	34		
35. I always remember to share new information with clients even if the information is not important	1	2	3	4	5	35		
D2: Communication2 - Indicate your agreement/disagreement with the following statements with an (X)								
36. Absa business bank regularly communicates with its clients	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5	36		
37. Absa business bank communicates with clients only in the clients chosen language	1	2	3	4	5	37		
38. Absa business bank encourages clients to communicates their ideas and opinions to the bank	1	2	3	4	5	38		
39. Absa business bank never takes action without first communicating with clients	1	2	3	4	5	39		
E1: Conflict handling1 - Please indicate your Agreement/Disagreement with the following. Please mark with (X)							Office Use	
40. In my opinion, it is better to try everything possible to win over hence retain troublesome customers than getting rid of them at first sign of trouble.	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5	40		
41. I always listen to customer grievances no matter how trivial	1	2	3	4	5	41		
42. I always bring customer grievance no matter how trivial to the attention of relevant person	1	2	3	4	5	42		
43. In my opinion, it is sometimes better to ignore customer complaints	1	2	3	4	5	43		
44. I consider it my responsibility to provide clarity to every customer whenever there is disagreement	1	2	3	4	5	44		
E2: Conflict handling2 - Please indicate your Agreement/Disagreement with the following. Please mark with (X)								
45. Absa business bank's has empowered employees to take ownership and resolve client enquiries/conflict	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5	45		
46. When client conflict occurs Absa business bank ensures that is resolved quickly	1	2	3	4	5	46		
47. There are processes in place at Absa business bank to proactively and continually communicate with client regarding the conflict raised	1	2	3	4	5	47		

48. Absa business bank' is always sincere and fair in resolving clients' conflict	1	2	3	4	5	48	
49. In your view what are the most important things that Absa business bank must do to build and maintain customer trust?						49	
50. In your view what things does Absa business bank need to do for clients to become/remain loyal/committed?						50	
51. What suggestions do you have for Absa business bank to improve its corporate image?						51	

ANNEXURE A – CRM QUESTIONNAIRE (FOR CUSTOMERS)



Faculty of Management Science

School of Entrepreneurship and Business Development

Dear Respondent,

CUSTOMER RELATIONSHIP MANAGEMENT QUESTIONNAIRE

In order to meet the requirements for the MTech in Business Administration at Central University of Technology, Free State, I am currently conducting a survey on the effectiveness of Customer Relationship Management practices of Absa business bank for customer retention and loyalty within Eastern and Southern Cape Region.

This research is conducted with the approval of Absa business bank and is not part of any other internal process happening in the organisation. The questionnaire that you are asked to complete will take about 25 minutes of your time. You were selected as part of random sample of customers banking with Absa business bank in Eastern and Southern Cape Region and not because of any other reasons.

I would like to assure you that your responses will be treated confidentially. No individual respondent will be identified to any other person or organisation in any way. If you have any questions about the research, you are welcome to contact me at 041- 390 6109 or 082 855 2486 or contact Prof Dzansi (who is the Supervisor/Promoter of the research) at 051- 507 3212 or 083 604 2292.

Please complete this questionnaire as soon as possible and return it within one week of receipt

Your co-operation and assistance is much appreciated!

Yours sincerely,

MR MOTABOLI DAVID MAPHAKISA (Researcher)

SECTION A: COMPANY DETAILS - PLEASE MARK THE MOST APPROPRIATE ANSWER WITH (X)							Office Use
1. Sector in which your company operates	1 Agriculture	2 Construction	3 Manufacturing	4 Retail	5 Transport	6 (Other - specify)	1
2. Number of employees within your company	1 Less than 25	2 25-50	3 51-100	4 More than 100			2
3. How many years has the company been operating?	1 Less than 1yr	2 1yr-5yrs	3 5yrs-10yrs	4 10yrs – 15yrs	5 Over 5yrs		3
4. Company annual turnover	1 Less than R5m	2 R5m-R20m	3 R20m-R100m	4 R100m-R500m	5 Over R500m		4
5. For how long has your company been with Absa business bank?	1 Less than 1yr	2 1yr -5yrs	3 5yrs – 10yrs	4 Over 10yrs			5
B1: Trust - Indicate your Agreement/Disagreement with the following. Please mark with (X)							Office Use
6. It is easy for me to trust Absa business bank unless they give me a reason not to	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5		6
7. I feel Absa business bank is reliable and trustworthy	1	2	3	4	5		7
8. I trust Absa business bank is committed to protecting the privacy and confidentiality of my company information	1	2	3	4	5		8
9. I believe that Absa business bank would act in my best interest	1	2	3	4	5		9
10. I believe that Absa business bank is truly sincere in its promises to its clients	1	2	3	4	5		10
B2: Please indicate your Agreement/Disagreement with the following. Please mark with (X)							Office Use
11. I aim for a long term relationship with Absa business bank.	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5		11
12. I deal with Absa business bank because I want to, not because I have to.	1	2	3	4	5		12
13. My loyalty towards Absa business bank increases when I am satisfied with the way they relate with me	1	2	3	4	5		13
14. I would continue to do business with Absa business bank as long as the bank does handles my business needs as I expect	1	2	3	4	5		14
15. If I need other types of bank service I will choose ABSA bank	1	2	3	4	5		15
16. I only pay attention to ABSA bank	1	2	3	4	5		16
B3: Please indicate your Agreement/Disagreement with the following. Please mark with (X)							Office Use
17. I am still with Absa business bank because in comparison to other brands in this market, the Absa business bank is growing in popularity and good reputation	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5		17
18. The reputation and image of Absa business bank is a key factor in me maintaining my loyalty	1	2	3	4	5		18

B4: Please indicate your Agreement/Disagreement with the following. Please mark with (X)						Office Use
22. I will persuade people to bank with Absa business bank	Strongly disagree 1	Disagree 2	Undecided 3	Agree 4	Strongly agree 5	22
23. I say positive things about Absa business bank to someone who seeks advice on business banking	1	2	3	4	5	23
24. I always promote Absa business bank as the best in the market	1	2	3	4	5	24
25. I say positive things about Absa business bank even when they have failed to deliver quality service.	1	2	3	4	5	25
26. I will promote Absa business bank to my networks who banks with the competitor	1	2	3	4	5	26
27. I will recommend this bank to others who seek my advice	1	2	3	4	5	27
C: Please chose only one answer most applicable to you with an (X)						Office Use
28. When I consider the way ABSA bank relates to me:	1 I will certainly and very soon switch to a competitor bank	2 There is a 50/50 chance of switching to a competitor bank	3 There is no chance of switching to a competitor bank			28
D: Please briefly answer following questions in your own words						Office Use
29. What will be the main reason for you to move your business from Absa business bank to other competing bank? Please elaborate						29
30. What are the most important things Absa business bank can do to build and maintain you trust?						30
31. What things does Absa business bank need to do for you to become/remain loyal/committed?						31
32. What suggestions do you have for Absa business bank to improve its corporate image?						32
33. How likely you will speak of Absa business bank and recommend to people? Please elaborate.						33
19. The main reason I am still with Absa business bank it's due to its positive corporate image in the market.	1	2	3	4	5	19
20. I will remain with Absa business bank as long as they keep on enhancing their corporate image.	1	2	3	4	5	20
21. I will leave Absa business bank regardless of their superior service, products etc. once they have bad corporate image	1	2	3	4	5	21