Using management information systems to determine the client loyalty drivers in small and medium-sized enterprises within the banking industry

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ABSTRACT

The landscape of banking has changed drastically over the past two decades. Client loyalty is key for banks to stay relevant and deliver sustainable growth. In that context the objective of this research is to identify the main factors that determine client loyalty of small to medium sized businesses to banks and to rank these according to importance.

The purpose of the study is using management information systems to determine the client loyalty drivers in SMEs within the banking industry as well as ranking them according to the level of importance.

The study defines and provides a broad overview of the different concepts. It further provides an overview of the banking industry and casual factors driving the need to focus on client loyalty. A high-level overview of SMEs are also covered The current problem statement has a look at the various areas of concern to the banking industry such as high level debt ratios, weak corporate demand, and more The research methodology; objectives; design; scope; significance and the limitations of the study are outlined.

Obtaining high levels of client loyalty remains a challenge for banks; failing, places banks at risk and hampers their ability to grow. MIS is the main enabler in understanding client loyalty, tracking client behaviour and changing needs. For this purpose a questionnaire was employed to obtain a deeper understanding of what drives client loyalty. A secondary source of information incorporated into the study is recent surveys done by KPMG, Accenture, Ernest & Young, and others.

The model currently used by banks is based on the net promoter system. Client satisfaction, and Relationship and Service Quality are factors that get measured and incorporated in the net promoter system. Other factors that showed relevance and impact on client loyalty are Product Quality, Skills/EQ and Corporate/brand image. The researcher aims to explain the effect and influence the aforementioned have on client loyalty as well as rank these in order of importance in small to medium-sized business banking clients in South Africa.

Primary data has been used in this study complemented by secondary data. A quantitative method has been adopted for this study. The techniques employed are: Frequency, Reliability (including the mean, standard deviation & Cronbach's Alpha coefficient) and the Spearman Rank Order Correlations.

The sample consisted of SMEs in Johannesburg Central Region and 200 questionnaires were distributed to conveniently selected SMEs out of a total population of 550. Sixty one (61) SMEs responded resulting in a 31% response rate.

The study evidenced that the factors listed are interlinked and have an influence on client loyalty. The study has also demonstrated that the link between customer loyalty and true sustainable organic growth is well established.

Limitations of the study are discussed. The researcher also recommends that a management information system be employed; that the study be extended to include large and corporate business and that the framework be broadened to include trust, product/channel, skills/EQ and brand/image.

KEY TERMS: Small Medium Enterprise (SMEs); Management Information Systems; Client Satisfaction; Client Loyalty: Relationship Quality; Service Quality; Trust; Skills/EQ; Product/Channel; Brand/Image

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CHAPTER 1 – NATURE AND SCOPE OF THE STUDY

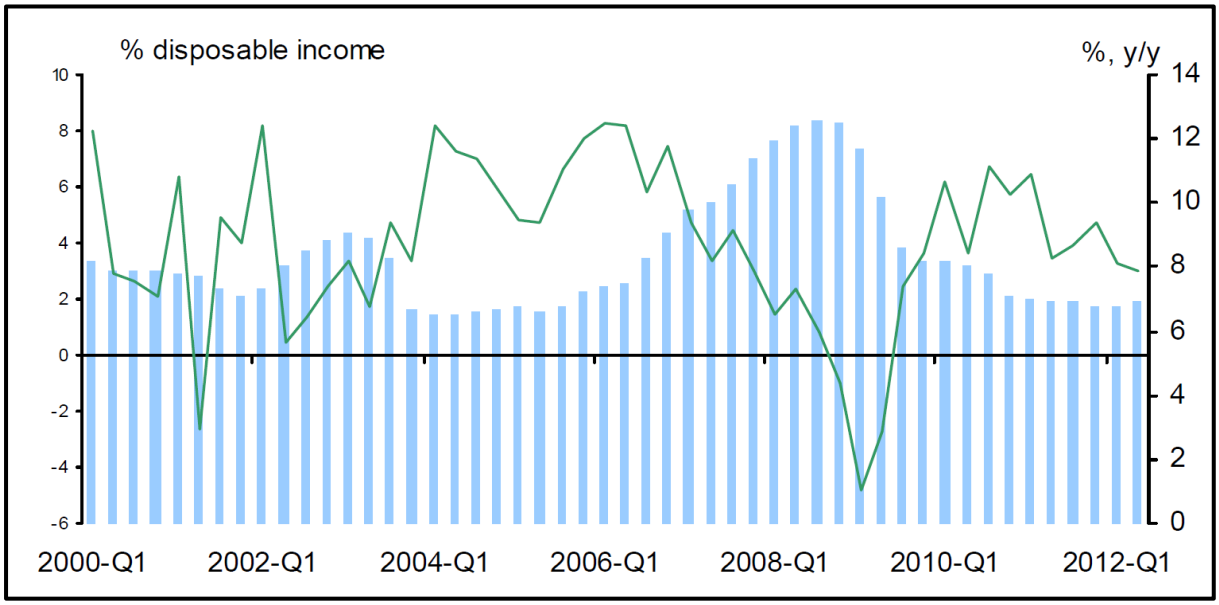
1.1 INTRODUCTION

The South African banking industry is dominated by four major banks, Standard Bank, Amalgamated Banks of South Africa (ABSA), First National Bank (FNB) and Nedbank. Being part of Africa, the banking market in South Africa is the largest in Africa. The global financial crises had a limited effect on South Africa. South Africa has a well regulated and capitalised banking system. Local banks had almost no direct exposure to US subprime mortgages, hence the reason why South Africa has only been affected indirectly. Another contributing factor is exchange regulations, policies and controls by the South African Reserve Bank.

South African banks have struggled to grow in an environment of high household debt ratios and weak corporate demand for credit (Ernest & Young, 2012:55). The consumer market has ± 8.5 million clients with impaired credit records and who are struggling to keep up with debt repayments. Data for 2010 reflects that 40% - 60% of credit applications were declined. Consumers are still borrowing to repay debt. The average debt-to-income ratio is 78.5%. No significant improvement in this ratio is seen despite the fact that the interest rate reduced by over 6% since 2008 and is currently at an all-time low. At the level of 78.5%, normal debt repayments will result in an improvement of 5% to an individual's debt-to-income ratio over a year, which requires 22% - 25% of monthly income. The problem is exacerbated by heavily indebted consumers with a debt-to-income ratio of 250%, who need to use 70% of their monthly income to repay debt (Zerbest, 2011).

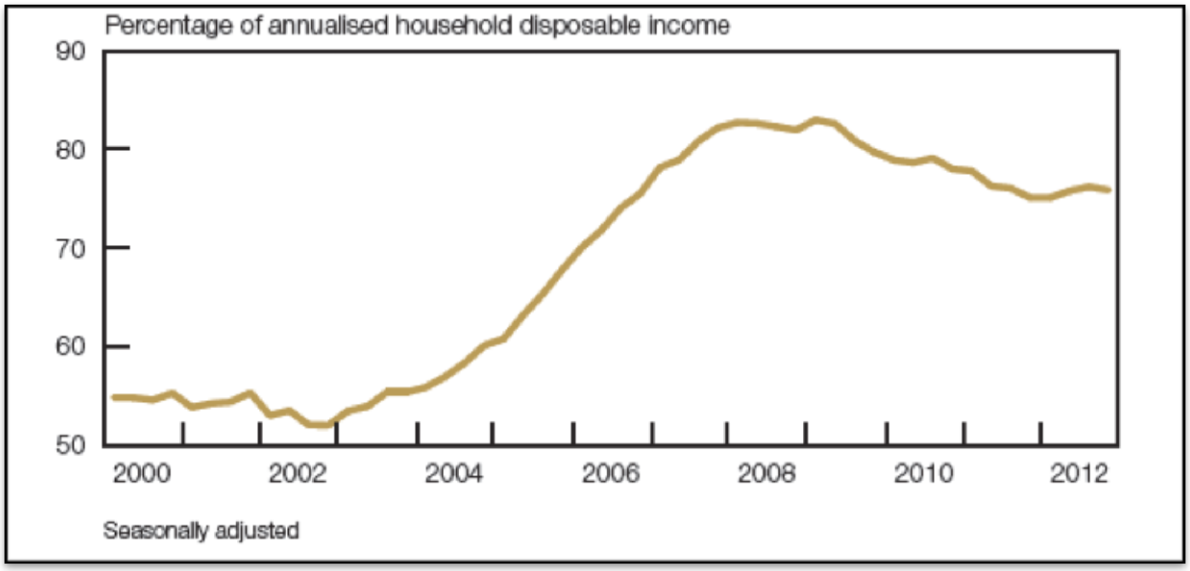
Household disposable income (that is gross income less tax), has strongly grown over the past few years except for 2009 in recession times as displayed in figure 1.1 (Investec, 2013:28). The growth experienced is faster-than-inflation growth which means consumers can stay on top of rising fuel, food and transport costs and save more. When looking at household debt compared to income, the picture reflects a positive trend after peaking at over 82% in 2009. The ratio of household debt to household disposable income has since moderated to its current levels of 74.6% as seen in figure 1.2 (SARB, 2012:9).

Figure 1.1: Year-on-year growth in disposable income (%)



Source: Investec (2013:28)

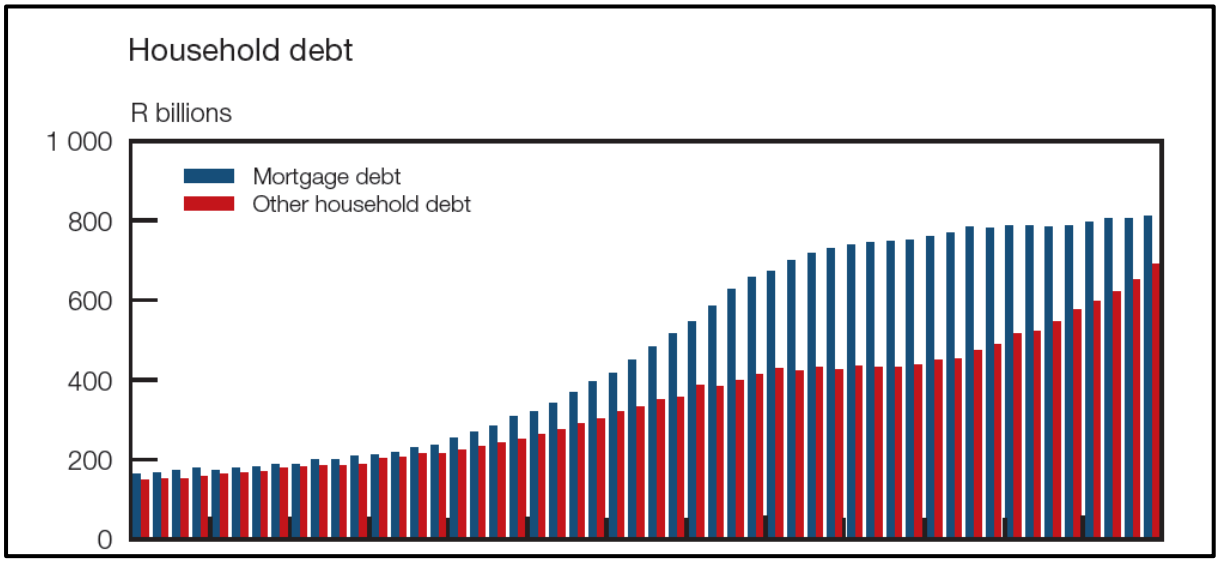
Figure 1.2: Household debt to disposable income ratio (%)



Source: SARB (2013:10)

Figure 1.3 compares household debt to total credit extended to households and as seen, the moderation is more a function of rising income than falling debt. The amount of debt the consumers are carrying has been increasing steadily; however, their disposable income has increased faster (SARB, 2013:10).

Figure 1.3: Household debt (Rm)



Source: Reserve Bank Quarterly Bulletin (2013:10)

It is prevalent that consumers are not using their rising income to pay off debt and/or to increase savings. The National Credit Regulator reported that the increase in household debt has been in the form of unsecured lending. In an article on Money Web (Clark, 2012) it is reported that the household debt situation is potentially risky, income is rising as well as debt and unemployed people turn to unsecured lending that being micro lenders, and retail credit, which creates a volatile situation.

Furthermore, new emerging players are increasingly encroaching on the large banks' markets (Ernest & Young, 2012:55). Mobile network operators and retail corporates have been aggressively moving into the banking space. The use of retail stores and mobile phones as new distribution channels coupled with the deployment of basic transactional, insurance, savings and lending products are unlocking banking opportunities that have as yet been untapped. Several emerging players are now extending payments and banking services to lower income markets in South Africa that is Capitec, Shoprite's money transfer product, and others. Mobile credit card payments, virtual advisers, automated cash deposit machines and social networking are just a few examples of intermediaries and new emerging players.

In the past, growth was mainly driven by consumer debt; however, the banking industry has become more regulated. The Banking Association South African (2012:3-10) reports that South Africa has developed a well regulated banking system which compares favourably with those of industrialised countries. South Africa has

also introduced Basel III. The National Credit Act (NCA) (Act no. 34 of 2005) (SA, 2006:30) had a material impact on how banks lend money. The act promotes and encourages responsible borrowing; avoiding over-indebtedness and the fulfilment of financial obligations by consumers. It also discourages reckless credit granting by credit providers and contractual default by consumers. Considering the aforementioned low demand for credit and strict regulations on granting credit, organic growth is not guaranteed especially when relying on the retail client base.

SMEs are seen as the next generation of growth in the banking industry. Because of the risk associated with this sector, SMEs are generally underserved. A new ecological (eco) system is emerging with banks competing across the industries for the same pool of clients. As the banks change their focus to SMEs and taking into account the emerging competition amongst banks, client retention is a key. Banks therefore need to focus on increasing client loyalty in order to deliver sustainable growth and profitability. To achieve the sustained profitability, client retention is of significant importance. Client retention can lead to various benefits, including higher sales, higher profitability, lower cost of acquiring new clients and word-of-mouth recommendations.

1.2 BACKGROUND AND RATIONALE FOR THE STUDY

1.2.1 An overview of the banking industry in South Africa

Across Africa there is a major focus on improving transparency and strengthening the regulatory framework (Ernest & Young, 2012:55). As per the Banking Association South African (2012:3-10), South Africa has a developed and well regulated banking system which compares favourably with those of industrialised countries. South Africa has opted to introduce Basel III alongside a proposed “twin peaks” regulatory approach, with different bodies providing prudential supervision and consumer protection (Ernest & Young, 2012:55).

The South African Reserve Bank’s Department of Bank Supervision’s quarterly report (SARB, 2012 & 2013) shows that the sector has undergone a great deal of changes in the past 20 years, with the early 1990s being characterised by a process of consolidation resulting in mergers of a number of banks including Allied, Volkskas

and United to form ABSA and the proposed merger between Nedcor and Stanbic which failed eventually. The South African banking industry is currently made up of 17 registered banks, 2 mutual banks, 12 local branches of foreign banks, and 41 foreign banks with approved local representative offices (The banks are listed in Appendix A). The financial services sector contributes about 10.5% to gross domestic product (GDP), with assets to the value of more than R6 trillion. Taxes amount to over 15% of GDP, whilst employment represents about 4%. The banking sector's assets represent just over 50% of total financial services sector assets. The four major banks represented about 84% of total banking assets. Standard Bank, the largest bank in terms of assets, has a market share of 31%, followed by ABSA with 26%. FirstRand and Nedbank have a market share of about 20% and 23% respectively.

South Africa has a developed and well regulated banking system. The financial sector is backed by a sound and legal framework, is sophisticated and compares favourably with first world countries. The financial services sector contributes significantly to gross domestic product (GDP), taxes and to a lesser extent employment. The banking sector assets represent more than half of total financial services sector assets with the four major banks representing about 84% of total banking assets.

1.2.1.1 Overview of concepts

A Management information system is a broad term that encompasses procedures, processes and routines that supply information to management for decision making/strategic purposes. Applying and IT overlay, data could be stored timeously, accurately and constantly in a data warehouse. Automated reports/routines can be run providing vital information that contributes to the formalisation of strategic objectives (Baltzan & Phillips, 2010:9-10).

Management information systems is defined as: "An organized approach to the study of the information needs of an organisation's management at every level in making operational, tactical, and strategic decisions". Its objective is to design and implement procedures, processes, and routines that provide suitably detailed reports in an accurate, consistent, and timely manner (BusinessDirectory, 2013). In a

management information system, modern, computerised systems continuously gather relevant data, both from inside and outside an organisation. This data is then processed, integrated, and stored in a centralised database (or data warehouse) where it is constantly updated and made available to all who have the authority to access it, in a form that suits their purpose (Haag, Cummings & Dawkings, 2004:1-6).

Factors are defined as “circumstance, fact, or influence that contributes to a result” (Oxford, 2013). As seen from the aforementioned definition any impact or variables on client loyalty can be classified as a factor that influences or contributes to the outcome.

Client loyalty is defined as “a deeply held commitment to rebuy or patronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour” (Oliver, 1999:33-34). Client loyalty is the ultimate objective of client satisfaction measurement. Therefore, retaining existing clients and strengthening client loyalty appear to be very crucial for banks to gain competitive advantage (Sivadass & Baker-Prewitt, 2000:73-82). Customer retention refers to a firm’s ‘zero defections’ of profitable consumers or no switches from profitable consumers to competitors (Reichheld, 1996:56-69). Furthermore, customer retention is seen as the longevity of a consumer’s relationship with a firm (Menon & O’Connor, 2007:157). The net promoter metric is the single most reliable indicator of firm growth compared with other loyalty metrics.

The net promoter score (NPS) is a methodology that gauges customer sentiment and predicts the likelihood of a customer repurchasing from you or referring your company to a friend. NPS tracks how clients represent a company to their friends, associates, and others. The net promoter score is also a loyalty metric developed by Fred Reichheld. The net promoter methodology categorises clients into three main groups; promoters, passives and detractors. Reichheld advocates asking customers, “How likely are you to recommend (the company) to a colleague or friend?”. His recommendation is for a 0-10 scale where respondents are reclassified as:

- 0-6 = “Detractors”

- 7-8 = “Passives”
- 9-10 = “Promoters”

The formula for net promoter score is: the percentage of promoters minus the percentage of detractors (% of Promoters – % of Detractors = NPS). The net promoter metric has been embraced and adopted widely by management and allow companies to see whether a client experience was a success or a failure (Reichheld, 2006:210).

There is consensus among policy makers, economists, and business experts that small and medium enterprises (SMEs) are drivers of economic growth. A healthy SME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills (Mahembe, 2011:7). In South Africa a SME is officially defined in Section 1 of the National Small Business Act no. 102 of 1996 (Southern African Legal Information Institute) as amended by the National Small Business Amended Act no. 26 of 2003 and Act no. 29 of 2004 (SA, 2004) (NSB Act no. 102 of 1996, Act no. 26 of 2003, Act no. 29 of 2004 & Act no. 26 of 2006) as: “ … a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy mentioned in Column I of the Schedule14...”.

The criteria for Small to Medium Sized Enterprises (SMEs) vary depending on what and who applies criteria. South African Revenue Services (SARS) applies different criteria than the Department of Trade and Industries (DTI) and for Black Economic Empowerment (BEE) scorecard purposes another broader criterion is applied. Below is an outline of the different applications.

SARS does not have one single description for small business; instead there are several definitions utilised for different purposes:

- For Amnesty purposes, a small business is any business with a turnover of up to R10m;

- For Income Tax purposes (Section 12E), a Small Business Corporation (SBC) is defined as a business having a turnover of less than R14m, over and above other qualifying criteria; and
- For Capital Gains Tax, a Small to Medium Enterprise (SME) is described as a business having total net assets of under R5m.

It is therefore proposed that SARS restricts itself to the definition as used for SBC regime purposes – that is a small business is a business that has a turnover of no more than R14 million. The National Small Business Office (NSBO) therefore operates within the ambit and interests of businesses in South Africa with a turnover of no more than R14m per annum as defined by SARS: What is a small business (2013).

For generic broad-based BEE scorecard purposes, the SME range is R5 million to R35 million turnover. The National Small Business Act, 1996 (No. 102 of 1996) – G 17612, No. 102 of 1996: National Small Business Act, 1996, President's office no. 1901, 27 November 1996 sets out the criteria for SMEs. The criteria used in the DTI are aligned to the Act; however, the data is updated from time to time and realigned.

The DTI (Small Medium Micro Enterprise Development) classification of micro, small, medium and large business is based on the total full-time equivalent of paid employees; total annual turnover and total gross asset value (fixed property excluded). Appendix B contains a comprehensive table (DTI, 2013).

For the purpose of this study SMEs are defined as a company with a turnover of R5m – R35m; full-time employees of less than 200 and total gross asset value (fixed property excluded) less than R10m.

1.2.1.2 Causal Factors

A survey conducted by Ernest & Young: Global Consumer Banking Survey for (2012:1-55) stating that bank customers globally are becoming less loyal to their banks. Banks' attrition rates have increased from 34% to 39% over the last year (an increase of 14.7%) in the South African market. Duncan (2012) reports that 31% of clients are using only one bank, 38% two banks and 21% three or more banks. The

survey has found that bank customers globally are becoming less loyal to their banks. Furthermore the main reason reported for switching banks are high fees (50%), poor branch experience (31%), poor rates on accounts (30%) and lack of personalised contact/services (26%). The survey also concluded that going forward 13% of clients are planning to switch banks. New emerging players are also increasingly encroaching on the large bank's market. Two other factors coming out of the study is that South African clients place a high level of importance on loyalty programs and they are active in the social media space (44% of South Africans use social media). If banks do not focus on these two aspects, they may find themselves falling behind the curve. Client's wants better value, improved access and less frustration. Clients are demanding multiple channels for access. Client's wants to be able to engage with their banks through different channels being social media, physical infrastructure and telecommunication. These channels are to be integrated so that one query on one channel can be followed up using other channels (Clark, 2012).

KPMG conducted a 2012 Banking Customer Satisfaction Survey in May 2012 covering convenience, customer care, transaction methods and systems, pricing as well as the products/services offering. The survey results were mixed in so far as increased satisfaction in the Retail and SME segments are driven largely through channels and customers whilst the overall customer satisfaction results decreased in the corporate segments mainly due to the inability of banks meeting their needs. The survey also revealed that financial stability remains the most important factor a client considers when choosing their bank. Furthermore, clients expect higher levels of reliable service and support to their business throughout the entire value chain. Clients expect that their relationship manager understands their industry highlighting the need for deep industry specialization and clients would like to see more user-friendly internet banking services and seamless transaction processing across channels (KPMG, 2012:3-33).

Client retention is key for sustainability and profitability. Profitability is defined as, "A financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity. Any profit that is gained goes to the business's owners, who may or may not decide to

spend it on the business" (Investopedia, 2013), whilst sustainability refers to a philosophy that underpins everything about banking, a value system where activities undertaken must not only benefit the staff and shareholders but also its clients and the wider economy whilst also preventing or minimizing any undue effects on society and the natural environment. Banks are also required to take proactive steps to improve society and the environment. Many labels are attached to sustainable banking such as corporate social responsibility (CSR), corporate responsibility (CR), corporate citizenship, environmental and social governance (ESG) and others (Sim & Imeson, 2010). In Banking for many years, relationship quality and service quality has been linked and practised for several years. Superior service quality and superior relationship quality influences client loyalty. A key requirement for long-term quality relationships is satisfied clients. Current thought processes realise that service, relationship and product/channel quality provides a platform for long-term mutual beneficial relationships. Lacking this platform will result in clients searching for alternative service providers who can meet their needs, ultimately in the breakdown of relationships with the bank. Corporate marketing/positioning/brand image is another key element of client loyalty and positioning through brand is top of mind that is the green bank supporting the global tendencies of going green and more environmentally friendly. Successful brands engage clients on a deep and emotional level (Kotler & Armstrong, 2012:269). This type of loyalty can be a great asset to the company: clients are willing to pay higher prices, may cost less to the serve and bring in new clients to the company (Reichheld & Sasser, 1990:105-111).

Retaining existing clients and strengthening client loyalty appear to be very crucial for Banks to gain competitive advantage. Loyal customers are crucial to business survival (Semejin et al., 2005:182-195) because attracting new customers is considerably more expensive than retaining old customers (Reichheld & Schefter, 2000:105-113). Therefore, enterprises strive to increase their market share by maximizing customer retention (Tsoukatos & Rand, 2006:501-519). Client retention is key for sustainability and profitability. It has also been shown that customer retention can lead to various benefits for banks, including higher sales, higher profitability, lower costs of acquiring new clients and word-of-mouth recommendations. These benefits can all contribute to the survival of banks and ensure greater banking success.

1.3 PROBLEM STATEMENT

The financial services landscape is undergoing fundamental changes with traditional organic growth areas exhausted. The retail market struggles to grow in an environment of high household debt ratios. Weak corporate demand for credit contributed to a lower net-interest revenue coupled with a decline in transaction volumes (decline in retail spending) which results in lower non-interest revenue in banks.

Rapid growth in technology and communication systems provides clients with various delivery channels, products and services. Furthermore, the banking industry is becoming increasingly competitive. Banks compete across industries for the same pool of clients; therefore, client retention and client loyalty is becoming a major focus area. The SME market has been identified as a major focus area of growth, enabling banks to deliver sustainable results and to deliver on the triple bottom line. Through the application of Management Information Systems, banks can define more clearly what factors drive client loyalty and how to manage and align strategies by using the information to deliver on the triple bottom line. Insights into the factors that drive client loyalty can result in enhancing strategies, embracing new trends such as the green movement, creating new products/channels/services and entering into new markets which will have a positive impact on the triple bottom line.

As traditional players in the SME market, banks constantly have to justify their place at the table. Timely insight and a clear focus have never been more critical than now. In addition to the above challenges, banks also face the following challenges:

- New ecological systems are emerging as a wave of convergence radically changing the traditional landscape. These new ecological systems drive the unbundling of products and services that were once the preserve of banks. Price comparison websites, financial aggregators and networks, payment service providers, crowd funding/lending, professional services, retailers and utilities, and telecommunication companies are a few to mention that threaten income streams for banks. The banks also run the real risk of being supplanted by new entrants and pure-players offering innovative multi-channel products and services to SMEs.

- The high level percentages of SMEs being multi-banked and the ease of switching institutions. Clients use or switch from one bank to another because of needs not being met. Some of the reasons clients are multibanked or switched are: the existing service/product is inadequate; desired product/services not available/offered; reputation of the bank; footprint/location of branches; price and products; relationship banking and access to manager; price of products; free banking, and more.
- Achieving true client centricity and the structural barriers in the market. The challenge on client centricity is recognised as being essential but difficult to deliver on. Furthermore, these challenges are made more pressing by the on-going shifts in what SMEs are looking for from their bank. Whilst the opportunity to grow and deliver on the triple bottom line lies within focussing on the SME market segment, getting SME banking right is challenging.
- Intense competition in the domestic and foreign markets as well as greater client expectations results into client loyalty being a major focus area in the banking industry.

Client loyalty is key for Banks to demonstrate and deliver on sustainable growth over an extended period. Historically client loyalty has been obtained through high levels of client satisfaction, good quality relationship and superior client service. Whilst all the banks have implemented a client retention strategy, too much emphasis is still being placed on client satisfaction, service and relationship quality. The market has shifted with SMEs wanting appropriate and innovative financial services. SMEs also expect their relationship banker to be a trusted business advisor who provides sound commercially-aware advice, not just on products and service, but also on wider business issues. Furthermore, SMEs want more tailored and responsive multi-channel banking. By driving a client centric strategy through product, service and channel design by harnessing the power of new technology and learning from other industries, banks can deliver on most of their clients' needs, increase client loyalty and ultimately profitability delivering on the triple bottom line.

The research will focus on determining and testing the assumptions and factors that influence and drivers of client loyalty.

1.4 PURPOSE OF THIS STUDY

The findings of the research conducted will contribute to banking through delivering a hierarchical matrix in a descending order of factors that is important to clients.

The other purpose is to also assist management in identifying strategic focus areas by applying the proposed framework in order to deliver sustained profits through increased client loyalty.

1.5 RESEARCH OBJECTIVES

This research intends to make an explanatory study into the aspects/attributes that business client's consider relevant in deciding whether to continue with their current bankers (retain) or to switch to alternative bankers (migrate). Client decision making process for individual clients is not the same as for business clients. Therefore, it is difficult to find a set of characteristics common to both categories. Hence, this research was restricted to business clients in SMEs.

1.5.1 The primary objective is:

The main objective of this research is, using a management information system to determine the relative factors that drive and influence client loyalty of SMEs in the banking industry.

1.5.2 The secondary aim of the research is:

The research will contribute to understanding the impact by determining the enablers and detractors of the various factors on client loyalty.

A further secondary aim is to build a management framework linking and mapping the interdependencies of various factors and impacts. The framework is to be used to craft strategies within banks, which will result in sustainable growth over extended periods, increase client retention and ultimately increase client loyalty.

1.6 SCOPE OF THE STUDY

From an academic and theoretical perspective this study is limited to what is understood under the term client loyalty and client retention focusing and the factors that drive/influence client loyalty.

The research is conducted on SMEs. The client decision-making process for individual clients is not the same as for business clients. Therefore, it is difficult to find a set of characteristics common to both categories.

From an empirical perspective, the scope of the research is to determine relative importance of identified factors that drive client loyalty in SMEs within the banking industry.

1.7 LIMITATIONS OF THE STUDY

The study may have the following limitations:

- Empirical research and locations may introduce limitations since only Johannesburg Central Gauteng based SMEs were surveyed.
- The study is limited to the adopted/applied definition being: SMEs are defined as a company with a turnover of R5m – R35m; full time employees of less than 200 and total gross asset value (fixed property excluded) of less than R10m.
- Current data sets containing SME data is old and out dated. Making contact with SMES and obtaining a usable sample size is a limitation.

1.8 SIGNIFICANCE OF THE STUDY

The value of the study is that it can contribute to banking through delivering a hierarchical matrix in descending order of importance of the seven factors as listed under factors driving client loyalty. By ranking these factors in order of importance banks can align their strategies to meet client expectations and capitalise on high levels of client satisfaction, strong quality relationships, superior client service and integrated channel strategies by making them core competencies in the organisation, resulting ultimately into increased client loyalty.

From an academic and theoretical perspective, the significance of this study is that it will provide an understanding of what factors drive client loyalty in the banking industry as well as how it influences growth and sustainability in banks.

The value of the empirical study lies in the development of a framework that could offer a clear understanding of the various factors and the importance and weightings it carries with regards to client loyalty contributors when dealing with SMEs. It can further indicate the impact it has on future growth and sustainability in banks.

1.9 RESEARCH DESIGN

1.9.1 Research methodology

1.9.1.1 Literature study

The literature approach is an in-depth study on client loyalty as well as the factors that drive and influence client loyalty.

A theoretical framework based on the study will be developed and tested in the empirical study.

1.9.1.2 Empirical study

The study design includes planning and structuring of scenarios conceptualising the concepts, collecting and analysing of data to align with the objectives of the research.

Based on the research problem statement, the appropriate design to meet the objectives will be making use of descriptive research as explanatory research testing the hypothesis of the factor influences on client loyalty. As per Welman, Kruger & Mitchell (2005:7,78,135) the data collection methods and measuring instruments employed fall in the category of quantitative research.

The population consists of SMEs as defined by the DTI in appendix B. A convenient sample size of 200 businesses in Gauteng has been selected out of the total population of 550. According to Welman, Kruger & Mitchell (2005:71) general rule, a

sample size of less than 15 should not be used, but preferably one with more than 25; therefore, the aforementioned sample size is adequate.

The purpose is to analyse the finding using the base of the framework adapted in the literature study. The expected outcome is to list and rank the relative characteristics in descending order of importance effecting client loyalty in SMEs.

The researcher's intention and approach is collecting data through making use of a well-designed questionnaire and applying a measuring instrument.

1.10 LAYOUT OF THE STUDY

The research study is divided into five chapters of which the focus areas differ from each other. The Chapter Division is as follows:

Chapter 1: Nature and scope of the study

This chapter serves as an introduction and general orientation. The dissertation is set out in three major sections divided into four (4) chapters. Chapter 1 addresses the foundation of the study, the development of the conceptual framework and research methodology Chapter 2 contains the literature study whilst Chapter 3 contains the empirical findings and focuses on the research, a discussion and presentation of the data analysis process, and provides the result study. Chapter 4 contains recommendations and conclusions and includes a discussion of the results and implications of the research. This chapter also includes the problem statement and objectives of the research being; problem orientation; literature orientation and empirical orientation.

- Introduction
- Background and rationale for the study
- Problem statement
- Purpose of the study
- Research objectives
- Scope of the study
- Limitations of the study
- Significance of the study

- Research design
- Layout of the study
- Conclusion
- Chapter summary

Chapter 2: Literature study

This chapter provides a literature overview on the factors identified and its impact/influence on client loyalty. The first section is concerned with the nature and characteristics of these factors and effects/influence on client loyalty.

- Introduction
- An overview of Management Information Systems (MIS)
- An overview of client loyalty
- An overview of SMEs
- Surveys and current trend/factors driving client loyalty
- Conclusion
- Chapter summary

Chapter 3: Empirical study

The chapter will begin by describing the research design, followed by a discussion of the sample involved in the study in explanation of how the theoretical constructs were used. This will include a detailed description of how the methods of analysis were applied to determine the reliability and validity of the measurement instrument. This chapter also includes the reporting and analysing of the results. The aim is to report the findings of the research. The data analysis is to be structured around findings and analysis of interdependencies.

- Introduction
- Purposed of the study
- Research design and methodology
- Statistical analysis
- Descriptive statistics
- Conclusion
- Chapter summary

Chapter 4: Conclusion and Recommendations

This chapter discusses the results of this research. Some recommendations for future research are also suggested. For the purpose of this discussion, this chapter will be divided into three parts namely, discussion, recommendation for future research and conclusion.

- Introduction
- Primary and secondary objectives
- Limitation of study
- Summations of study results
- Recommendations
- Conclusion
- Chapter summary

1.11 CONCLUSION

The South African banking industry is dominated by four major banks. South African banks have struggled to grow in an environment of high household debt ratios and weak corporate demand for credit. Furthermore, the banking industry is becoming increasingly competitive. A high level percentage of SMEs are multi-banked which enable the switching of institutions. Intermediaries have also entered the market providing financial services. Intense competition in the domestic and foreign markets as well as greater client expectations resulted into client loyalty being a major focus area in the banking industry. Client retention and increased client loyalty is key for sustainable growth in the banking industry.

1.12 CHAPTER SUMMARY

This chapter is a high-level overview of the proposed study as well as the layout and approach. The topics covered are a broad overview of the banking industry and casual factors driving the need to focus on client loyalty. The chapter further covers the current problem statement, the purpose of the research, the research methodology, objectives and design that will be employed. The scope of the study, the significance as well as the limitations of the study is also covered in this chapter.

The researcher aims to explain the effect and influence the aforementioned have on client loyalty in SME business banking clients in South Africa.

CHAPTER 2 – LITERATURE STUDY

2.1 INTRODUCTION

Management Information Systems (MIS) and Information Technology (IT) have been around for a long time. The benefits of IT have had a major impact on individuals, businesses and on society as a whole. A major component of MIS has strategic opportunities for businesses to gain competitive advantages and may provide the differentiation required to stay ahead of the competition in the short term.

Management tools and trends (Rigby & Bilodeau, 2013:1-9) reported that management needs to grow their business at a time when forces inside and outside their organisations make that task much more difficult. These leaders are reassessing the investment in growth in areas ranging from information technology, hiring, taxes, and so forth scouting for cost cutting/reductions to help them fund investments or meeting earning growth. Various strategic tools are employed in the process and Open Innovation & Satisfaction and Client Loyalty Management rank amongst the top tool these leaders choice to use (Rigby & Bilodeau, 2013:1-9).

Client loyalty is a deeply held commitment to rebuy or patronise a preferred product/service consistently in the future. Obtaining client loyalty poses a challenge for banks since the banking industry has become extremely competitive. With the increased focus on SMEs and several policies to boost SMEs within the South African landscape, banks are presented with significant growth area (Oliver, 1999:33-44).

Over the past two decades, service quality, relationship quality and client satisfaction have occupied a dominant position in the service industry. The net promoter score is a model that has been widely used in many companies to focus their organisation on earning the passionate loyalty of customers. The system requires every level in the organisation to focus on quality of customer relationship and service. The link between customer loyalty and true sustainable organic growth is well established. The net promoter system used in the banking industry focuses on relationships and service quality. The terminology of client satisfaction is synonymous with the net promoter system. The net promoter system uses a zero-to-ten scale with the

answers clustering in three groups each characterised by different attitudes, behaviours and therefore economic value. The three groups are: promoters, passives and detractors (Bain & Company, 2013).

Recent events in the market indicated that the matrix is not all inclusive and requires more factors to be considered. Surveys done by KPMG, Ernest & Young, Accenture, and others indicated that other factors such as trust, product, corporate image/brand, EQ, and more play an important role in client loyalty.

Another factor influencing client loyalty is trust. Trust occurs when one party believes that the other party's actions would result into a positive outcome for him/her. Trust is a very important factor in a relationship effecting commitment and client loyalty. A positive relationship exists between trust and customer loyalty (Anderson & Narus, 1990:45-58).

Innovation has changed the landscape mainly due to new forms of commercialisation and distribution of banking services. Product quality in banking and the value of clients associated service are at a premium. More and more banks are recognising the importance of value-added products and client relationships and the impact it has on client loyalty (Verhoef, Frances & Donkers, 2002:121-134; Sweeney & Morrison, 2004:350-370).

Corporate image/brands engage clients on a deep and emotional level. True brand loyalty exists when consumers have a high relative attitude toward a particular brand which can be exhibited through repurchase behaviour (Kotler & Armstrong, 2012:269-275). This type of loyalty can be a great asset to the firm: clients are willing to pay higher prices, may cost less to serve and bring in new clients to the firm (Reichheld & Sasser, 1990:105-111).

Service organisations such as banks require interpersonal interaction. In service organisations sales people frequently interact with clients; in particular, emotional intelligence is an important ability that can affect how to service clients in a selling situation. Recent surveys have indicated that clients require a deeper understanding of their businesses, the market in which they operate and the application of tailor

made solutions. Skill and emotional intelligence play an important role in client loyalty.

For the purpose of this study, the researcher will concentrate and focus on the before listed factors.

2.2 AN OVERVIEW OF MANAGEMENT INFORMATION SYSTEMS (MIS)

Management information systems is defined as “a general name for business function and academic discipline covering the application of people, technologies and procedures – collectively called information system – to solve business problems”(Baltzan & Phillips, 2010:9). According to Baltzan and Phillips (2010:9-13), the following concepts are to be understood when dealing with MIS: data, information and business intelligence, IT resources and IT cultures. Data are raw facts, information is data converted into a useful context with meaning whilst business intelligence is the applications and technologies used to gather, provide access and analyse data and information to support the business in decision making processes and efforts. IT resources must align with the business strategy, goals and plans whilst the IT culture influences the way people use this information. MIS benefits a business in many ways such as enabling a business to increase efficiency, retain key clients, identify new sources/markets of supply and introducing effective financial management (Baltzan & Phillips, 2010: 9-13).

Management Information Systems (MIS) have been around from the beginning of time; however, the information technology (IT) is relatively new on the scene. The benefits of IT have had a major impact on individuals, businesses and on society as a whole. Within the IT component of MIS lie major strategic opportunities for businesses to gain competitive advantages over their rivals such as providing better service to clients than the competitors may provide the differentiation required to stay ahead of the competition in the short term. IT can process, record, analyse and disseminate information quicker. Data can be collated from different parts of the business (internal environment) as well as from the market (external environment), bring it together to provide relevant, timely, concise and precise information to help businesses to become more efficient, effective and competitive. Databases and

more sophisticated mainframe computers supply management with information about the business. Furthermore, by applying technology outside its traditional domain (backroom) by moving it into the sharp end of the business would create distinct competitive advantages to the business. Technology affects the competitive forces in many ways that is by building barriers against new entrants, changing the basis of competition, changing the balance of power in supplier relationships, tying the customer, switching cost and creating new products and services. MIS adds value through providing a summarized performance report to management, provide tools, models and data for aid in decision analysis, provide on-line access to real-time financial and operational information and provide online access to unstructured information and knowledge throughout the business (Galliers & Leidner, 2003: 1-21,508).

Various software applications can assist SMEs with management information. Systems such as Enterprise Resource Planning ERP link all the areas of the business (Chase & Jacobs, 2011: 508). The Client Relationship Management System (CRM) tracks customer behaviour and gain insight into customer tastes and changing/evolving needs. By mining and using this information a company can design and develop better products and services (Davenport, Harris & Kohli, 2001:63-73). Customer satisfaction has significant implications on the economic performance of a company (Bolton, Lemon, & Verhoef, 2004:271-292). CRM applications effect customer satisfaction. First, CRM applications enable companies to customize their offerings per client. Patterns can be identified through accumulating information across customer interactions and processing this information, CRM applications assist companies in customizing their offerings to suit the individual tastes of their customers. Customized offerings enhance the perceived quality of products and services. Perceived quality is a determinant of customer satisfaction; therefore, CRM applications indirectly affect customer satisfaction through their effect on perceived quality. Second, in addition to enhancing the perceived quality of the offering, CRM applications also enable companies to improve the reliability of consumption experiences by facilitating the timely, accurate processing of customer orders and requests. For example, Wyndham uses IT tools to deliver a consistent service experience across its various properties to a customer (Piccoli & Applegate, 2003:1-42). Both an improved ability

to customize and a reduced variability of the consumption experience enhance perceived quality. This in turn positively affects customer satisfaction. Third, CRM applications also assist companies in managing customer relationships more effectively across the stages of relationship initiation, maintenance, and termination (Reinartz, Krafft, & Hoyer, 2004:293-305). Effective management of the customer relationship is the key to managing customer satisfaction and customer loyalty (Mithas, Krishnan & Fornell, 2005:202).

The future is to predict what clients want. By predicting accurately what people will want in the future defines success. Millions of data points are created by clients daily and they are never analysed or collected. More intelligent examinations of date collecting, mining and analysis is coming. Organisations are to invest in analytics, predictive simulations and data science combined with big data analytics. When you combine the aforementioned you have a vastly different organisation and access to new tools of insight (Canton, 2013:3-10).

2.3 AN OVERVIEW OF CLIENT LOYALTY

Client loyalty, according to Oliver (1999:33-44) is defined as "a deeply held commitment to rebuy or patronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour". Menon and O'Connor (2007:157) define customer retention as the longevity of a consumer's relationship with a firm whilst Eisingerich, (2006:86-96), defines client loyalty as the intent to stay with an organisation.

Loyalty can be divided into three components: emotional commitment, attitude and behaviour (Oliver, 1999:33-44). According to Sivadass and Baker-Prewitt (2000:73-82), client loyalty is the ultimate objective of client satisfaction measurement. Therefore, retaining existing clients and strengthening client loyalty appear to be very crucial for Banks to gain competitive advantage.

Customer retention refers to a firm's 'zero defections' of profitable consumers or no switches from profitable consumers to competitors (Reichheld, 1996:56-69). Most banks have client retention strategies due to rising competition, increasing cost in

client acquisition and customer switching behaviours (Manrai & Manrai 2007:208-215). Customer retention is becoming the “Holy Grail” for business (Coyles & Gokey, 2005:101-105).

Clients in the banking industry are increasingly sharing their purchases between multi brands which are known as “polygamous loyalty” (Bennett & Rundle-Thiele 2005:250-263; Rust, Lemon & Zeithaml, 2004:109-127; Uncles, Grahame & Hammond, 2003:294-316; Uncles, Ehrenberg & Hammond, 1995:G71–G78).

Obtaining client loyalty poses a challenge for banks since the banking industry is characterized by many clients having multiple relationships with various service providers and other banks (Lam & Burton, 2005: 204-213; Calik & Balta, 2006:135-149).

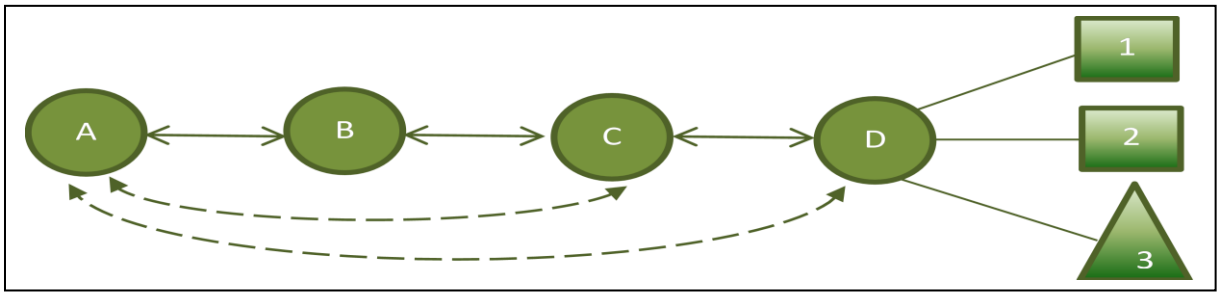
Polygamous (sharing purchases between multi brands) loyalty is associated with lower loyalty to the main bank. Clients who allocate a greater percentage of their transactional banking to one bank are more likely to be loyal to and less likely to switch from a bank than clients with a lower share of wallet (Baumann, Burton & Elliot, 2005:231-248).

Previous client loyalty research was done in Business Banking (Chan & Ma, 1990:25-31; Zineldin, 1995:30-40; Ennwe & Binks, 1996:219-230; Madill et al., 2002:86-98); however, there has been a relative lack of research into SMEs compared to research in Retail Banking. The decision-making process is also becoming more complex as SMEs’ choice increasingly depend on many different criteria simultaneously, including brand, quality performance, price, product features, relationship, distribution channels, and more (McFadden, 1986:275-297). The problem is further exacerbated when clients may consider other intangible features and characteristics of the offering such as service quality, perceived *guanxi* (a Chinese term referring to interpersonal connections) (Fan, 2002:544-551), and trust (Verma et al., 2008:179-82).

Guanxi is a dynamic process where a relationship strong or weak exists all the time. When a need for something exists, the guanxi process starts. In a guanxi

relationship one person (B) in most cases may not have a solution even if they want to help. B then searches for further connections for the solution so B becomes a facilitator, intermediary or matchmaker rather than a solution provider. Guanxi also involves a series of processes that is pre-planned and carried out by more than two parties and can occur between two parties without any shared attributes. In the diagram A (petitioner) below A did not have any existing or previous relationship with D (solution provider). A could start the process by using B (with who A has a relationship) as a go-between to reach C and through C to D (Fan, 2002:544-551).

Figure 2.1: How guanxi works



Source: Fan (2002:550)

In the challenging environment it is necessary to establish a loyal relationship with the client in order to increase and retain market share. Beerli, Martin and Quintana (2004:253-275) stated that successful engagement in client loyalty is the key to protecting and improving the market share as well as the value of the business.

KPMG (2013:3-33) reports in their recent survey Africa Banking Industry Customer Satisfaction Survey 2012 that the difference between promoters and detractors in the SME and mass affluent segments is 13% to 15% and 12% to 14% respectively.

The future of client loyalty is to align the organisation to be of strategic value to the client. This is done through learning, creating, innovating and re-aligning the organisation to be of strategic value to the client (Canton, 2013:3).

2.4 AN OVERVIEW OF SMES

The DTI generic broad based definition for SMEs is used for this study. SMEs in South Africa is defined as a business with a turnover range of R5m – R35m; with a range of full time employees of 5 – 200 and with a range of gross assets of R100k – R23m (DTI Small Business Micro Enterprise Development, 2013). The aforementioned definition is widely applied and one should refer back to the SMEs Amendment Act to establish in which specific category an SME falls.

With the increased focus on SMEs and several policies to boost SMEs within the South African landscape, banks are presented with a significant growth area. Banks that provide SMEs access to loans and other services can potentially gain a significant share of SMEs spending on financial products. SME revenues for banks are expected to be more than over the next few years (20% p.a. growth). In Sub-Saharan African revenue is expected to grow from $5 billion in 2010 to $12 billion in 2015 (Chironga et al., 2012:7). Because of the attractiveness of this market, client retention becomes a key aspect.

SMEs are increasingly seen as playing an important role in the economy of South Africa. According to Olawale and Garwe (2010:729-738), challenges faced by SMEs in South Africa are access to finance, management skills, location and networks, investment in information technology and cost of production, economic variables and markets, crime and corruption as well as the labour, infrastructure and regulations. As seen from the above, finance is one of the factors that affects SMEs. Without the appropriate financing structures in place, an SME will battle to succeed; therefore, client loyalty is low on their agenda when seeking finance options.

2.5 SURVEYS AND CURRENT TRENDS/FACTORS DRIVING CLIENT LOYALTY

Over the past two decades, service quality, relationship quality and client satisfaction have occupied a dominant position in marketing and the service industry. Later on researchers began to investigate more complex conceptual relationships and considered how such relationships are set to drive behavioural intention (Cronin, Brady & Hult, 2000:193-218). Research done by Clottey and Collier (2008:44-45)

applying an ordered logistic regression model supported their three hypotheses that product quality, service quality, and brand image are drivers of customer loyalty. Brand image was the strongest driver of customer loyalty followed by product quality then service quality.

In banking the quality of products and the value of clients' associated service (a combination of expectations and experiences in a client's mind) are at a premium and more and more are banks recognising the importance of value-added products and client relationships. Innovation has changed the landscape mainly due to new forms of commercialization and distribution of banking services (Verhoef et al., 2002:121-134; Sweeney & Morrison, 2004:350-370).

Richardson and Robinson (1986:3-30) stated that each year nearly 40% of bank accounts that are closed are because of poor service, 13% terminate their accounts because of rude or unhelpful employees, 11% maintain that the financial institution was cool and impersonal and 16% close accounts because of poor service in general. Thus, quality customer service and satisfaction are the most important factors for banks (Jamal, 2004:357-379).

When bank clients perceive that they obtain more benefit from a relationship, their satisfaction level will increase. Each experience leads to a further emotional reaction and evaluation (Molina, Martin-Cosuegra & Esteban, 2007: 253-271). In the current economic environment and era of intense banking competition, clients perceive very little differences in the services offering and new offerings are quickly matched by competitors (Coskun & Frohlich, 1992:15-22).

Research suggests that client dissatisfaction is still the major reason of bank clients' switching to other banks (Manrai & Manrai, 2007:2008-215) for a variety of reasons such as access, services, price, products, image, personnel skills, treatment, credibility, responsiveness, waiting time, location, technology and store appearance.
On the opposite site of the scale, bank loyalty consists of two components:

- Loyalty based in inertia – where the client does not bother and take the time and trouble to look for another bank which may offer better products, services, and

- true bank loyalty – where the client shows repeated purchasing behaviour on a conscious decision to continue buying from the same bank

Another factor influencing client loyalty is trust. According to Lin and Wu (2011:535-551) there is a "statistically significant relationship between quality commitment, trust, satisfaction and customer retention.

Last but not least a recent 2012 Banking Industry Customer Satisfaction survey conducted by KPMG (2012:3-33) expects banks to demonstrate stronger knowledge of their businesses. The aforementioned suggests improved relationship management and deeper industry knowledge, the optimisation of alternative channels to reduce wait time and leveraging of technology to provide innovative solutions across the client value chain. All of this have an impact on personnel skill levels and challenge bankers to become more effective across various spectrums and to become a trusted business advisor (Abioye et al., 2012:24-28).

Furthermore, the fact that loyalty changes over time has been widely acknowledged. What is important today might not be important tomorrow. Therefore it is imperative the research and constant monitoring takes place to adjust the offering according to the market changes and dynamics.

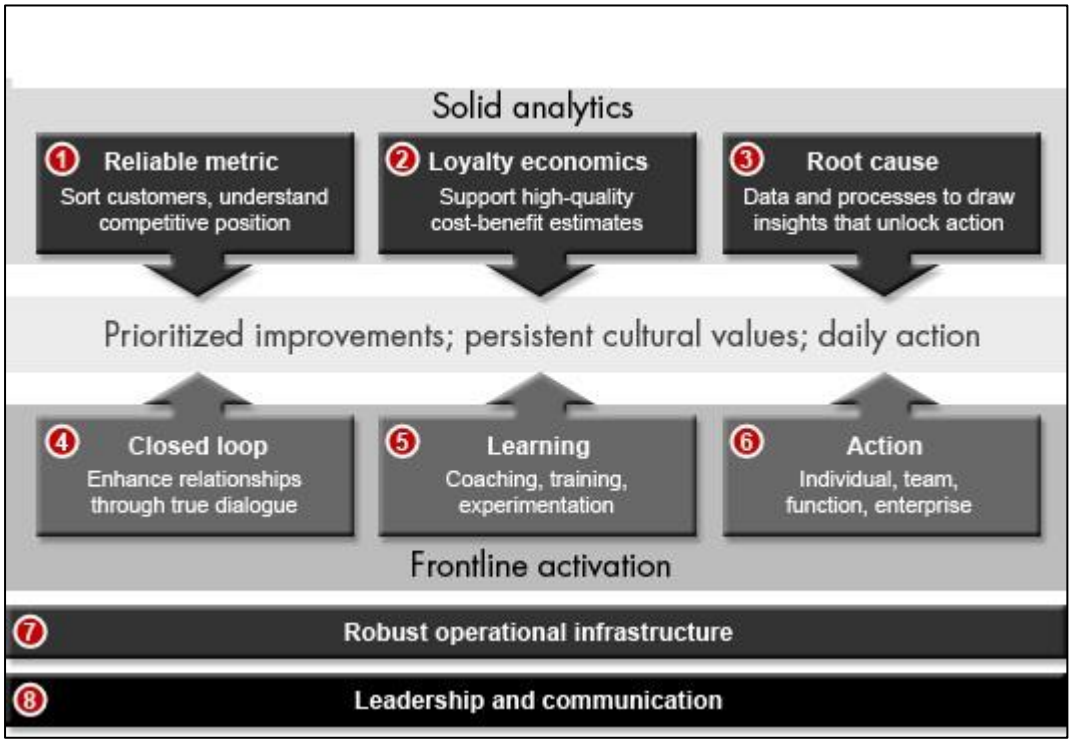
In summary, we will research the impact of relationship quality, service quality, client satisfaction, trust, skill level/EQ as well as the influence of product quality and corporate marketing/positioning/brand image on client loyalty in small to medium-sized businesses.

2.5.1 Net Promoter System

Managers have widely embraced and adopted the net promoter metric, which noted loyalty consultant Frederick Reichheld (2003:46-54) advocates as the single most reliable indicator of firm growth compared with other loyalty metrics, such as customer satisfaction and retention.

Bain & Company designed a net promoter system that consists of eight processes.

Figure 2.2: The eight Net Promoter System



Source: Bain and Company (2013)

Reliable metrics – High quality process/questionnaire sorting clients into promoters, passives and detractors in order to gain an understanding of the organisation's competitive position.

Loyalty economics – Provide a true understanding of costs and benefits of investing in different segments of the client base through the application of calculations and analysis.

Root cause – Mining client feedback to gain a deeper insight into what can be done to create more promoters and minimise detractors.

Closed loop – Sharing client feedback with employees and responding directly to the client taking action to their concerns.

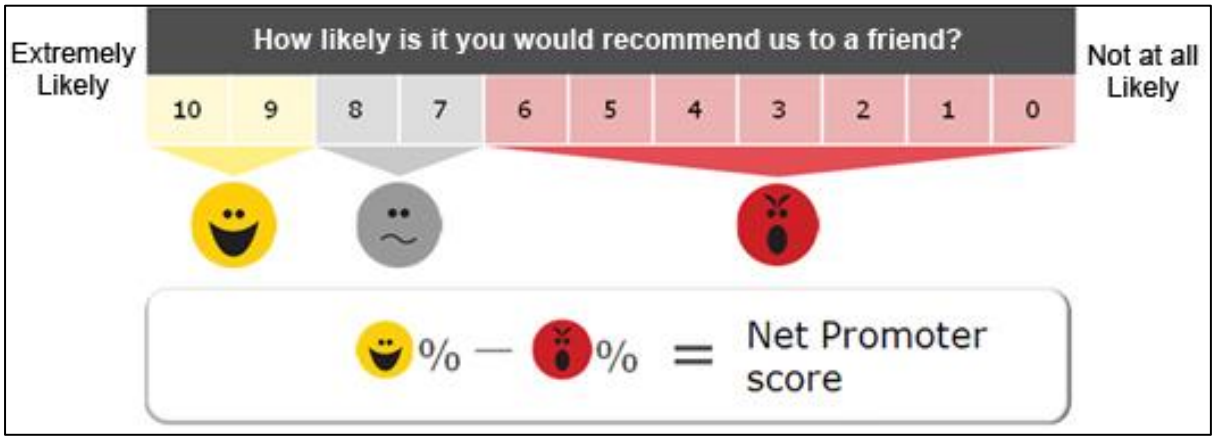
Learning – Feedback sets a platform for employees to understand the impact of their actions on clients.

Action – Change day-to-day processes focussing on being client centric.

Robust operational infrastructure – Update/design/review processes and policies and information flows.

Leadership and communication – Leaders to install values through action, decision and word, demonstrating the leadership commitment to earning client and employee loyalty.

Figure 2.3: Likert scale applied



Source: Bain and Company (2013)

The answers are scored on a simple zero-to-ten scale. Responses are clustered in three groups, each one characterized by different attitudes, behaviours and, therefore, economic value.

Promoters (9 or 10)

Promoters are loyal, enthusiastic fans. They promote and sing the company's praises to whoever is interested. They tend to remain customers and increase their purchases over time. Moreover, they account for more than 80% of referrals.

Passives (7 or 8)

This cluster is "Passively satisfied" because this group is satisfied—for now. Repurchase and referral rates are as much as 50 present lower than those of promoters. Referrals are likely to be qualified and less enthusiastic. If a competitor's advertisement catches their eye, they may defect.

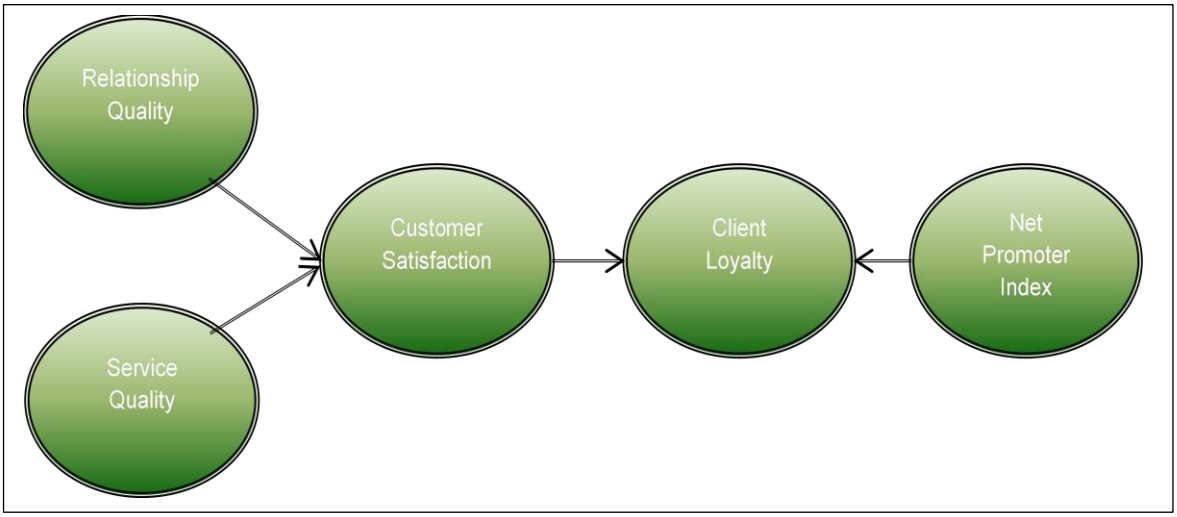
Detractors (0 to 6)

Detractors are unhappy customers. This cluster accounts for more than 80% of negative word-of-mouth. A high rate of churn and defection is prevalent. Some may appear profitable from an accounting standpoint, but their criticisms and bad attitudes diminish a company's reputation, discourage new customers and demotivate employees.

The net promoter score is simply the percentage of promoters minus the percentage of detractors. This number can be compiled and tracked regularly for a whole company, each business, product, customer-service team, customer segment, and so on.

The current adoption and application of the net promoter system used in the banking industry focuses on Relationship and Service Quality.

Figure 2.4: Client Satisfaction model

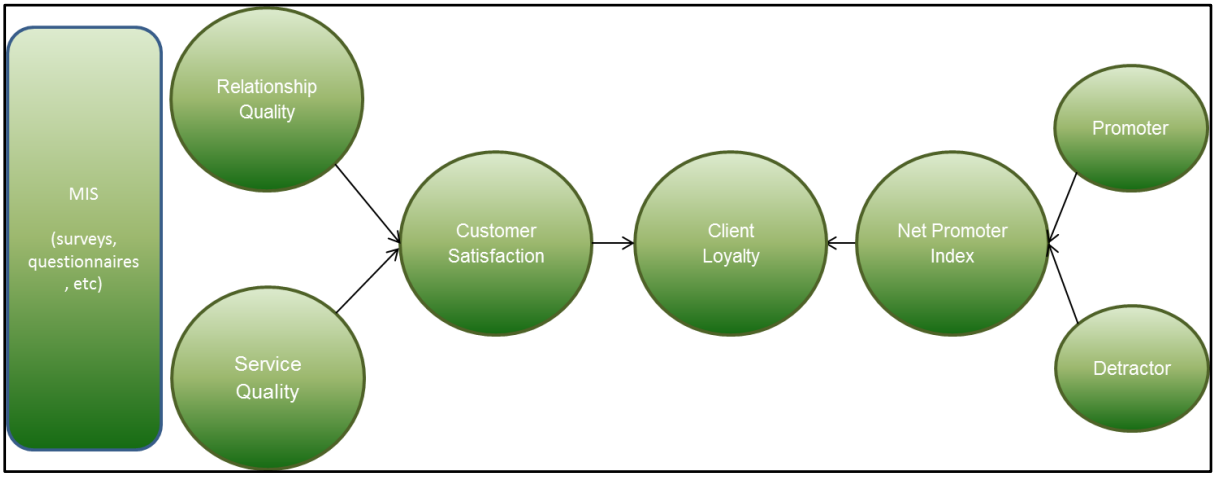


Source: Adopted from Nedbank Ltd, 2013

Most financial institutions within South Africa applies' a variation of the above model. The majority of banks in South Africa are relationship driven and therefore measure the effectiveness of their sales force whilst the rest of the staff and branch network provides fulfilment in the form of client service which in turn is measured by a client service index. Both these two elements are feeders to client satisfaction. The net promoter index complements the client satisfaction index and both feeds into getting a client loyalty score/view.

Figure 2.5 is a diametrical view of the two combined methodologies being the net promoter system and the model adopted from Nedbank Ltd.

Figure 2.5: Combined models



2.5.2 Relationship quality

"Perceived relationship quality is the joint cognitive evaluation of business interactions by significant individuals in both firms. The evaluation encompasses a comparison of experience with desired, potential, usual or previous interactions which constitute comparison standards." (Holmlund, 2008:35). Grönroos (1994:9) defines relationship marketing in the following way: "Marketing is to establish, maintain, and enhance relationships with clients and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises". These relationships are not always long term. First you have to attract the client and then build the relationship in order to meet the economic goals of the relationship (Grönroos, 1994:9). The definition covers three elements namely: the existence of a relationship, the economic benefits of profit targets for both parties and the exchange and fulfilment of a promise. Another concept is Customer Relationship Management (CRM). This concept is used interchangeable with relationship marketing (Payne, 2006:18). Payne (2006:22-23) explains the relationship between these two concepts as CRM focuses on the implementation and tactical management of the client interaction whilst relationship focus marketing strategies over the client's lifetime. The economic benefit of the relationship is sustained profitability and client loyalty.

It is crucial for service providers to understand what drives clients to stay in a relationship (Morgan & Hunt, 1994:20-38) with Bolton et al. (2004:287) arguing for the need to have a deeper understanding of the key drivers of relationships. The key

drivers being: “staying reasons”. Unfortunately, staying reason has only received limited attention (Colgate et al., 2007:211-228), although organisations consider retention of customers to be the “holy grail” of marketing (Reichheld, 1993:64-73).

To maintain client loyalty, four aspects of relationship quality are enhanced, those being trust, commitment, satisfaction and service quality. In order to improve trust, the organisation should promote the client’s trust in the organisation. To emphasize commitment, the organisation should focus on building effective aspects of commitment rather than calculative aspects. Satisfaction is crucial in maintaining purchase intentions, whereas service quality will strongly enhance both purchases and loyalty (Rauyruen & Miller, 2005:29).

2.5.3 Service quality

High quality service can be defined as an experience that exceeds customer expectations (Roses, Hoppen & Henrique, 2009:876-882).

Service quality is an important issue in service management (Clottey & Collier, 2008: 44-45). Service is defined as an activity similar to a form of product that benefits or satisfies a need that’s offered on sale. It is essentially intangible and does not result into ownership of anything (Kotler & Armstong, 2012:248). Service consists of four characteristics: 1. Service is intangible; cannot be seen, tasted, heard, smelled or felt before they are bought. 2. Service is inseparable and cannot be separated from the provider. It is produced and consumed at the same time. 3. Variability - the quality may vary significantly and it is dependent on who provides it as well as when, where and how. 4. Perishability - cannot be stored or put aside for later use (Kotler & Armstrong, 2012:261). A key success in service is to make the intangible tangible (Berry & Clark, 1986:53-54).

Studies have shown that there is a significant positive relationship between the client relationships and level of service quality of banks (Rootman, 2006:40-68). Without an understanding of how to manage service quality in client relationships in the long term, the impact would be that the organisation will not be able to make full use of the competitive advantage opportunities in relationship marketing strategies (Storbacka, Strandvik & Grönroos, 1994:21-35).

Customer experience is defined as the customer's cognitive and affective assessment of all direct and indirect encounters with the organisation's relating to purchasing behaviour (Klaus & Maklan, 2013:228). This definition is highly consistent with those offered by other researchers (Verhoef et al., 2009:31-41; Lemke, Clark & Wilson, 2010:846-849). The customer experience is a key determinant of customer satisfaction and loyalty (Caruane, 2002:811-829).

2.5.4 Client satisfaction

Kotler and Armstrong (1996:12) define customer satisfaction as the level of a person's felt state resulting from comparing a product and/or service perceived performance or outcome in violation to his/her own expectations. Therefore satisfaction could be considering comparative behaviours between inputs beforehand and post obtainments. Kotler and Armstrong further says if the product meets expectations, the customer is satisfied; if it exceeds expectations, the client is highly satisfied; if it falls short of expectations, the client is dissatisfied. Therefore, client satisfaction is a relative concept encompassing the client expectations as well as the performance of the product or service.

Customer satisfaction has a direct and positive impact on an organisation's profitability. Organisations should gaze into the expected desires of their customers to earn profit (Singh, 2006:1-7). In a competitive environment where differential is the edge, policy makers should continually strive to increase the level of customer satisfaction (Sutanto, 2009:108-113).

Customer satisfaction has become the centre of service marketing and operations management because it is a general proposition to be a significant antecedent of client retention and repeat sales by positive word-of-mouth (Ruy & Han, 2010:310-329). Service quality is closely related with customer satisfaction (Kumar et al., 2008:176-187).

A link exists between customer satisfaction, customer loyalty and customer retention. Without loyal clients, the competitors will eventually enter the market and satisfy clients' needs which will lead to a decrease in customer retention. It is important for a

product/service provider to emphasize the quality of product and service. As quoted by Lin and Wu (2011:535-551) there is a “statistically significant relationship between quality commitment, trust, satisfaction and customer retention and future use of product, as retention is influenced by future use of product. Lin and Wu (2011:535-551) also argued that “our finding extend previous research that there is a solid relationship between customer retention and quality of service/or products”.

Prisoners have few choices amongst providers for services they require and thus they may be extremely dissatisfied with the offering and service, yet they will continue to repurchase these needed services. These clients are likely to feel trapped, unhappy and frustrated. The aforementioned clients do not have a choice but to exercise repeat purchases. Detached clients also have repeat purchases but the perceived switching cost for them is too high to change service providers. For the two aforementioned groupings, client satisfaction is not the glue and key driver to stay with a company. The purchased loyalist believes that the company has their best interest at heart and therefore will have repeat purchases. This grouping is known as typology, those who made purchases on the reward they receive. Clients whose needs are met with appropriately targeted and satisfying market offerings have no reason to switch service providers and therefore are termed as a satisfied loyalist client in this typology. Apostles are the highest level of client loyalty. They are extremely loyal to a particular service provider and repurchase with fervour. The primary factors distinguishing levels of loyalty in this typology are the bond connecting the client to the service, the role of satisfaction, the level of commitment and the available choices the client has. It is clear from the above that client satisfaction plays a key in client loyalty (Curasi & Kennedy, 2002:322-341).

The recent KPMG Africa Banking Industry Customer Satisfaction Survey (2013:1-96) reports that African banks have come a long way, but there is still much further to go to meet the expectations of customers.

BusinessTech (2013) reported that The South African Customer Satisfaction Index (SAcsi) announced its first set of results for South African banks on 26 February 2013. First National Bank is the bank with the most satisfied customers. Capitec, Nedbank and Standard Bank customers rated their bank statistically on par with the

industry. The index shows that FNB's satisfaction score is leading with 3.0% above South Africa's banking industry average. According to the report, banking clients in South Africa are reasonably satisfied with the products and levels of service they receive from most banks. The banking industry received on overall satisfaction score of 77.6 out of 100. This ranks our banking industry fifth in the world, as per the report (BusinessTech, 2013).

2.5.5 Trust

Trust is the positive expectation a person has toward another person in a situation involving risk at an individual level (McShane & Von Glinow, 2010:113). Social psychologists have defined trust as an expectation about the behaviour of others in transactions, focusing on the contextual factors that enhance or inhibit the development and maintenance of trust (Lewicki & Bunker, 1995:133-173). Rotter (1960:1-7) defines trust as "a generalized expectancy held by an individual or group that the word, promise, verbal, or written statement of another individual or group can be relied on" (1971:443-452, 1980:1). The aforementioned definition is quite close to the Oxford English Dictionary's definition of trust "confidence in or reliance on some quality or attribute of a person or thing, or the truth of a statement" (Oxford, 2013).

Trust occurs when one party believes that the other party's actions would result into a positive outcome for him/herself (Anderson & Narus, 1990:45-58) Therefore, to trust a brand, clients must perceive value and quality as positive (Morgan & Hunt, 1994:20-38). Trust is also very important in a relationship effecting commitment and client loyalty (Gundlach & Murphy, 1993:35-46). Thus, there is a positive relationship between trust and customer loyalty (Chaudhuri & Holbrook, 2001:31-93; Lau & Lee, 1999:341-370).

Blois (1999:197-215) states that "trust refers to when the other party makes itself vulnerable to the other party's behaviour" whilst Hanfield and Bechtel (2002) suggest that trust is the centre feature of buyer-supplier relationships. High levels of trust enable parties to focus on long-term benefits of the relationship (Zineldin & Jonsson, 2000:245-266). Literature on relationship management speaks to the sequential development of the business relationships between company and client based on

the distinct stages that the relationship passes through. As one climbs the ladder of the relationship of client to advocates to partners, each stage requires key developments in the relationship between the parties concerned. Partnership requires perceived value in the relationship to be high, that service levels are high, reliable, dependable, and that trust is developed. The former are essential pre-requisites for trust. Not everybody wants to purchase the highest level of quality service, but may prefer someone whom they trust will provide the highest level of service (Olshavsky, 1985:3-29).

Trust also reflects credibility (Ganesan, 1994:3), and credibility affects the long-term orientation of a customer by reducing the perception of risk associated with opportunistic behaviours by the firm (Erdem, Louviere & Swait, 2002; Ganesan, 1994:1-19). Specifically, trust reduces uncertainty in an environment in which consumers feel vulnerable, since they know that they can rely on the trusted brand (Chaudhuri & Holbrook, 2001:82). Therefore, to trust a brand/relationship, clients should not only perceive positive outcomes but also believe it will continue in the future. Consequently, trust should positively affect client loyalty.

From a strategic importance the role of trust and commitment are both directly associated with a relationship atmosphere of high quality influencing behavioural intentions directly. Recent research and measurement (Woo & Ennew, 2004:1252-1271), the conceptualisation of an relationship as a higher order construct provides organisations with a valuable tool of business-to-business relationship quality measurement on the basis of relationship satisfaction, trust and commitment. Therefore, focus should be placed on managing relationship quality because of the direct influence on client loyalty (Caceres & Paparoidamis, 2005:858).

2.5.6 Skill/Emotional Quotient (Emotional Intelligence)

Salovey and Mayer (1990:185-211) defined EI as “the subset of social intelligence that involves the ability to monitor one’s own and others’ feelings and emotions, to discriminate among them and to use this information to guide one’s thinking and actions”.

Limited research relating to the effects of emotional intelligence on service organisations has been done. Service organisations are environments that require interpersonal interaction. In service organisations sales people frequently interact with clients, in particular emotional intelligence is an important ability that can affect how to service clients in a selling situation. Having said that, there is insufficient research output relating to this statement. Service employees' emotional intelligence can affect the way service is provided to the client. Sales people with a high level of emotional intelligence manage their interactions with clients more effectively. Commitment towards other people is a necessary component of social interaction and positive emotions is associated with a high likelihood of success at work (Nikolaou & Tsaousis, 2002:327-342).

Emotional intelligence has a potential to contribute to more positive attitudes, behaviours and outcomes. Schutte et al. (2002:769-785) noted that "evidence exists that emotional intelligence can be conceptualised as an ability (Ciarrochi, Chan & Caputi, 2000:539-561) or as a personality trait (Schutte et al., 1998:167-177). One can therefore conclude that emotional intelligence is a competency that is expected to augment positive attitudes towards work, relationships, and drive positive behaviours and outcomes. It is essential that bankers possess this competency to build relationship with the end goal to drive increase client loyalty.

Intangibility of service is revealed in a tangible form through adaptive selling and expression of positive emotion. These are observable physical behaviours and displays of initiative motivation, effort, appearance and so on (Bardzil & Slaski, 2003:97-100) For relationship between service providers' emotional intelligence and behaviour, the higher emotional intelligence is more likely to result in effective customization, adaptive behaviour and expression of emotion required in the organisation. Therefore, service providers' emotional intelligence and behaviour are closely correlated.

One of the needs that organisations face is to increase client loyalty. Emotional intelligence plays an important role in satisfying the need. Emotional intelligence also plays a role in helping managers make good decisions about products and markets. Making these decisions involves more than emotional intelligence. Good data

gathering and analyses support the decision-making process but do not provide a clear-cut answer. At times managers will have to rely on their intuition or gut feeling. Such feeling will sometimes point to the right and sometimes to the wrong direction. The managers most likely to have feelings that point in the right direction have learned to discriminate between feelings that are irrelevant and misleading and feelings that are on target. Emotional intelligence enables managers to tune into the gut feeling that are most accurate and helpful in making difficult decisions (Cherniss & Goleman, 2001:5-6). In today's climate and changing world, managers rely on data and their gut feeling in advising clients.

Furthermore, it is suggested that experience drives satisfaction, which in turn drives loyalty (Shanker, Smith & Rangaswamy, 2003:153-175).

2.5.7 Product/Channel quality

Product/channel quality is rapidly becoming an important competitive issue. As per Kotler and Armstrong (2012:128-275) quality has a direct impact on product/channel and is closely linked to client value. Quality product/channels create client value and satisfaction. From a banking perspective most products/channels are moving to self-help and simplicity underpinned by technology. Products/channels in the banking industry have similar trademarks as commodities and are easily replicated. A bank who does not offer convenience, self-service, ease of access, social media capabilities, integrated channels, and more run the risk of their base migrating to other channels and institutions.

Clients view product and channel in the same light under the banner of products. Banks on the other hand view product as a product offering that is, for instance, current accounts, savings accounts, investment accounts, and more that have a physical component that is sold to a client whilst the channel is viewed as a service mechanism. Various channels exist within the banking fraternity that being the branch, ATMs, Electronic Banking, Face-to-Face, e-Commerce, B2B, and others.

Product is defined as "anything that can be offered to a market for attention, acquisition, use, consumption that might satisfy a want or need (Kotler & Armstrong, 2012: 248).

If a product/channel fulfils the client's expectations, the client will be pleased and consider that product/channel of acceptable or even high quality. Therefore quality affects satisfaction and loyalty (Garvin, 1984:25-43; Grönroos, 1983:252-254; Steenkamp, 1990:309-333).

In the retail store environment client loyalty is driven by quality service, quality products and brand image. Brand image was the strongest drive of client loyalty followed by product quality and then service quality (Clottey, Collier & Stodnick, 2008:45).

2.5.8 Corporate Marketing/Positioning/Brand Image

Brand is defined as a distinguishing name or symbol intended to identify both goods and services (Aaker, 1991:125-134). Brand reputation is defined as a perception of quality associated with the name (Aaker & Keller, 1990:27-41).

Successful brands engage clients on a deep emotional level (Kotler & Armstrong, 2012:269). Continuous communication will create awareness. Clients are exposed to a wide range of contacts and touch points (Kotler & Armstrong, 2012:275). True brand loyalty exists when consumers have a high relative attitude toward a particular brand which can be exhibited through repurchase behaviour. This type of loyalty can be a great asset to the firm: clients are willing to pay higher prices, may cost less to serve and bring in new clients to the firm (Reichheld & Sasser, 1990:105-111).

Clients do have a relationship with brands they consume (Fournier, 1998:343-373). Affective commitment may lie at the heart of this relationship (Coulter, Price & Feick, 2003:151-168). Consumers come to identify with and be involved with many of the brands they regularly consume (Fournier, 1998:343-373). Affective commitment explains the process where it is presumed that a client is loyal because he/she has a favourable attitude towards the brand and is a frequent buyer (McAlexander, Schouten & Koenig, 2002:38-54). It is clear that these clients have a deep attachment to the brand. For retail services brands, the evaluative process includes the specific tangible products that are sold, the brand image as well as the service experience (Kozinets et al., 2002:17-29). There is a general agreement that overall

satisfaction evaluations are positively related to client retention (Szymanski & Henard, 2001:16-35).

Brands claim unique attributes, functions and features. A brand can also claim functional benefit, emotional, experiential or self-expressive benefits. The trend is that more and more brands stand for something. The future of brands is to share a set of values with their clients and to create communities with their client base on shared value, culture and sense of identity (Van Auken, 2013). By accomplishing the aforementioned, real and sustainable client loyalty is created.

The construction of trust involves a calculative process based on the party's ability to continue to meet its obligations. Customers will weigh up the cost versus reward and determine whether they want to remain in the relationship. To trust a brand, customers should not only perceive positive outcomes but also believe that these positive outcomes will continue into the future (Doney & Cannon, 1997:35-51)

2.6 CONCLUSION

It is evident from the above literature that various other factors have an influence on client loyalty. The simplistic matrix currently used in the banking environment is out dated and requires an update and review. Factors such as Trust, Skills & EI, Product/Channel quality and Corporate/Brand play a pivotal part in determining the level of client loyalty. The net promoter concept is still applicable; however, the aforementioned factors need to be incorporated into the model in order for banks to ascertain where their key focus areas should be and to adopt their strategies accordingly. With the landscape continuously changing, banks need to be vigilant in understanding in what drives client loyalty. Without this deep understanding, banks run the risk of clients disengaging and eventually switching banks.

2.7 CHAPTER SUMMARY

This chapter is a high level overview of the study subject matters. Management Information Systems are an enabler in understanding client loyalty and tracking client's behaviour and changing needs were discussed as well as the latest technologies that could be applied such as ERM and CRM.

Client loyalty has been defined on an individual as well as a business level. Client loyalty has three components being emotional commitment, attitude and behaviour. Obtaining high levels of client loyalty remains a challenge for banks, failing places banks at risk and hampers their ability to grow.

A high level overview of SMEs was covered as well as the adoption of a broad definition. The obstacles SMEs in South Africa face are listed with obtaining financing as a key obstacle.

Recent surveys done by KMPG, Accenture, Ernest & Young (2012:1-55), and others were discussed. The main factors driving client loyalty were aligned with the various factors identified.

The matrix currently used by banks is based on the net promoter system. The system consists of eight net promoter processes: 1) Reliable metric; 2) Loyalty economics, 3) Root cause, 4) Close loop, 5) Learning, 6) Action, 7) Robust operational infrastructure and 8) Leadership and communication. The recommendation is that the additional factors identified be incorporated into this system.

Client satisfaction, Relationship and Service quality are factors that get measured and incorporated in the net promoter system. Relationship & Service quality impacts client satisfaction which in turn has an impact on client loyalty. The literature research has indicated that these two factors remain important.

Further factors that showed relevance and impact on client loyalty are Product Quality, Skills/EQ and Corporate/brand image. These factors were discussed. The researcher aims to explain the effect and influence the aforementioned have on

client loyalty as well as rank these in order of importance in small to medium-sized business banking clients in South Africa.

CHAPTER 3 – EMPIRICAL STUDY

3.1 INTRODUCTION

The chapter begins by describing the research design, followed by a discussion of the sample involved in the study in explanation of how the theoretical constructs were used. This will include a detailed description of how the methods of analysis were applied to determine the reliability and validity of the measurement instrument.

Based on the research problem statement, the appropriate design to meet the objectives will be making use of descriptive research covering client satisfaction, relationship quality, service quality and corporate image/positioning, client loyalty as well as explanatory research testing the hypothesis of the influence of client satisfaction, relationship quality, service quality and corporate image/positioning on client loyalty. As per Welman, Kruger and Mitchell (2005:7,78,135) the data collection methods and measuring instruments employed will fall in the category of quantitative research.

- The population consists of small to medium-sized businesses with an annual turnover of R5m to R35m. A convenient sample size of 200 businesses in Johannesburg, Central Gauteng was selected out of a population of 550. According to Welman et al. (2005:71): as a general rule, a sample size of less than 15 should not be used, but preferably one with more than 25. Cochran's (1977) formula uses two key factors being the risk the researcher is willing to accept in the study, commonly called the margin of error and the alpha coefficient value of acceptable risk the researcher is willing to accept. In the Cochran's formula, the alpha coefficient level is incorporated into the formula by utilizing the t-value for the alpha coefficient level selected. In general, an alpha coefficient level of .05 is acceptable for most research. The general rule relative to acceptable margin of error in educational and social research for categorical data is 5% and for continuous data 3% (Krejcie & Morgan, 1970:607-610). Cochran (1977) listed four ways of estimating population variances for sample size determinations: (1) take the sample in two steps, and use the results of the first step to determine how many additional responses are needed to attain an appropriate sample size based on the variance observed in the first step data; (2) use pilot study results; (3) use

data from previous studies of the same or a similar population; or (4) estimate or guess the structure of the population assisted by some logical mathematical results. The Cochran's sample size formula applied for continuous data:

$$\underline{S} = \frac{number\ of\ points\ on\ the\ scale}{number\ of\ standard\ deviations}$$

$$\underline{S} = \frac{5}{4} = 1.25$$

$$\underline{n_0} = \frac{\left(\underline{t}\right)^2 * \left(\underline{s}\right)^2}{\left(\underline{d}\right)^2}$$

$$\underline{n_0} = \frac{(1.649)^2 * \left(\underline{1.25}\right)^2}{\left(\underline{0.15}\right)^2} = 189$$

Where $\underline{t}$ = value for selected alpha coefficient level of .50 in each tail = 1.649

Where $\underline{s}$ = estimate of stand deviation in the population = 1.25

Where $\underline{d}$ = acceptable margin of error for mean being estimate = .15

The convenient sample of 200 is therefore adequate for the purpose of this study.

- The researcher's intention and approach is collecting data through making use of a well-designed questionnaire.
- Section 1 covers the company's demographic detail; three questions will be asked in order to screen the right respondent.
- Section 2 covers the factors that drive client loyalty
    - Section 2.1 covers Relationship Quality using a 5-point Likert scale.
    - Section 2.2 covers the Service Quality also using a 5-point Likert scale. This section also includes a service recovery measurement consisting of 2 – 3 yes/no questions.
    - Section 2.3 covers five core banking products covering Product/Channel quality using a 5-point Likert scale.
    - Section 2.4 covers Trust using a 5-point Likert scale.

- Section 2.5 covers Skills/EQ using a 5-point Likert scale.
- Section 2.6 covers Corporate Brand/Image using a 5-point Likert scale.
- Section 2.7 covers Loyalty using a 5-point Likert scale.
- Section 2.8 covers Overall Satisfaction using a 5-point Likert scale.
- Section 2.9 covers Overall ranking of Factors using a 5-point Likert scale.

This chapter will also present the results of the data analysis. The data analysis is to be structured around the:

- Findings
- Analysis of interdependencies

3.2 PURPOSE OF STUDY

The main objective of this study is to use management information systems to determine the client loyalty drivers in SMEs within the banking industry. Furthermore the study will determine what factors drive client loyalty and the importance of these factors in the banking industry's ability to achieve future and sustainable growth.

The research will contribute to understanding the impact by determining the enablers and detractors of the various factors on client loyalty as well as to build a management framework linking and mapping the interdependencies of various factors and impacts. The framework is to be used to craft strategies within banks, which will result in sustainable growth over extended periods, increase client retention and ultimately increase client loyalty.

3.3 RESEARCH DESIGN AND METHODOLOGY

According to Welman et al. (2005:2-7) various methods are available for the collection of data depending on the type of data required. Data are categorised into two sources being primary and secondary data. Each of these categories has advantages and disadvantages. Primary data is original data collected by the researcher for the purposes of his/her own study on hand (Welman et al., 2005:149).

Secondary data is data that is already available somewhere and have been collected for the specific purpose on hand (Kotler & Armstrong, 2012:128). The information and material used in this study is primary data.

Researchers have to ensure that primary data is relevant, accurate, current and unbiased. Research methods for primary data include: observational research; survey research and experimental research (Kotler & Armstrong, 2012:134). Consumer surveys are the most widely used and are the best approach to collect descriptive information. This method collects data by asking consumers questions about their knowledge, attitudes, preference and buying behaviour (Kotler & Armstrong, 2012:133). Consumer surveys obtain information by using contact methods such as interviews, questionnaires and mechanical instruments. This can be a quick approach or an in-depth approach (Savvides, n.d.:1). Primary data has been collected using a survey/questionnaire specifically designed to determine the factors that drive client loyalty. This study makes use of a survey/questionnaire to collect demographic data on Small Business Enterprises (SMEs) as well as understanding the factors that drive client loyalty. In order to complement the literature study a questionnaire was employed. The purpose of the questionnaire was to collect information on respondents' demographic detail, the importance of factors listed as well as the impact and contribution they have on client loyalty.

Data can also be categorised into qualitative and quantitative methods (Savvides, n.d.:15-18). Qualitative methods used are normally case study research, participation observation, unstructured in-depth individual and focus groups interviews as well as content analysis. Content analysis is the quantitative analysis of qualitative data (Welman et al., 2005:193-206,221). Quantitative methods used are statistically valid, statistical techniques and coding which includes level of measurement, descriptive statistics and inferential statistics (Welman et al., 2005:224-237).

Statistical methods place a big demand on data; therefore, the collection of data is crucial. Three aspects of the data are important: type of data; sources of data and presentation of data (Wilkinson, 2010:244).

The sample consisted of SMEs in Johannesburg Central Region. To obtain the sample, 200 questionnaires were distributed to conveniently selected SMEs out of a total population of 550. The questionnaires were hand delivered and collected after four weeks. Out of the 200 questionnaires distributed, only 61 SMEs responded resulting in a 31% response rate. Mail survey takes longer to complete and the response rate is often very low (Kotler & Armstrong, 2012:134). As mentioned, the questionnaires were hand delivered and collected after some time. The contact method used in the study is similar to a mail survey. Reliance is placed upon the respondent to complete and to return to the researcher. The response rate is low (31%) and falls within in the accepted norms of mail surveys.

The questionnaire consisted of two sections. Section 1 covers the demographic details of the SME whilst section two determines the factors that drive client loyalty.

- Section one covers demographic information such as company turnover, industry, total gross asset value (fixed properties excluded), number of employees and number of years with their existing bank.
- Section two consists of nine sub sections covering relationship quality, service quality, product/channel quality, trust, skills/EQ, corporate brand/image, loyalty, overall satisfaction and overall ranking of factors.

A 5-point attitude Likert interval scale was used requesting SMEs to indicate their choice of answer to the question by marking the preferred box: Strongly Disagree; Disagree; Agree; Strongly Agree or Don't Know.

3.4 STATISTICAL ANALYSIS

Statistical analysis is the collection of methods used to process data and report overall trends. To make sense of the data, data must be organised and coded so that it can be analysed (Welman et al., 2005:227,277).

The following techniques have been employed in this study:

- Frequency
- Reliability (including the mean, standard deviation & Cronbach's Alpha coefficient)

- Spearman Rank Order Correlations

Frequency

Frequency distribution summarizes numerical values by totalling them into a set of numerically ordered classes. These classes are grouped to form a range of values called a class interval. Each value can only belong to one class. The frequency distribution allows for the reaching of conclusions and for the major characteristics of the data (Levine et al., 2011:54-55).

Reliability and Cronbach Alpha Coefficient

The mean is the most common measure of central tendency and the only common measure where all the values play an equal role. The mean is the “balance point” in a set of data (Levine et al., 2011:114).

$$\overline{X} = \frac{\sum X}{n}$$

The standard deviation shows how much variation or dispersion from the average (mean) exists. A low standard deviation indicates that the data points are very close to the mean and a high standard deviation indicates that the data points are spread over a larger range. Furthermore, the variance and the standard deviation take into account how the data values are distributed. The sample standard deviation is the square root of the sum of the squared difference around the mean divided by the sample size. The sum of squares will always be positive. The characteristic of the range, variance and standard deviation:

- The greater the spread or dispersion of the data, the larger the range, variance and standard deviation.
- The greater the concentration of the data around a central value, the smaller the range, variance and standard deviation.
- If the vales are all the same, the range, variance and standard deviation will all be equal zero.
- None of the measures of variation can ever be negative (Levine et al., 2011:121-123).

$$S_x = \sqrt{\frac{\sum_{i=1}^{n} (x_i - \bar{x})^2}{n-1}}$$

Reliability describes the overall consistency of a measure. Cronbach's Alpha coefficient provides a measure of the internal consistency of a test or scale and expressed as a number between 0 and 1. A "high" value of alpha coefficient is often used as evidence that the items measure an underlying construct. Cronbach's Alpha coefficient is not a statistical test but rather a coefficient of reliability or consistency of the interrelatedness of a sample of test items (Tavakol & Dennick, 2011:53-55).

For a scale to be valid and possess practical utility, it must be reliable Peterson (1994:381). Reliability is defined as the degree to which measures are free from error and therefore yield consistent results (Peterson, 1994:381). Cronbach developed the Cronbach Alpha coefficient as a generalized measure of reliability and shows internal consistency of a multi-item scale, therefore it can be used as an index of reliability.

The presentation of coefficient alpha coefficient as an index of the internal consistency or reliability of psychological measures has become routine practice in almost all psychological and social science research in which multiple-item measures of a construct are used (Schmidt, 1996:350)

Peterson (1994:381) further states that the most referenced accepted value for Cronbach's Alpha coefficient is higher than 0.70.

Schmidt (1996:350- 353) further describes four caveats regarding the proper use of the alpha coefficient

- Alpha coefficient is not an appropriate index of unidimensionality to assess homogeneity
- In correcting for attenuation due to unreliability, use of alpha coefficient as an estimate of reliability is based on the notion that the measures involved are unidimensional. If it is not the case, the corrected coefficient will be overcorrected.

- There is no sacred level of acceptable or unacceptable level of alpha coefficient. In some cases, low levels of alpha coefficient can still be useful.
- Presenting only alpha coefficient when discussing relationships multi measures is not sufficient. Intercorrelations and corrected intercorrelations must be discussed as well,

The Cronbach Alpha coefficient was used to test the reliability of the data and to determine whether the data is suitable to do a factor analysis on.

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

Spearman's Rank Order Coefficient

The Spearman's rank order coefficient or t-test measures the strengths of the relationship between two variables. This test determines if two variables are related and specifies the degree of the relationship. The values of the coefficient of correlation range from -1 for a perfect negative correlation to +1 for a perfect positive correlation. The closer r_s is to zero, the weaker the association. The interpretation of r_s can be done according to the following guidelines:

- for values of r_s of 0.9 to 1, the correlation is very strong;
- for values of r_s between 0.7 and 0.89, the correlation is strong;
- for values of r_s between 0.5 and 0.69, the correlation is moderate;
- for values of r_s between 0.3 and 0.4.9, the correlation is moderate to low;
- for values of r_s between 0.16 and 0.29, the correlation is weak to low;and for
- values of r_s below 0.16, the correlation is too low to be meaningful;

(Levine et al., 2011:528).

The correlation is used to determine whether a linear relationship exists between X and Y (Levine et al., 2011:528).

$$t_{STAT} = \frac{r - \rho}{\sqrt{\frac{1-r^2}{n-2}}} \quad \text{and} \quad (R^s) = 1 - \frac{6 \sum d^2}{n^3 - n}$$

3.5 DESCRIPTIVE STATISTICS

Descriptive statistics are concerned with the description and/or summary of the data obtained for a group of individual unit of analysis (Welman et al., 2005:231).

3.5.1 Frequency and Standard deviation

3.5.1.1 Section 1 - Demographic Information

Demographic information has been aligned to the DTI definition for SMEs as per appendix B and the various classifications and criteria have been adopted for this study.

Figure 3.1 reflects company annual turnover which varies from R5m to +R51m. Data/questionnaire reflecting a turnover of +R35m is made up of two or more SMEs within a group. The groups opted to complete one questionnaire instead of multiple questionnaires as the requirements and response is the same for all the SMEs in the group. Therefore, the group companies with a turnover of >R51m represent 39.34% of the sample and companies with a turnover of R5m-R15m represent 24.59% being the second highest percentage. The aforementioned two segments represent 63.93% of the total sample. The remaining segments vary between 11.48% – 13.11%.

Figure 3.1: Company Turnover

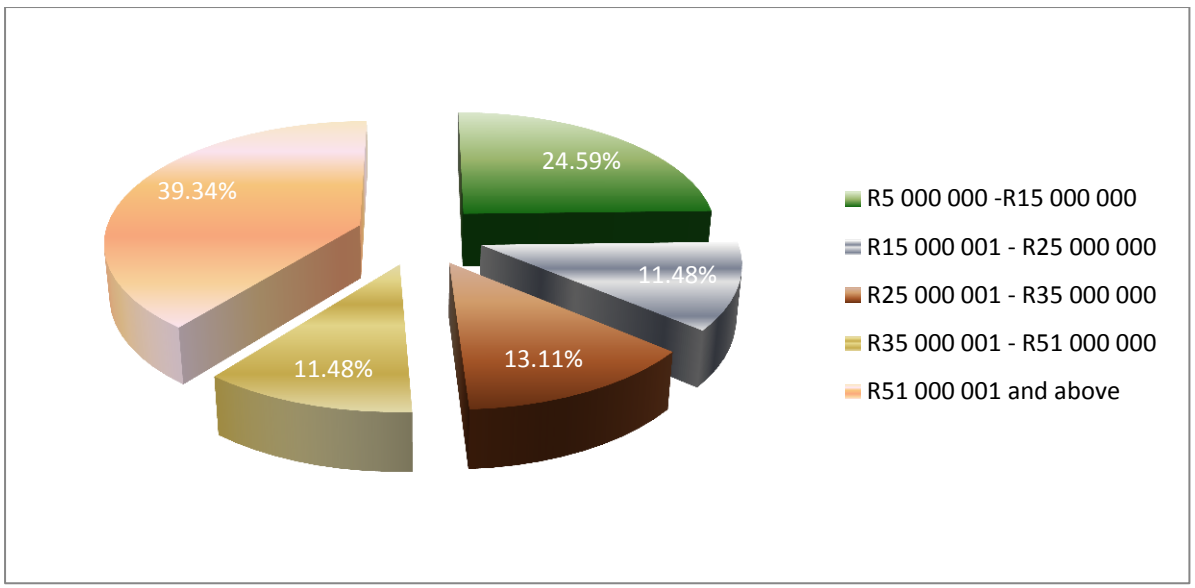
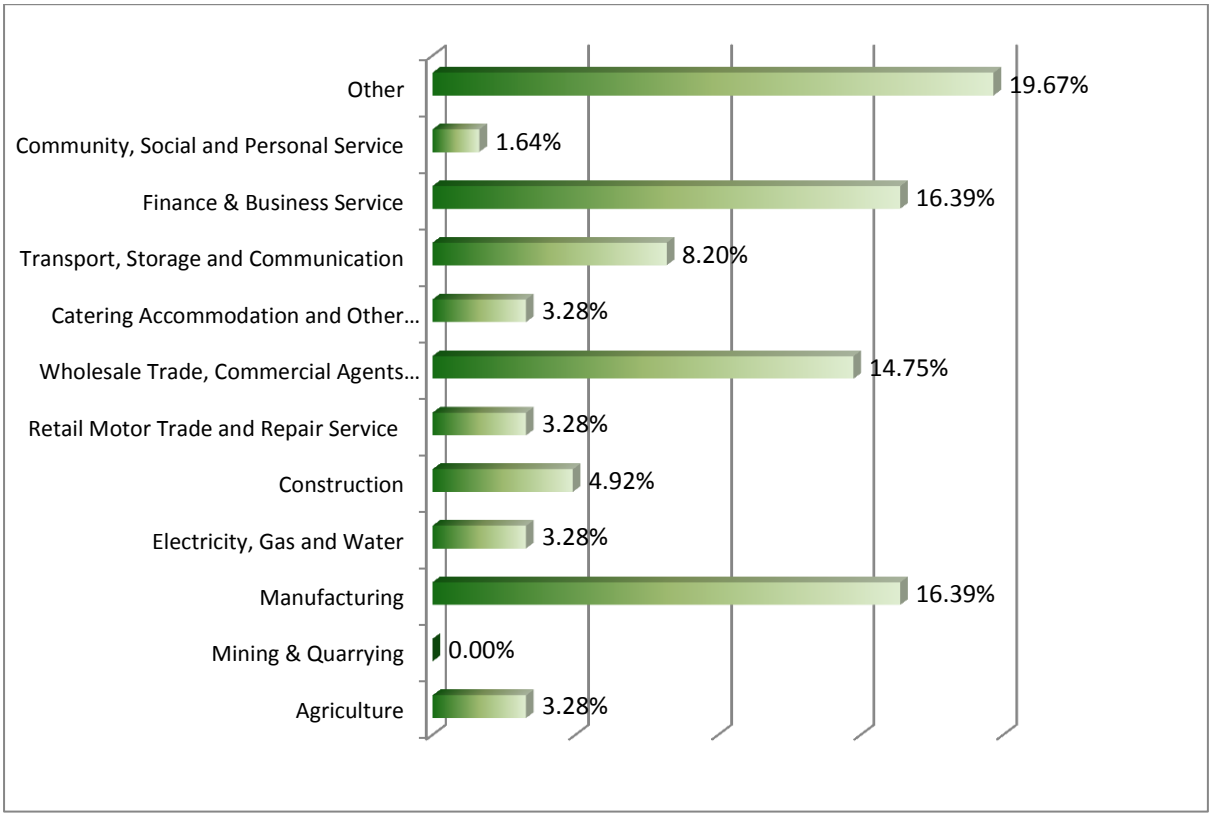


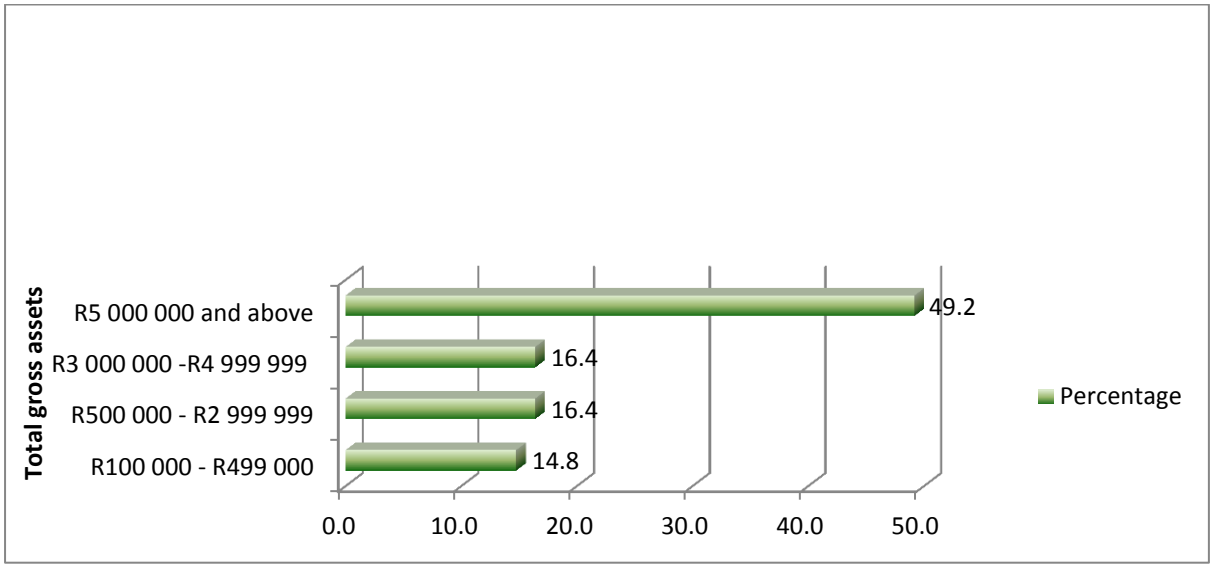
Figure 3.2 segments the companies per industry. As seen from figure 3.2, the other segment presents the highest percentage of 19.67% whilst manufacturing and finance & business services represent the second largest percentage of 16.39% respectively. Wholesale trade & commercial agents represent 14.75%. The four aforementioned segments make up the bulk of the sample representing 67.21% of the total sample. There is no representation from Mining & quarrying.

Figure 3.2: Industry Segmentation



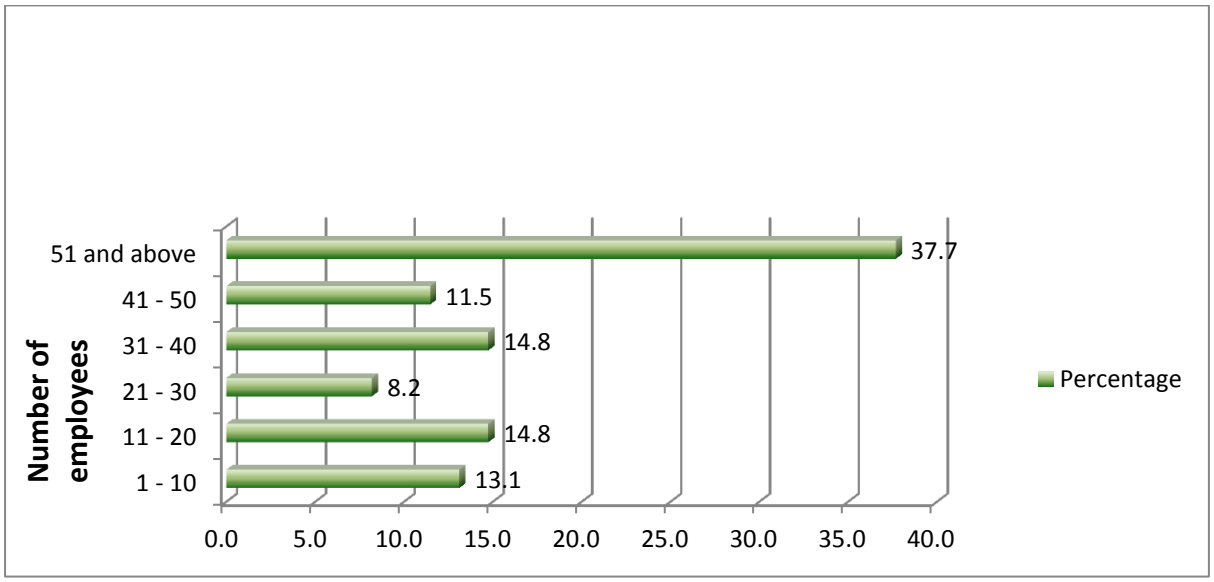
The bulk of companies in figure 3.3 have total gross assets in excess of R5m (49.2%) whilst the remaining population varies between 14.8% and 16.4%.

Figure 3.3: Total gross asset value (fixed properties excluded)



As seen in figure 3.4, a total of 23 out of the 61 companies (37.7%) employ 51 or more staff. The remaining 38 companies are evenly spread amongst the remaining categories.

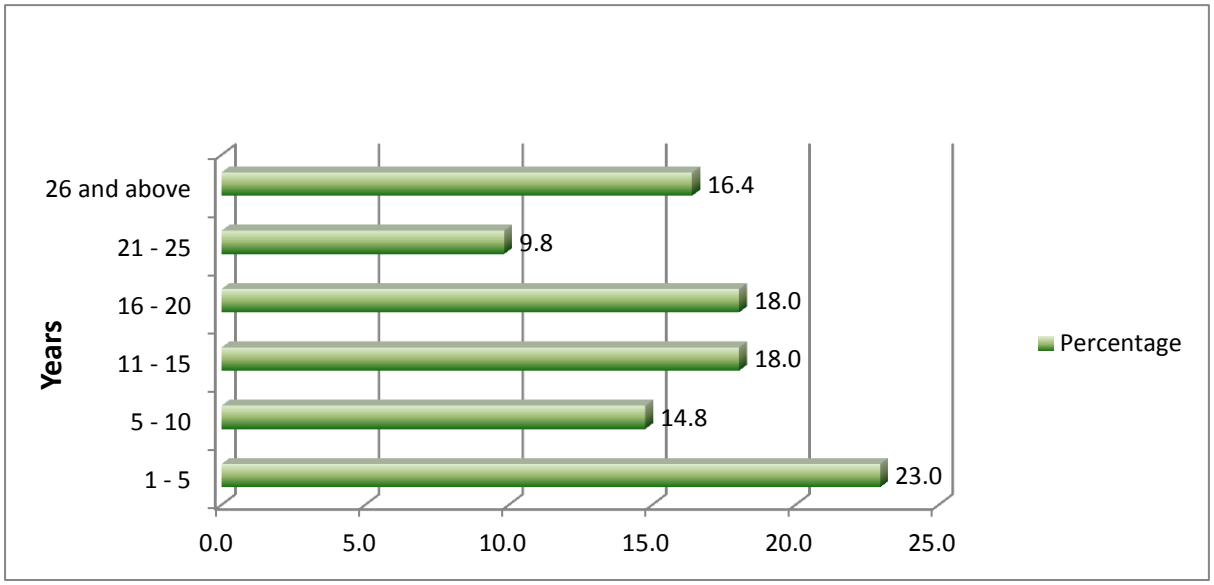
Figure 3.4: Number of employees



The highest percentage of the sample shows that 23.0% has been banking with their current bankers for 5 years or less whilst only 16.4% have been banking with their current bankers for 26 or more years. As per figure 3.5, 36% of companies have been banking with their current bankers between 11 – 20 years and 62.2% between

10 - >26 years. It is evident from the figure below that mobility and stickiness is prevalent in the banking industry and that clients do not often change their bankers.

Figure 3.5: Number of years with their existing bankers



3.5.1.2 Section 2 - Factors

3.5.1.2.1 Relationship Quality

As per table 3.1, the bulk of the respondents selected “strongly agree” on questions 2.1.1 – 2.1.10 with percentages above 50%. Question 2.1.5 reflects the lowest rating of 57.4. Combining “strongly agree” and “agree”, the combined percentages across all the questions are above 90%. It is thus prevalent that relationship quality is very important to SMEs with an average percentage of 94.74%.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

As seen from the above, Relationship Quality is an important factor for an SME in dealing with the bank. In recent research and measurement (Woo & Ennew, 2004:1252-1271), the conceptualisation of relationship as a higher order construct provides organisations with a valuable tool of business-to-business relationship quality measurement on the basis of relationship satisfaction, trust and commitment. Therefore, focus should be placed on managing relationship quality because of the

direct influence on client loyalty (Caceres & Paparoidamis, 2005:858). The economic benefit of the relationship is sustained profitability and client loyalty.

Table 3.1: Relationship Quality

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.1.1	My bank manager provides a key point of contact with my bank	Frequency	1	0	18	42	0	0	61	0.574
		Percentage	1.6	0	29.5	68.9	0	0	100	
2.1.2	My bank manager is easily approachable and accessible	Frequency	1	1	13	46	0	0	61	0.587
		Percentage	1.6	1.6	21.3	75.4	0	0	100	
2.1.3	My bank manager is professional, builds trust and confidence	Frequency	1	1	7	52	0	0	61	0.542
		Percentage	1.6	1.6	11.5	85.2	0	0	100	
2.1.4	My bank manager provides financial solutions that adds value to my business	Frequency	1	1	18	41	0	0	61	0.610
		Percentage	1.6	1.6	29.5	67.2	0	0	100	
2.1.5	My bank manager understands my business needs	Frequency	1	2	22	35	0	1	61	0.651
		Percentage	1.6	3.3	36.1	57.4	0	1.6	100	
2.1.6	My bank manager is committed to helping me achieve my business goals	Frequency	1	3	13	44	0	0	61	0.659
		Percentage	1.6	4.9	21.3	72.1	0	0	100	
2.1.7	My bank manager offers productive and efficient client contact	Frequency	2	0	13	46	0	0	61	0.647
		Percentage	3.3	0	21.3	75.4	0	0	100	
2.1.8	My bank manager follows-up and provides feedback	Frequency	1	0	18	42	0	0	61	0.574
		Percentage	1.6	0	29.5	68.9	0	0	100	
2.1.9	My bank manager informs me of new products and offerings	Frequency	1	1	19	38	2	0	61	0.619
		Percentage	1.6	1.6	31.1	62.3	3.3	0	100	
2.1.10	My bank manager provides me with sufficient information to understand decisions taken by the bank	Frequency	1	3	17	40	0	0	61	0.670
		Percentage	1.6	4.9	27.9	65.6	0	0	100	

3.5.1.2.2 Service Quality

As per table 3.2, the bulk of the respondents selected “agree” and “strongly agree” on questions 2.2.1 – 2.1.5 with combined percentages above 85%. SMEs have different needs and place different reliance on service quality, hence the reason why questions 2.2.1 – 2.2.3 features only as “agree” and questions 2.2.4 – 2.2.5 as “strongly agree”. Question 2.2.3 reflects the lowest rating in both “agree” 45.9% and “strongly agree” (42.6%). It is thus prevalent that service quality is also important to SMEs with an average of 93.46%.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

The data reflects that only 12 (19.7%) out of the total respondents of 61 experienced service problems with their bank. The aforementioned issues were resolved by their bank.

Over the past two decades, service quality, relationship quality and client satisfaction have occupied a dominant position in the service industry. Studies have shown that there is a significant positive relationship between the client relationships and level of service quality of banks (Rootman, 2006:68). Without an understanding of how to manage service quality in client relationships in the long term, the impact would be that the organisation will not be able to make full use of the competitive advantage opportunities in relationship marketing strategies (Storbacka et al., 1994:21-35). As seen from the study, SMEs place a high level of importance on Service Quality. It is therefore imperative for banks to ensure that SMEs experience a high level of service. The absence thereof will result in SMEs switching banks and a resultant loss of revue.

Table 3.2: Service Quality

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.2.1	The bank offers support to ensure a quick turnaround time	Frequency	1	2	35	22	0	1	61	0.619
		Percentage	1.6	3.3	57.4	36.1	0	1.6	100	
2.2.2	The bank consistently delivers on promises	Frequency	1	6	31	22	0	1	61	0.698
		Percentage	1.6	9.8	50.8	36.1	0	1.6	100	
2.2.3	The bank communicates clearly, correctly and timeously	Frequency	1	5	28	26	0	1	61	0.701
		Percentage	1.6	8.2	45.9	42.6	0	1.6	100	
2.2.4	The bank staff are courteous, friendly and treat me with respect	Frequency	0	1	18	42	0	0	61	0.507
		Percentage	0	1.6	29.5	68.9	0	0	100	
2.2.5	The bank staff are knowledgeable of products and services	Frequency	0	0	22	39	0	0	61	0.484
		Percentage	0	0	36.1	63.9	0	0	100	

3.5.1.2.3 Product/Channel Quality

As per table 3.3, the bulk of the respondents selected “agree” on questions 2.3.1 – 2.1.6. The combined percentages for “agree” and “strongly agree” across all the questions are above 60%. SMEs place different reliance on the suite of products within the product/channels offering, hence the reason why questions 2.3.3 – 2.3.4 have lower percentages on “agree” 45% on average and “strongly agree” on average 19%. When excluding property finance and investment, the average combined “agree” and “strongly agree” categories results in an above 90% average The aforementioned questions also reflect the lowest rating and the product suites being property finance and investments are not of a high importance and not well known offerings to SMEs. It is thus prevalent that product/channel quality is also important to SMEs with an overall average of 80.61%; however, the products within the offering carry different weightings and levels of importance.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

Kotler and Armstrong (1996:12) states that if the product meets expectations, the customer is satisfied; if it exceeds expectations, the client is highly satisfied and if it falls short of expectations, the client is dissatisfied. Therefore, client satisfaction is a relative concept encompassing the client's expectations as well as the performance of the product or service. Customer satisfaction has a direct and positive impact on an organisation's profitability. As per the study, product quality carries a level of importance and it is therefore in the bank's interest to ensure that they have a relevant suite of products to meet the SMEs' need.

Table 3.3: Product/Channel Quality

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.3.1	Your overall satisfaction with the **current account** product	Frequency	0	0	39	22	0	0	61	0.484
		Percentage	0	0	63.9	36.1	0	0	100	
2.3.2	Your overall satisfaction with the **asset based finance** offering	Frequency	0	0	31	22	8	0	61	0.497
		Percentage	0	0	50.8	36.1	13.1	0	100	
2.3.3	Your overall satisfaction with the **property finance** offering	Frequency	0	1	28	11	18	3	61	0.494
		Percentage	0	1.6	45.9	18	29.5	4.9	100	
2.3.4	Your overall satisfaction with the **investment suite** of offerings	Frequency	0	1	28	13	14	5	61	0.508
		Percentage	0	1.6	45.9	21.3	23	8.2	100	
2.3.5	Your overall satisfaction with the **credit card** offering	Frequency	0	3	32	17	7	2	61	0.564
		Percentage	0	4.9	52.5	27.9	11.5	3.3	100	
2.3.6	Your overall satisfaction with the **electronic banking** offering	Frequency	0	8	30	22	1	0	61	0.673
		Percentage	0	13.1	49.2	36.1	1.6	0	100	

3.5.1.2.4 Trust

As per table 3.4, the bulk of the respondents selected “agree” and “strongly agree” on questions 2.4.1 – 2.4.6 with combined percentages above 90%. Although all the respondents place a high value on trust, the results indicates that 50% of the respondents chose “agree” and 50% of the respondents chose “strongly agree”. It is thus prevalent that trust is extremely important to SMEs with an average of 95.88%.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

Trust is a very important factor in a relationship affecting commitment and client loyalty. A positive relationship exists between trust and customer loyalty (Anderson & Narus, 1990:45-58). As seen from the study, trust is extremely important to SMEs and therefore banks need to nurture and build trust in order to produce sustainable growth.

Table 3.4: Trust

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.4.1	I am completely open with the bank without any filters	Frequency	0	1	29	31	0	0	61	0.536
		Percentage	0	1.6	47.5	50.8	0	0	100	
2.4.2	I trust that what was promised is delivered by my bank	Frequency	0	0	28	32	1	0	61	0.503
		Percentage	0	0	45.9	52.5	1.6	0	100	
2.4.3	I trust that the bank will act in my best interests	Frequency	0	4	29	27	0	1	61	0.613
		Percentage	0	6.6	47.5	44.3	0	1.6	100	
2.4.4	I am not afraid to disagree and challenge existing behaviours and opinions with the aim to find the best and most effective way forward	Frequency	0	1	29	31	0	0	61	0.536
		Percentage	0	1.6	47.5	50.8	0	0	100	
2.4.5	I tend to trust the bank, their solutions and their actions	Frequency	0	3	32	26	0	0	61	0.582
		Percentage	0	4.9	52.5	42.6	0	0	100	
2.4.6	I am loyal because I trust my bank	Frequency	0	2	31	26	2	0	61	0.561
		Percentage	0	3.3	50.8	42.6	3.3	0	100	

3.5.1.2.5 Skills/EQ

As per table 3.5, the bulk of the respondents selected “agree” and “strongly agree” on questions 2.5.1 – 2.5.8 with combined percentages above 90% bar question 2.5.7 which reflects 86.8%. The bulk of the respondents selected “strongly agree” and therefore skills/EQ is also extremely important to SMEs with an average of 93.83%.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

Research suggests that client dissatisfaction is still the major reason for bank clients switching to other banks (Manrai & Manrai, 2007:2008-215) for a variety of reasons

such as access, services, price, products, image, personnel skills, treatment, credibility, responsiveness, waiting time, location, technology and store appearance. Trust plays a pivotal part in determining the level of client loyalty. The study concluded that skills/EQ is important to SMEs. Banks are to ensure ongoing skill development and investing in employees to increase their EQ levels. Failure to do so will result in clients moving to other banks with the resultant loss of income.

Table 3.5: Skills/EQ

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.5.1	My bank manager clearly understands my needs and requirements	Frequency	0	2	20	38	1	0	61	0.558
		Percentage	0	3.3	32.8	62.3	1.6	0	100	
2.5.2	My bank manager validates my requirements	Frequency	0	2	19	38	2	0	61	0.558
		Percentage	0	3.3	31.1	62.3	3.3	0	100	
2.5.3	My bank manager develops tailor made solutions for my business	Frequency	0	2	28	27	4	0	61	0.567
		Percentage	0	3.3	45.9	44.3	6.6	0	100	
2.5.4	I expect my bank manager to display the same standards of behaviour that I expect of myself	Frequency	0	0	13	47	1	0	61	0.415
		Percentage	0	0	21.3	77	1.6	0	100	
2.5.5	My bank manager collaborates with me and others to solve problems using a variety of problem solving tools and techniques	Frequency	0	2	16	41	2	0	61	0.545
		Percentage	0	3.3	26.2	67.2	3.3	0	100	
2.5.6	My bank manager gives me feedback and engages with me in a respectful manner	Frequency	0	1	19	39	2	0	61	0.517
		Percentage	0	1.6	31.1	63.9	3.3	0	100	
2.5.7	During times of conflict my bank manager knows how to preserve the relationship and still gets my needs met	Frequency	0	2	19	34	5	1	61	0.567
		Percentage	0	3.3	31.1	55.7	8.2	1.6	100	
2.5.8	My bank manager actively listens to me and does not compose an answer before I have finished speaking	Frequency	0	0	20	40	1	0	61	0.475
		Percentage	0	0	32.8	65.6	1.6	0	100	

3.5.1.2.6 Corporate Image/Brand

As per table 3.6, the bulk of the respondents selected “agree” and “strongly agree” on questions 2.6.1 – 2.6.5 with combined percentages varying from 52% - 85%. SMEs do not choose their brand based on the brand name, social influences and social groups/network as reflected in questions 2.6.2, 2.6.4 and 2.6.5. The average combined responses of “agree” and “strongly agree” for this section is 65.9% and it is prevalent that corporate image/brand does not play a major role in their choices. The data also reflects that SMEs consider a wide range of options when making a selection (question 2.6.3, 80.3%) and that they do relate to the brands they choose (question 2.6.1, 85.2%).

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

Corporate image/brands engage clients on a deep and emotional level. True brand loyalty exists when consumers have a high relative attitude toward a particular brand which can be exhibited through repurchase behaviour (Kotler & Armstrong, 2012:269-275). This type of loyalty can be a great asset to the firm: clients are willing to pay higher prices, may cost less to serve and bring in new clients to the firm (Reichheld & Sasser, 1990:105-111). The results of the study indicated that SMEs do not make selections on the basis of brand name, social influences and social groups/network. However, the study shows that SMEs do have engagement on a deep emotional level and are related to the brands they choose (85.2%).

Table 3.6: Corporate Image/Brand

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.6.1	I feel that the brand I use is either a direct or indirect representation of myself	Frequency	0	6	34	18	2	1	61	0.614
		Percentage	0	9.8	55.7	29.5	3.3	1.6	100	
2.6.2	I choose a bank over others irrespective of other factors, specifically for its brand name and what they stand for	Frequency	1	22	23	13	1	1	61	0.798
		Percentage	1.6	36.1	37.7	21.3	1.6	1.6	100	
2.6.3	I consider other product alternatives when choosing a bank	Frequency	0	7	34	15	2	3	61	0.616
		Percentage	0	11.5	55.7	24.6	3.3	4.9	100	
2.6.4	Situational context (being with family or friends at the purchase point) affects my decision in choosing a bank	Frequency	1	23	23	9	3	2	61	0.756
		Percentage	1.6	37.7	37.7	14.8	4.9	3.3	100	
2.6.5	My social group affects my purchasing decision and choosing a specific bank	Frequency	3	23	27	5	1	2	61	0.726
		Percentage	4.9	37.7	44.3	8.2	1.6	3.3	100	

3.5.1.2.7 Loyalty

As per table 3.7, the bulk of the respondents selected “agree” and “strongly agree” on questions 2.7.1 – 2.7.3 with combined percentages above 90%. SMEs do not easily consider switching banks or consider purchasing products form other financial service providers. The combined averages selected on “disagree” and “strongly disagree” on questions 2.7.4 and 2.7.5 support the aforementioned and that these percentages are 83.6% and 75.4% respectively. The data reflects a high level of loyalty to their current bankers.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

Client Loyalty Management ranks amongst the top tools leaders choose to use when growing market share and produce sustainable results (Rigby & Bilodeau, 2013:1-9). Obtaining client loyalty poses a challenge for banks since the banking industry has become extremely competitive. With the increased focus on SMEs and several policies to boost SMEs within the South African landscape, banks are presented with a significant growth area (Oliver, 1999:33-44). The study reflects a high level of loyalty to their current bankers. SMEs in general are extremely loyal to their current bankers resulting in sustainable growth for the bank.

Table 3.7: Loyalty

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.7.1	I would recommend my **bank manager** to colleagues and business associates.	Frequency	1	2	9	49	0	0	61	0.603
		Percentage	1.6	3.3	14.8	80.3	0	0	100	
2.7.2	I would recommend my **bank** in general.	Frequency	1	2	17	39	2	0	61	0.646
		Percentage	1.6	3.3	27.9	63.9	3.3	0	100	
2.7.3	If I reconsider my banking relationship, I would choose my **bank** again	Frequency	1	4	21	34	1	0	61	0.700
		Percentage	1.6	6.6	34.4	55.7	1.6	0	100	
2.7.4	I am considering switching banks	Frequency	24	27	2	5	3	0	61	0.874
		Percentage	39.3	44.3	3.3	8.2	4.9	0	100	
2.7.5	I am considering purchasing products/services from other providers of financial services	Frequency	20	26	8	4	3	0	61	0.876
		Percentage	32.8	42.6	13.1	6.6	4.9	0	100	

3.5.1.2.8 Overall Satisfaction

As per table 3.8, the bulk of the respondents selected “agree” and “strongly agree” on questions 2.8.1 – 2.8.3 with combined percentages of 98.3%. The data reflects that SMEs experience a high level of client satisfaction with their current bankers which also indicates that client satisfaction is extremely important to SMEs.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

Customer satisfaction has significant implications on the economic performance of a company (Bolton et al., 2004:271-292). Effective management of the customer relationship is the key to managing customer satisfaction and customer loyalty (Mithas et al., 2005:202). The importance of customer satisfaction as per the study (98.3%) cannot be underestimated. Banks have to ensure that SMEs are satisfied. Failure to do so will result in the loss of market share and revenue.

Table 3.8: Overall Satisfaction

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.8.1	Rate the overall quality of your relationship with your bank manager	Frequency	0	0	21	39	1	0	61	0.481
		Percentage	0	0	34.4	63.9	1.6	0	100	
2.8.2	Rate the overall quality of your service levels with your bank	Frequency	0	1	34	26	0	0	61	0.528
		Percentage	0	1.6	55.7	42.6	0	0	100	
2.8.3	Rate the overall experience with your bank	Frequency	0	1	31	29	0	0	61	0.535
		Percentage	0	1.6	50.8	47.5	0	0	100	

3.5.1.2.9 Overall ranking of factors

Table 3.9 reflects lower percentages than those reflected and seen in the different categories discussed above. However, bar question 2.9.1 which reflects a 50.8% in "agree", the remaining questions reflects an average percentage in "strongly agree". Again bar question 2.9.1, the data reflects that SMEs choose "don't know" and do not have a framework to compare and measure the statements against; therefore their expectations and needs are low.

The standard deviation across all the questions is low which indicates that the data points tend to be very close to the mean.

Table 3.9: Overall ranking of factors

			Strongly Disagree	Disagree	Agree	Strongly Agree	Don't know	Missing	Total	Standard Deviation
2.9.1	It is important to me to have a relationship with the bank manager	Frequency	1	10	31	17	0	2	61	0.785
		Percentage	1.6	16.4	50.8	27.9	0	3.3	100	
2.9.2	I expect timeous, accurate and cost effective service from my bank	Frequency	1	0	2	34	24	0	61	0.696
		Percentage	1.6	0	3.3	55.7	39.3	0	100	
2.9.3	It is important to have a high level of satisfaction when dealing with the bank is important to me	Frequency	1	1	8	28	23	0	61	0.840
		Percentage	1.6	1.6	13.1	45.9	37.7	0	100	
2.9.4	A mutual trust relationship is important to me when dealing with the bank	Frequency	0	1	2	35	23	0	61	0.620
		Percentage	0	1.6	3.3	57.4	37.7	0	100	
2.9.5	I expect my bank manager to be skilled, respectful and to behave professionally	Frequency	1	0	6	30	24	0	61	0.767
		Percentage	1.6	0	9.8	49.2	39.3	0	100	
2.9.6	I expect products, systems and channels to be operational at all times, easy to understand, cost effective, reliable and flexible	Frequency	0	1	6	32	22	0	61	0.693
		Percentage	0	1.6	9.8	52.5	36.1	0	100	
2.9.7	I tend to trust the bank, their solutions and their actions	Frequency	2	1	11	31	16	0	61	0.902
		Percentage	3.3	1.6	18	50.8	26.2	0	100	

Continuation of section 2.9 requested the respondents to rank the factors in order of importance from 1 – 7. The scale applied: 1 being the highest and 7 being the lowest level of importance.

As reflected in table 3.10, the order of importance is as follows:

1. Service Quality – 42.6%
2. Relationship Quality – 24.6%
3. Overall client satisfaction – 14.8%

4. Trust – 19.7%
5. Skills/EQ – 24.6%
6. Product/Channel – 32.8%
7. Brand/Image – 36.1%

The above ranking strongly correlates with the findings and interpretation of the questionnaire and the various factors.

Table 3.10: Prioritising factors

2.9.8	**Factor**		**Ranking in order of Importance (1 being the highest and 7 the lowest)**								
			1	**2**	**3**	**4**	**5**	**6**	**7**		
	Relationship Quality	Frequency	25	15	10	3	3	1	1	3	61
		Percentage	41	24.6	16.4	4.9	4.9	1.6	1.6	4.9	100
	Service Quality	Frequency	26	10	10	9	1	1	1	3	61
		Percentage	42.6	16.4	16.4	14.8	1.6	1.6	1.6	4.9	100
	Overall client satisfaction	Frequency	13	13	9	7	12	3	1	3	61
		Percentage	21.3	21.3	14.8	11.5	19.7	4.9	1.6	4.9	100
	Trust	Frequency	23	12	7	12	2	1	1	3	61
		Percentage	37.7	19.7	11.5	19.7	3.3	1.6	1.6	4.9	100
	Skills	Frequency	12	12	6	8	15	3	2	3	61
		Percentage	19.7	19.7	9.8	13.1	24.6	4.9	3.3	4.9	100
	Product/Channel	Frequency	10	12	4	3	2	20	7	3	61
		Percentage	16.4	19.7	6.6	4.9	3.3	32.8	11.5	4.9	100
	Brand	Frequency	15	8	0	4	2	7	22	3	61
		Percentage	24.6	13.1	0	6.6	3.3	11.5	36.1	4.9	100

3.5.2 Descriptive statistics and reliability

3.5.2.1 Relationship Quality

All the questions in table 3.11 reflect consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion on Reliability and Cronbach Alpha coefficient of and shows excellent reliability and internal consistency with the coefficients all exceeding the 0.9 level. Table 3.11 has met the test for reliability.

Table 3.11: Reliability Relationship Quality

		Mean	Standard Deviation	Cronbach's Alpha
2.1.1	My bank manager provides a key point of contact with my bank	3.66	0.574	0.963
2.1.2	My bank manager is easily approachable and accessible	3.70	0.587	0.963
2.1.3	My bank manager is professional, builds trust and confidence	3.80	0.542	0.966
2.1.4	My bank manager provides financial solutions that adds value to my business	3.62	0.610	0.967
2.1.5	My bank manager understands my business needs	3.52	0.651	0.963
2.1.6	My bank manager is committed to helping me achieve my business goals	3.64	0.659	0.965
2.1.7	My bank manager offers productive and efficient client contact	3.69	0.647	0.964
2.1.8	My bank manager follows-up and provides feedback	3.66	0.574	0.964
2.1.9	My bank manager informs me of new products and offerings	3.59	0.619	0.966
2.1.10	My bank manager provides me with sufficient information to understand decisions taken by the bank	3.57	0.670	0.965

3.5.2.2 Service Quality

The questions in table 3.12 reflect consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster

closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows reliability and internal consistency with coefficient all exceeding the level of 0.80. Table 3.12 has met the test for reliability.

Table 3.12 – Reliability Service Quality

		Mean	Standard Deviation	Cronbach's Alpha
2.2.1	The bank offers support to ensure a quick turnaround time	3.30	0.619	0.815
2.2.2	The bank consistently delivers on promises	3.23	0.698	0.801
2.2.3	The bank communicates clearly, correctly and timeously	3.32	0.701	0.813
2.2.4	The bank staff are courteous, friendly and treat me with respect	3.67	0.507	0.842
2.2.5	The bank staff are knowledgeable of products and services	3.64	0.484	0.859
	Service recovery	Mean	Standard Deviation	Cronbach's Alpha
2.2.6	Have you experienced any problems with your bank, relationship or product over the last 4 months (if yes, please answer statements 2.2.7, 2.2.8 and 2.2.9 below)	3.07		0.876
2.2.7	Was the problem reported to your bank manager	3.11		0.824
2.2.8	Was this resolved to your satisfaction	3.07		0.963

3.5.2.3 Product/Channel Quality

Table 3.13 reflects consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. The Cronbach's alpha coefficient shows internal consistency. All the questions are well above the value of 0.70as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows reliability and internal

consistency with coefficient all exceeding the level of 0.88. Table 3.13 has met the test for reliability.

Table 3.13: Reliability Product/Channel Quality

		Mean	Standard Deviation	Cronbach's Alpha
2.3.1	Your overall satisfaction with the **current account** product	3.36	0.484	0.899
2.3.2	Your overall satisfaction with the **asset based finance** offering	3.42	0.497	0.886
2.3.3	Your overall satisfaction with the **property finance** offering	3.25	0.494	0.905
2.3.4	Your overall satisfaction with the **investment suite** of offerings	3.29	0.508	0.894
2.3.5	Your overall satisfaction with the **credit card** offering	3.27	0.564	0.881
2.3.6	Your overall satisfaction with the **electronic banking** offering	3.23	0.673	0.918

3.5.2.4 Trust

The questions in table 3.14 reflect consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows reliability and internal consistency with coeffiecient all exceeding the level of 0.86.

Table 3.14: Reliability Trust

		Mean	Standard Deviation	Cronbach's Alpha
2.4.1	I am completely open with the bank without any filters	3.49	0.536	0.897
2.4.2	I trust that what was promised is delivered by my bank	3.53	0.503	0.879
2.4.3	I trust that the bank will act in my best interests	3.38	0.613	0.878
2.4.4	I am not afraid to disagree and challenge existing behaviours and opinions with the aim to find the best and most effective way forward	3.49	0.536	0.893
2.4.5	I tend to trust the bank, their solutions and their actions	3.38	0.582	0.869
2.4.6	I am loyal because I trust my bank	3.41	0.561	0.869

3.5.2.5 Skills/EQ

All the questions in table 3.15 reflect consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows excellent reliability and internal consistency with coefficient all exceeding the level of 0.90. Table 3.15 has met the test for reliability.

Table 3.15: Reliability Skills/EQ

		Mean	Standard Deviation	Cronbach's Alpha
2.5.1	My bank manager clearly understands my needs and requirements	3.60	0.558	0.910
2.5.2	My bank manager validates my requirements	3.61	0.558	0.906
2.5.3	My bank manager develops tailor made solutions for my business	3.44	0.567	0.928
2.5.4	I expect my bank manager to display the same standards of behaviour that I expect of myself	3.78	0.415	0.934
2.5.5	My bank manager collaborates with me and others to solve problems using a variety of problem solving tools and techniques	3.66	0.545	0.912
2.5.6	My bank manager gives me feedback and engages with me in a respectful manner	3.64	0.517	0.916
2.5.7	During times of conflict my bank manager knows how to preserve the relationship and still gets my needs met	3.58	0.567	0.906
2.5.8	My bank manager actively listens to me and does not compose an answer before I have finished speaking	3.67	0.475	0.913

3.5.2.6 Corporate Image/Brand

Table 3.16 reflects consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows reliability and internal consistency with coefficient all exceeding the level of 0.71. Table 3.16 has met the test for reliability.

Table 3.16: Reliability Corporate Image/Brand

		Mean	Standard Deviation	Cronbach's Alpha
2.6.1	I feel that the brand I use is either a direct or indirect representation of myself	3.21	0.614	0.843
2.6.2	I choose a bank over others irrespective of other factors, specifically for its brand name and what they stand for	2.81	0.798	0.716
2.6.3	I consider other product alternatives when choosing a bank	3.14	0.616	0.788
2.6.4	Situational context (being with family or friends at the purchase point) affects my decision in choosing a bank	2.71	0.756	0.741
2.6.5	My social group affects my purchasing decision and choosing a specific bank	2.59	0.726	0.729

3.5.2.7 Loyalty

All the questions in table 3.17 reflect consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows reliability and internal consistency with coefficient all exceeding the level of 0.83. Table 3.17 has met the test for reliability.

Table 3.17: Reliability Loyalty

		Mean	Standard Deviation	Cronbach's Alpha
2.7.1	I would recommend my **bank manager** to colleagues and business associates.	3.74	0.603	0.850
2.7.2	I would recommend my **bank** in general.	3.59	0.646	0.844
2.7.3	If I reconsider my banking relationship, I would choose my **bank** again	3.47	0.700	0.838
2.7.4	I am considering switching banks	1.79	0.874	0.832
2.7.5	I am considering purchasing products/services from other providers of financial services	1.93	0.876	0.879

3.5.2.8 Overall Satisfaction

The questions in table 3.18 reflect consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows reliability and internal consistency with coefficient all exceeding the level of 0.78. Table 3.18 has met the test for reliability.

Table 3.18: Reliability Overall Satisfaction

		Mean	Standard Deviation	Cronbach's Alpha
2.8.1	Rate the overall quality of your relationship with your bank manager	3.65	0.481	0.900
2.8.2	Rate the overall quality of your service levels with your bank	3.41	0.528	0.830
2.8.3	Rate the overall experience with your bank	3.46	0.535	0.784

3.5.2.9 Overall ranking of factors

Table 3.19 reflects consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows excellent reliability and internal consistency with coefficient all exceeding the level of 0.92. Table 3.19 has met the test for reliability.

Table 3.19 – Reliability Overall ranking of factors

		Mean	Standard Deviation	Cronbach's Alpha
2.9.1	It is important to me to have a relationship with the bank manager	4.07	0.785	0.930
2.9.2	I expect timeous, accurate and cost effective service from my bank	4.31	0.696	0.936
2.9.3	It is important to have a high level of satisfaction when dealing with the bank is important to me	4.16	0.840	0.928
2.9.4	A mutual trust relationship is important to me when dealing with the bank	4.31	0.620	0.938
2.9.5	I expect my bank manager to be skilled, respectful and to behave professionally	4.25	0.767	0.934
2.9.6	I expect products, systems and channels to be operational at all times, easy to understand, cost effective, reliable and flexible	4.23	0.693	0.941
2.9.7	I tend to trust the bank, their solutions and their actions	3.95	0.902	0.944

3.5.2.10 Scale description

Table 3.20 reflects a high level summary of all the sections. The table also represents a holistic view of the questionnaire employed. All the questions in table 19 reflect consistency and stable measurement of data as well as replicability. Standard deviation scores are evenly distributed and cluster closely around the means. Cronach Alpha coefficient was used to test the reliability of the data. All the questions are well above the value of 0.70 as mentioned under the discussion of Reliability and Cronbach Alpha coefficient and shows reliability and internal consistency with coefficient all exceeding the level of 0.81. Table 3.20 shows the results of the test for reliability.

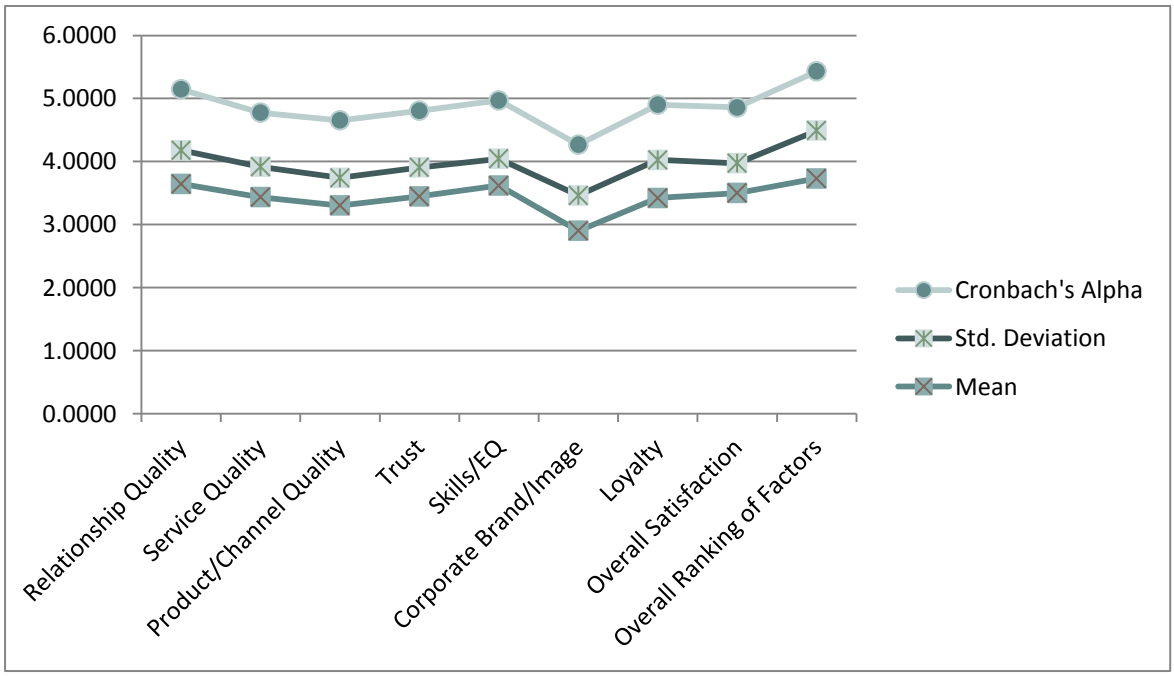
Holistically all the questions within the questionnaire have met the reliability test with none of the questions not meeting all the criteria.

The table below shows a high level of reliability with the lowest Cronbach's Alpha coefficient score being 0.81 (Corporate brand/image) and the highest 0.97 (Relationship Quality).

Table 3.20: Scale description

		Mean	Std. Deviation	Cronbach's Alpha
Relationship Quality	F1	3.6437	0.5344	0.97
Service Quality	F2	3.4344	0.4820	0.86
Product/Channel Quality	F3	3.3027	0.4386	0.91
Trust	F4	3.4459	0.4612	0.90
Skills/EQ	F5	3.6196	0.4250	0.93
Corporate Brand/Image	F6	2.9014	0.5597	0.81
Loyalty	F7	3.4216	0.6055	0.88
Overall Satisfaction	F8	3.5000	0.4714	0.89
Overall Ranking of Factors	F9	3.7320	0.7580	0.94

Figure 3.6: Scale description



3.5.3 Spearman Rank Order Correlations

This test determines if two variables are related and specifies the degree of the relationship. The values of the coefficient of correlation range from -1 for a perfect negative correlation to +1 for a perfect positive correlation (Levine et al., 2011:528).

Table 3.21 reflects **correlation is significant at the 0.01 level (2-tailed) and *correlation is significant at the 0.05 level (2-tailed).

Table 3.21 reflects a positive relationship between loyalty and total gross assets. As gross assets increase so will loyalty. A positive relationship also exists between company turnover, gross assets, number of employees and number of years with existing bank. As the company turnover increases so will the number of employees, the stickiness to stay with their existing bankers as well as gross assets. The same also applies for gross assets; an increase in gross assets will result in an increase in the number of employees as well as an increase in the number of years with the existing bank (stickiness and switching cost). An increase in the number of employees will result in an increase in the number of years with the existing bank. As mentioned before, switching costs are high as well as the inconvenience factor.

Table 3.21: Spearman's Rank Order Correlation

Spearman's Ranking Order														
			Relationship Qualtiy	Service Quality	Product/Channel Quality	Trust	Skills/EQ	Brand/Image	Loayalty	Overall Satisfaction	Company Turn Over	Gross Assets	Number of Employees	Number of year with existing bank
Spearman's rho	Relationship Qualtiy	Correlation Coefficient	1.000	.561**	.475**	.514**	.738**	.086	.208	.615**	.069	.175	.111	-.192
		Sig. (2-tailed)		.000	.000	.000	.000	.511	.107	.000	.595	.184	.394	.139
	Service Quality	Correlation Coefficient	.561**	1.000	.520**	.473**	.575**	.166	.312*	.594**	-.037	.152	-.048	-.105
		Sig. (2-tailed)	.000		.000	.000	.000	.206	.014	.000	.776	.252	.711	.421
	Product/Channel Quality	Correlation Coefficient	.475**	.520**	1.000	.561**	.453**	.095	.142	.415**	-.215	-.089	-.119	-.177
		Sig. (2-tailed)	.000	.000		.000	.000	.472	.274	.001	.096	.503	.359	.173
	Trust	Correlation Coefficient	.514**	.473**	.561**	1.000	.658**	.159	.207	.656**	-.066	.157	.091	-.116
		Sig. (2-tailed)	.000	.000	.000		.000	.226	.109	.000	.613	.237	.485	.373
	Skills/EQ	Correlation Coefficient	.738**	.575**	.453**	.658**	1.000	.151	.219	.647**	-.076	.113	.017	-.209
		Sig. (2-tailed)	.000	.000	.000	.000		.253	.092	.000	.563	.396	.897	.108
	Brand/Image	Correlation Coefficient	.086	.166	.095	.159	.151	1.000	.413**	.288*	.060	.134	.082	.232
		Sig. (2-tailed)	.511	.206	.472	.226	.253		.001	.026	.648	.316	.533	.075
	Loayalty	Correlation Coefficient	.208	.312*	.142	.207	.219	.413**	1.000	.357**	.132	.259*	.232	.110
		Sig. (2-tailed)	.107	.014	.274	.109	.092	.001		.005	.312	.048	.072	.399
	Overall Satisfaction	Correlation Coefficient	.615**	.594**	.415**	.656**	.647**	.288*	.357**	1.000	.110	.207	.103	.005
		Sig. (2-tailed)	.000	.000	.001	.000	.000	.026	.005		.398	.116	.429	.972
	Company Turn Over	Correlation Coefficient	.069	-.037	-.215	-.066	-.076	.060	.132	.110	1.000	.666**	.741**	.348**
		Sig. (2-tailed)	.595	.776	.096	.613	.563	.648	.312	.398		.000	.000	.006
	Gross Assets	Correlation Coefficient	.175	.152	-.089	.157	.113	.134	.259*	.207	.666**	1.000	.633**	.279*
		Sig. (2-tailed)	.184	.252	.503	.237	.396	.316	.048	.116	.000		.000	.033
	Number of Employees	Correlation Coefficient	.111	-.048	-.119	.091	.017	.082	.232	.103	.741**	.633**	1.000	.274*
		Sig. (2-tailed)	.394	.711	.359	.485	.897	.533	.072	.429	.000	.000		.033
	Number of year with existing bank	Correlation Coefficient	-.192	-.105	-.177	-.116	-.209	.232	.110	.005	.348**	.279*	.274*	1.000
		Sig. (2-tailed)	.139	.421	.173	.373	.108	.075	.399	.972	.006	.033	.033	

**. Correlation is significant at the 0.01level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

3.6 CONCLUSION

It is evident from the above empirical study that the factors listed are interlinked and have an influence on client loyalty. What may be of importance to one SME might not be as important to another SME. As the environment evolves and changes, it is imperative for banks to stay ahead and determine what drives client loyalty. The above study and analysis demonstrates the importance of these factors and what the SMEs determine as being most important. The study concluded that all factors have a high level of relevance with Service Quality ranking as number 1, Relationship Quality ranking as number 2, resulting in Overall Satisfaction as number 3, followed by Trust as number 4, Skill/EQ as number 5, Product/Channel as number 6 and last but not least Brand/Image as number 7. The study also concluded that the model currently being used in the banking industry requires some changes to include other factors such as Trust, Skills/EQ, Product/Channel and Brand/Image. Meaningful information has been collected in this study using an extensive questionnaire. It is important to create an environment where data can be collected and interpreted on an on-going basis. Adopting an automated process through employment of a Management Information System will enable the banks to gather information regularly and adopt/change their offerings to increase and support client loyalty. The link between customer loyalty and true sustainable organic growth is well established.

3.7 CHAPTER SUMMARY

This chapter outlined the purpose of the study, the research design and methodology applied, statistical analysis and descriptive statistical applications applied.

The main purpose of the study is using management information systems to determine the client loyalty drivers in SMEs within the banking industry as well as ranking them according to level of importance.

Primary data has been used in this study. The study made use of a questionnaire divided into two sections (section 1 demographic information and section 2 covering factors that drive client loyalty). The statistical method is crucial and for this study the quantitative method has been adopted. A 5-point attitude Likert interval scale

was used requesting SMEs to indicate their choice of answer to the question by marking the preferred box: Strongly Disagree; Disagree; Agree; Strongly Agree or Don't Know.

The techniques employed within this study are: Frequency, Reliability (including the mean, standard deviation and Cronbach's Alpha coefficient) and the Spearman Rank Order Correlations. Frequency distribution summarizes numerical values by totalling them into a set of numerically ordered classes whilst reliability validates against the mean (most common measure of central tendency and the only common measure where all the values play an equal role), the standard deviation (shows how much variation or dispersion from the average (mean) exists) and the Spearman's rank order coefficient or t-test (measures the strengths of the relationship between two variables).

The data evidenced using the empirical study that the factors listed are interlinked and have an influence on client loyalty. The study concluded that all factors have a high level of relevance with Service Quality ranking as number 1, Relationship Quality ranking as number 2, resulting in Overall Satisfaction as number 3, followed by Trust as number 4, Skill/EQ as number 5, Product/Channel as number 6 and last but not least Brand/Image as number 7. The study also concluded that the model currently being used in the banking industry requires some changes to include other factors such as Trust, Skills/EQ, Product/Channel and Brand/Image. The study has also demonstrated that the link between customer loyalty and true sustainable organic growth is well established.

CHAPTER 4 – CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

From the onset of this study, primary and secondary objectives were set. This chapter begins by discussing and comparing the study results to the primary objectives in order to determine whether the primary objective is met. The chapter further discuss the secondary objectives and again determine where the study results met these objectives. Having met the primary and secondary objectives, this study will assist businesses in understanding the key drivers of client loyalty. A deeper understanding and application of these factors can assist banks to gain a competitive advantage and differentiate themselves from the competition. It also can open new strategic opportunities in banks.

Furthermore a discussion on limitations of the study is also covered as well as future research recommendations.

A summation and recommendation of the study results suggested that Banks adopt a management information system that has the ability to collect data from production and product systems, collect data after a meaningful interaction with clients and do an annual general survey. Relationship and service quality impacts client satisfaction which in turn has an impact on client loyalty. A revised framework that includes Trust, Product/Channel, Skills/EQ and Brand/Image measurements are recommended.

Further studies may include larger as well as corporate companies in future research. By expanding the research into all businesses including the aforementioned a deeper understanding of what drives client loyalty can be obtained across the spectrum.

4.2 PRIMARY AND SECONDARY OBJECTIVES

4.2.1 Primary objective

The primary objective of this research was, using a management information system, to determine the relative factors that drive and influence client loyalty of SMEs in the banking industry.

The study has conclusively shown that (using a questionnaire to provide the necessary MIS) the following factors are important for SMEs and drives client loyalty:

1. Service quality
2. Relationship quality
3. Overall client satisfaction
4. Trust
5. Skills/EQ
6. Product channel
7. Brand/image

The above factors either increase or decrease client satisfaction which in turn will increase or decrease client loyalty.

4.2.2 Secondary objectives

The research will contribute to understanding the impact client loyalty has on the banks ability to produce sustainable revenue by determining the enablers and detractors of the various factors on client loyalty.

The research will enable the researcher to create a management framework to measure client loyalty. The framework will demonstrate the interdependencies of the various factors and their corresponding impacts. The framework is to be used to craft strategies within banks, which will result in sustainable growth over extended periods, thereby increasing client retention and ultimately client loyalty.

The study has also conclusively shown what areas within the different factors SMEs assign a higher ranking to as well as those areas that is not as important. The questionnaire enabled the researcher to identify the detractors and enablers of client loyalty by studying the detail per factor.

The researcher also proposes the adoption of a revised framework (figure 4.1). The aforementioned framework includes all the factors that SMEs deems important for their businesses.

4.3 LIMITATIONS OF THE STUDY

Johannesburg Central Gauteng-based SMEs were included in the survey and this can be viewed as a limitation since rural SMEs may have different client loyalty factors than urban SMEs.

A further limitation is that only SMEs falling within the narrow definition applied by the DTI were included in the study. Larger companies may or may not choose the same client loyalty factors. Not having a broader view of company needs and requirements poses a challenge to banks especially in the product innovation area.

4.4 SUMMATION OF STUDY RESULTS

The study has met the primary and secondary objectives as set out in Chapter 1. As set out in the objectives, the factors that drive client loyalty were identified, measured and ranked. Bar brand/image, high percentages of “agree” and “strongly agree” were reported for relationship quality, service quality, customer satisfaction, trust, product/channel and skills/EQ.

The factors were ranked into levels of importance with service quality being the most important and brand/image being the least important factor.

The research has also evidenced the importance of client loyalty and the impact of low level client loyalty on revenue growth. Not performing on factors identified resulted in revenue loss.

High levels of correlations are evident between the various factors. A positive correlation also exists between company turnover, company total gross assets, number of employees and number of years with existing bank.

The existing framework currently used in banks needs to be enhanced to include all the identified factors that drive client loyalty. The study enabled the researcher to recommend a framework which includes the factors as per the study.

4.5 RECOMMENDATIONS

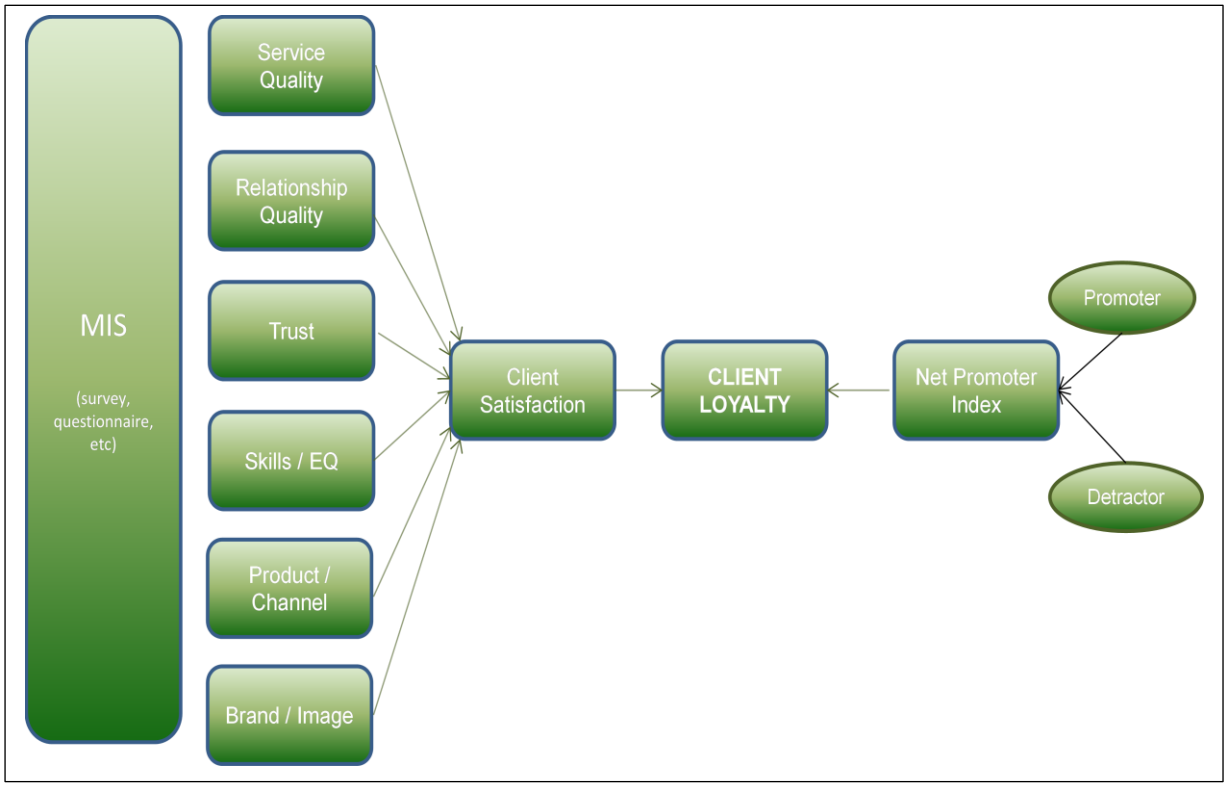
By applying technology outside its traditional domain (backroom) and by moving it into the "sharp end" of the business, business would create distinct competitive advantages for the business. Technology affects the competitive forces in many ways that is building barriers against new entrants, changing the basis of competition, changing the balance of power in supplier relationships, "tying in" the customer, switching cost and creating new products and services. MIS adds value through providing a summarized performance report to management, provides tools, models and data for assistance in decision analysis, provides on-line access to real-time financial and operational information and provides online access to unstructured information and knowledge throughout the business (Galliers & Leidner, 2003: 1-21,508). Through creation and the application of a questionnaire, data could be obtained regularly. It is recommended that banks adopt a management information system that could collect data from production and product systems, collect data after a meaningful interaction with clients as well as an annual general survey covering all business in South Africa.

Client satisfaction, relationship and service quality are factors that get measured and incorporated in the net promoter system. Relationship and service quality impacts client satisfaction which in turn has an impact on client loyalty. It is recommended that the framework be extended to include Trust, Product/Channel, Skills/EQ and Brand/Image measurements (Figure 4.1). This will enable banks to change/create strategies to adapt to the client's changing needs and take immediate actions to address specific client needs.

Deriving from the study results, the researcher proposes the adjusted framework. The framework has been updated to include all factors SMEs deemed important. By

adopting this framework, banks will be able to increase client loyalty as well as adjusting their strategies timeously to meet the SME market's needs.

Figure 4.1: Proposed client loyalty model for South Africa



In order to deliver sustainable growth, banks have to adopt different strategies and determine what is most important for a certain segment in the market. Constant gathering of data and a deeper understanding of clients' needs is required to stay relevant. The above recommendation will contribute to a deeper understanding of client needs and to increase client loyalty.

4.6 FUTURE RESEARCH RECOMMENDATIONS

It is recommended that for future research the study be extended to include large and corporate companies. Through the inclusion of large and corporate companies, banks will be able to develop specific client value propositions, adapt and change strategies to increase client loyalty and revenue.

4.7 CONCLUSION

The primary objective being the use of a management information system to determine the relative factors that drive and influence client loyalty of SMEs in the banking industry has been met.

The secondary objective being the contribution to understanding the impact by determining the enablers and detractors of the various factors on client loyalty and to build a management framework linking and mapping the interdependencies of various factors and impacts has also been met. The framework is to be used to craft strategies within banks, which will result in sustainable growth over extended periods, increase client retention and ultimately increase client loyalty.

Limitations around geographic areas as well as broadening the scope of the study to large companies may or may not have an impact on the outcome of the study.

The recommendation is to apply technology and move it into the “sharp end” of the business, which would then create a distinct competitive advantage for the banks. A management information system collecting data from production systems, client and market feedback, processing the data into meaningful information will enable banks to create strategies and offerings that support and increase client loyalty.

4.8 CHAPTER SUMMARY

The researcher is of the view that the primary and secondary objectives of this study have been met. The factors that drive client loyalty have been identified and ranked according to importance.

Limitations of the study centred around urban vs. rural. The factors that drive client loyalty may or may not be the same. Another limitation is that only SMEs were included. Larger and Corporate companies were not included in the study and again the factors that drive client loyalty may or may not be the same as those chosen by SMEs.

The chapter also covered three possible recommendations:

- Adopt a management information system that could collect data from production and product system's, collect data after a meaningful interaction with clients and do an annual general survey covering all business in South Africa.
- Extend to include large and corporate business with a view to compare whether the factors chosen by SMEs align or differ.
- Extend the framework to include trust, product/channel, skills/EQ and brand/image

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APPENDICES

Appendix A: List of institutions

Category	Bank
Registered banks – locally controlled	ABSA Bank Limited; African Bank Limited; Bidvest Bank Limited; Capitec Bank Limited; FirstRand Bank Limited; Grindrod Bank Limited; Investec Bank Limited; Nedbank Limited; Regal Treasury Private Bank Limited (In liquidation); Sasfin Bank Limited; Ubank Limited; The Standard Bank of South Africa Limited.
Registered banks – 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 (trading as Bank Of China Johannesburg Branch); Bank of Taiwan South Africa Branch; China Construction Bank Corporation - Johannesburg Branch; Citibank N.A.; Deutsche Bank AG; JPMorgan Chase Bank N.A. (Johannesburg Branch); Société Générale; Standard Chartered Bank - Johannesburg Branch; State Bank of India; The Hongkong and Shanghai Banking Corporation.
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,; Wells Fargo Bank, National Association; Zenith Bank Plc

Source: SA Reserve Bank

Appendix B: Thresholds for classification

Thresholds for the classification for micro, very small, small and medium enterprises				
Sectors or sub-sectors in accordance with the Standard Industrial Classification (SIC)	**Site or Class**	**Total full-time equivalent of paid employees (Less than)**	**Total annual turnover (Rm) (Less than)**	**Total gross asset value (fixed property excluded) (Rm) (Less than)**
Agriculture	Medium	100	5	5
	Small	50	3	3
	Very small	10	0.5	0.5
	Micro	5	0.2	0.1
Mining and Quarrying	Medium	200	39	23
	Small	50	10	6
	Very small	20	4	2
	Micro	5	0.2	0.1
Manufacturing	Medium	200	51	19
	Small	50	13	5
	Very small	20	52	2
	Micro	5	0.2	0.1
Electricity, Gas and Water	Medium	200	51	19
	Small	50	13	5
	Very small	20	5.1	1.9
	Micro	5	0.2	0.1
Construction	Medium	200	26	5
	Small	50	6	1
	Very small	20	3	0.5
	Micro	5	0.2	0.1
Retail and Motor Trade and Repair Services	Medium	200	39	6
	Small	50	19	3
	Very small	20	4	0.6
	Micro	5	0.2	0.1
Wholesale Trade, Commercial Agents and Allied services	Medium	200	64	10
	Small	50	32	5
	Very small	20	6	0.6
	Micro	5	0.2	0.1
Catering, Accommodation and Other Trade	Medium	200	13	3
	Small	50	6	1
	Very small	20	5.1	1.9
	Micro	5	0.2	0.1
Transport, Storage and Communications	Medium	200	26	6
	Small	50	13	3
	Very small	20	3	0.6
	Micro	5	0.2	0.1
Finance and Business Services	Medium	200	26	5
	Small	50	13	3
	Very small	20	3	0.5
	Micro	5	0.2	0.1
Community, Social and Personal Services	Medium	200	13	6
	Small	50	6	3
	Very small	20	1	0.6
	Micro	5	0.2	0.1

Source: Schedule 1 to the National Small Business Act of 1996, as revised by the National Small Business Act as amended in 2003 and 2004

Appendix C: Letter from language editor



October 14, 2013

To whom it may concern

Re: Letter of confirmation of language editing

The MBA dissertation **"Using management information systems to determine the client loyalty drivers in SMEs within the banking industry"** by Anis Stewart (23244135) was language, technically and typographically edited. The sources and referencing technique applied was checked to comply with the NWU Harvard reference style. The dissertation is written in English (UK). Final corrections and printing layout remains the responsibility of the student.

Antoinette Bisschoff
Officially approved language editor of the NWU
Member of SA Translators Institute (SATI) Member no. 1001891