

**Measuring customer relationship management in
South Africa Banking with specific reference to
selected Port Elizabeth customers**

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DECLARATION

I, **MG Simanga** , declare that this study titled, “**measuring customer relationship management in South African Banking with specific reference to selected Port Elizabeth customers**” is my own work carried out under the supervision of Dr Richard Meissner. This mini dissertation has not been submitted for any study or qualification in any institution of higher learning. All sources used in the study have been strictly indicated and acknowledged through references.

MG Simanga

13/02/2021

Signature

Date

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ABSTRACT

The objective of Customer Relationship Management (CRM) is to retain and reward existing customers as well as well as attracting new customers. Factors such as risk of failure and marketing inertia have cause majority of retail banks in South Africa to continue with the traditional ways of marketing and only few retail banks have adapted CRM. The purpose of the study was to determine SA Banking customers' perceptions of the CRM initiatives offered by their banks and what banks could do to improve the relationships with customers. Grounded on CRM theory, the study was underpinned by an interpretivist paradigm framed within an exploratory qualitative research approach. Data was collected through semi-structured open-ended interviews with 20 purposive selected retail banks customers. Data was analysed using the grounded theory method following the situational analysis of Strauss and Corbin (1990).

The results reveal that an effective CRM practices will increase customer satisfaction and improve effective relationship with existing and prospective customers. This will be achieved by managing information and monitoring performance trends in delivering products and services that facilitates attraction and retention of customers. The results further reveal that participants feel they were not even made aware of various loyalty programmes like reward schemes and other modern banking initiatives their banks were offering a situation that prompted them at times to switch to other banks. The study recommends that retail banks should place emphasis on the concept CRM by positioning their customer at the centre of their product and service development strategy. The study further recommends that retail banks needs to improve the customer satisfaction levels through the utilisation of various modern banking technologies so as to positively influence customer experiences of their offerings.

The study seeks to recommend that the five purposive selected retail banks from Port Elizabeth be used to better demonstrate their differentiated reward schemes they each have for their customers in their quest to create general awareness and also managing relationships with their customers.

Keywords: customer relationship management, retail banks, customer, customer satisfaction, customer retention.

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LIST OF ABBREVIATIONS

ATM	Automated Teller Machines
Covid-19	Corona virus
CRM	Customer Relationship Management
FNB	First National Bank
PWC	PricewaterhouseCoopers
SARB	South Africa Reserve Bank

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

In the rapidly changing business environment coupled with the Corona virus pandemic in December 2019 (Covid-19), the banking industry globally is facing unprecedented turbulence to deliver quality and satisfactory services to customers (Demirguc-Kunt, Pedraza & Ruiz-Orteg, 2020:1). Managing customer relationship is a predisposition of the banking industry to create and continue with a lasting relationship with its customers in order to provide quality services, create wealth and maximise profit (Laketa, Sanader, Laketa & Mistic, 2015:241). Rao and Patel (2018:17) concur that few financial institutions, especially those in the banking sector have realised the major role that CRM play in enabling them to retain existing customers and attract new customers as well as increase the customer lifetime value. Studies (see Blery & Michalakopoulos, 2006; Kebede & Tegegne, 2018:2) have shown that banks that do implement CRM can create and maintain a long-term relationship with their customers, improve customers' loyalty, increase revenue and reduce costs.

The CRM concept was introduced into the field of service marketing in the early 1990s (Balakrishnan & Krishnaveni, 2014:15). Since then, the majority of retail banks both in developed and developing countries have been using CRM as a strategy to retain and reward existing customers as well as attract new customers (Balakrishnan & Krishnaveni, 2014:15). Examples of some of these strategies used by retail banks in South Africa include the eBucks by First National Bank (FNB), FNB Fusion for Premier, and the Nedbank Arts and children's green affinity account (PricewaterhouseCoopers [PWC], 2018). The eBucks Rewards is all about rewarding FNB customers on the bases on how their banking transactions, while the FNB Fusion Premier account combines the customer credit card and cheque account into one facility with one card (FNB, 2017). On the other hand, the Nedbank Arts and children's affinity The eBucks Rewards is all about rewarding FNB customers for how they bank while the FNB Fusion Premier account combines the customer credit card and cheque account into one facility with one card (FNB, 2017). On the other hand, the Nedbank Arts and

children's green affinity support the development of South African arts, culture and heritage; and helping underprivileged, vulnerable and heritage respectively at no cost (Nedbank, 2018). ABSA Rewards programme is mainly used to reward customers for their behaviour whilst transacting using their products, the number of times you swipe their plastic cards and is tiered in terms of number of products you hold with them.

According to Rao and Patel (2018:17), CRM will give the banks an opportunity to identify important customer needs (Laketa *et al.*, 2015:241). More specifically, CRM is considered to be one of the most important marketing strategies and practices used by banks to enhance their performance standards as well as to ensure the survival of the organisation (Kasim & Minai, 2009; Kebede & Tegegne, 2018:2; Sigala, 2005). Given the important role the banking sector plays within the South African economy, the purpose of the study was to determine SA Banking customers' perceptions of the CRM initiatives offered by their banks and what banks could do to improve the relationships with customers. This study will focus on customers of South Africa's big five retail banks' comprising of Absa Group Limited, FNB, Nedbank, Standard Bank of South Africa (World Bank Group, 2018), and Capitec Bank in Port Elizabeth.

This chapter outlines the road map from within which the study has been grounded. The chapter further provides in detail, the background, rationale, and the problem statement for the study. The research objectives that guided the research study were provided. A brief overview of the literature review and the research methodology for this study were also provided in this chapter. The chapter also provided a detail explanation of the key concepts and the significance of the study. The chapter concluded with an outline of the study as well as the ethical considerations applicable to the current study.

1.1 BACKGROUND TO THE STUDY

The banking industry has always been regarded as the focal point of the economy because of its significant role such as job creation in the financial world and the wellbeing of the country's economy (Anbuoli & Thiruvengkraj, 2013:1). In this regard, the World Bank Group (2018) recommends that products and services marketed and sold in the banking retail market must be designed to meet the needs of identified customer groups and must be targeted accordingly. For these banks to compete in the local and global markets, and be profitable and sustainable in the long run, they should not only concentrate on attracting new customers but should also take into consideration ways to maintain a fruitful relationship with existing customers (Ghalenoioe & Sarvestani, 2015:363).

The South African banking sector consists of 25 local banks, 16 registered local branches of foreign banks and seven foreign controlled banks operating in the retail, commercial and investment banking (South Africa Reserve Bank [SARB], 2012) as shown in Table 1.1 below. Approximately 90% of the retail banking market in South Africa is dominated by the so-called Big 4 Banks which comprises of: Absa Group Limited, FNB, Nedbank and Standard Bank of South Africa (World Bank Group, 2018). There are 19 registered local branches of foreign investment banks and seven foreign controlled investment banks operating in South Africa. The focus of this study is on local South African big five retail banks' comprising of Absa Group Limited, FNB, Nedbank, Standard Bank of South Africa (World Bank Group, 2018) and Capitec Bank.

Table 1.1: List of local and international banks operating in the retail, commercial and investment banking sectors in South Africa

Local banks	Registered Local Branches of Foreign Banks	Foreign Controlled Banks
Investment banks	Investment banks	Investment banks
African Bank Limited	Bank of Baroda	ABSA Bank Limited
Al Baraka Bank Limited	Bank of China	Al Baraka Bank Limited
Barclays Africa Group	Bank of Taiwan	Commonwealth Bank of South Africa Ltd
Discovery Limited	BNP Paribas	Habib Overseas Bank Limited
FirstRand Bank	Calyon Corporate and Investment Bank	HBZ Bank Limited
Grindrod Bank Limited	Canara Bank	Mercantile Bank
HBZ Bank	China Construction Bank Corporation	The South African Bank of Athens Limited
IMB Bank	Citibank N.A.	
Imperial Bank South Africa	Deutsche Bank AG	
Investec Bank Limited	Hongkong and Shanghai Banking Corporation (HSBC)	
Mercantile Bank		
Sasfin Bank Limited		

Africa	ICICI Bank Limited	
TymeBank	JPMorgan Chase Bank NA	
Ubank Limited	Société Générale	
Rand Merchant Bank (RMB)	Standard Chartered Bank	
United Bank	State Bank of India	
WesBank	Wittelsbach Princely Trust Bank	
Retail banks		
Absa Group Limited		
Bidvest Bank Limited		
Capitec Bank Limited		
First National Bank		
Nedbank Limited		
Standard Bank of South		

Source: Authors own compilation

Majority of South African banks lack adequate flexibility and are finding it difficult to adapt to the changing needs of customers as mandated by the SARB as a result of the global financial crisis (Ateba, Maredza, Ohei, Deka & Schutte, 2015:83). The effective relationships between banks and customers depend on the understanding of the unique needs of different customers such as investment customer, current account customers or savings account customers (Anbuoli & Thiruvengkraj, 2013:1). According to Šebjan, Bobek and Tominc (2014:460) an effective CRM strategy could enable a bank to achieve positive organisational outcomes, such as increased sales and profits, greater competitive advantage in the market creating more profit and sustainability. Šebjan *et al.* (2014) further affirm that CRM assist banks in increasing customer loyalty and satisfaction, generate new knowledge about customers, as well as improving the performance and the quality of customer relationships.

CRM is a process used by banks to obtain in-depth knowledge of habits behaviour and needs of customers (Rao & Patel, 2018:17). Šebjan *et al.* (2014:460) assert that retail banks can adopt a CRM strategy to acquire new customers, encourage existing customers to purchase, maintain good relationship with customers as well as increase value for customers, and thus the image of an organisation can also be improved. Rao and Patel (2018) echo that the concept of CRM has become a key strategy in managing customers in the contemporary business world, especially in financial institutions such as banks (Rao & Patel, 2018:17). Das (2012:68) argues that lack of understanding on CRM is concern among service providers especially banks. Kebede and Tegegne, (2018:2) argue that the modern-day organisation is based on a differentiated service rather than a differentiated product and, therefore, the adoption of customer relationship management by banks is a vital strategy to achieve a competitive advantage.

The concept of CRM originated in developed economies, primarily in organisations whose priority was to retain existing customer base as an important business segment especially in a competitive environment (Laketa *et al.*, 2015:242). Customer relationship management is a major strategy that the banks are using to manage customers as a focal point on understanding customers as individuals instead of a group (Anbuoli & Thiruvengkraj, 2013:1). Majority of large European and United States of America (USA) banks have restructured their operations and contractual

relationship with customers and other stakeholders (Gautam, 2016:36; Goyel & Joshi, 2012). However, retail banks in South Africa are still lacking behind to create a satisfactory relationship with their customers.

The banking industry in South Africa has grown rapidly over the past two decades. As the economy of the country is growing, there seems to be a need for the banking sector to facilitate customer satisfaction (Kebede & Tegegne, 2018:3). Customer retention is the focal point of the success of every bank and the success of the customer relationship management process depends on the active involvement of the bank with its customers (Anbuoli & Thiruvengkraj, 2013:1). Majority of banks are facing a lot of challenges such as competition, technological change, global economic challenges, recession, increasing interest rates, as well as capital flight (Gautam, 2016:36). These challenges have affected the relationship between most banks and their customers, especially in South Africa. In this regard, Munyoro and Nyereyemhuka (2019:216) suggested that banks need to train their employees such that they can fully embrace customer relationship management applications and software effectively, and the banking sector leadership should effectively communicate customer relationship management policies, practices and its importance to all its employees.

The ever increasing competition and changing aspects in the marketplace and the need for banks to survive, grow and meet the stakeholder's objectives have created a need for an effective long lasting relationship between retail banks and their customers (Opara & Opara, 2016:13). Table 1.2 presents the market share performance of the Big 4 retail Banks in South African, which comprises of Absa Group Limited, FNB, Nedbank and Standard Bank of South Africa (World Bank Group, 2018). For the purpose of this study, Capitec was included in the sample as it is the biggest bank in South Africa by customer numbers (11.4 million), with the happiest customers in terms of products and services according to the latest South African customer's satisfactory index for retail banks as shown in Table 1.2 below. Standard bank South Africa is rank first in terms of core capital and has the biggest income base, with the highest number of employees (53 178), branches (1 200) and ATMs (9 321). FNB has some of the happiest customers due to its advance technologies, and ABSA has a wide reach (Business Tech, 2019).

Table 1.2: Market share performance of the top five retail banks in South Africa

Bank	Market Cap	Share price	P/E Ratio	Employees	Branches	ATMs	Active retail customers	Customer Satisfaction
(FNB)	R347.1 billion	R62.10	12.27	48 780	619	5 780	±8.2 million	81.5
Standard Bank	R299.5 billion	R184.79	10.47	53 178	1 200	9 321	8.1 million	77.0
Capitec	R137.9 billion	R1 197.22	25.55	13 774	840	5 011	11.4 million	84.9
Absa Bank	R134.6 billion	R159.00	9.11	40 856	640	8 802	–	76.3
Nedbank	R114.8 billion	R233.25	8.13	31 277	702	5 780	7.9 million	79.3

Source: Business Tech (2019)

1.2 RATIONALE FOR THE STUDY

Banks are regarded as financial institutions that offer various financial services ranging from accepting of deposits, cheque deposits, cash withdrawals, fund transfer, online payments, balance enquiry, provision of account statements (Okoye, Omankhanlen, Okoh, Ezeji & Achugamonu, 2019:2157). The banking industry in South Africa is at the edge of entering, what could be argued a new era of exciting technological developments with the potential of changing the ways in which banks will operate. Furthermore, globalisation of financial transactions along with high levels of international competition, coupled with tough and strict banking regulations by the government due to the 2008 financial crisis; and technological advancements have significantly changed the scope and process of banking (Balakrishnan & Krishnaveni, 2014:15). The lack of understanding on customer relationship management is always a concern among banks (Anbuoli & Thiruvengkraj, 2013:1; Rao & Patel, 2018:17). It is therefore vital for South African banks to maintain an effective CRM so as to better understand their customers and be in a position to meet their expectations with the aim of retaining their existing customer base (Coetzee, 2016:95). In this regard, the perception of customers on customer relationship management practices among banks should also be taken into consideration.

1.4 PROBLEM STATEMENT

The banking industry's make-up is with a lot of competition to winning a larger market share and attracting a larger number of customers (Cvijović, Kostić-Stanković & Reljić, 2017:151). In South Africa, most retail banks are suffering from poor customer services because they are implementing strategies that do not consider customer needs (Ateba *et al.*, 2015:83). A unique relationship between the banks and its customers exists. However, Anbuoli and Thiruvengkraj (2013:1) state that "due to challenges such as financial burden, risk of failure, market inertia, many banks are still following the traditional ways of marketing such as direct mail, newspaper advertising; and only a few banks are making attempts to adapt customer management relationship". Šebjan *et al.* (2014:460) attribute the poor customer management relationship in the South African banking industry to factors such as technology advances, greater alignment with the customers and information about them and

consequently their stance on knowledge about customers, greater market competitiveness and reduced customer loyalty.

Retail banks are also facing challenges in providing elevated levels of service to customers while attempting to improve profitability and market share at the same time (Kebede & Tegegne, 2018:2). Research has shown that the most common causes of the poor customer management relationship in the banking sector are inadequate measurement systems, low support and involvement of management of the organization, lack of understanding of the business benefits of solutions, low quality and range of data, exceeding the planned cost and inadequate skills in setting up and using customer management relationship procedures (Anbuoli & Thiruvengkraj, 2013). To alleviate these problems, Munyoro and Nyereyemhuka (2019:216) reason that the banking sector should seek to delight its customers by way of having an effective complaint management system, reducing customer waiting time, reducing queuing in the banking halls, enhancing communication frequency with customers and offering rewards.

Moreover, the high unemployment rate of 29.1% in the third quarter of 2019 in South Africa (Statistic South Africa [Stats SA], 2019) have reduced the customer base for which banks in South Africa are competing (Ateba *et al.*, 2015:83). Most banks are losing customers through the closure of their personal accounts because economic hardship is affecting their personal savings (Munyoro & Nyereyemhuka, 2019:216). However, it is maintained that majority of banks in South Africa give more emphasis only on attracting new customers, rather than using customer relationship management tools to maintain the existing ones believing that the bank is the dominant bank and not the others; so, no customer shifts to other banks (Coetzee, 2016:95). In this regard, Kebede and Tegegne (2018:3) caution that there is a high and clear probability that banks that do not implement customer relationship management strategies, risk losing existing customers, which in turn may negatively impact the performance of the bank.

1.4.1 Research aim and objectives

The main aim of this study was to determine SA Banking customers' perceptions of the CRM initiatives offered by their banks and what banks could do to improve the relationships with customers.

The study will be guided by the following objectives relevant to achieving the main aim of the study.

- To obtain an insight into the role of CRM in increasing customer satisfactions, retention of existing customers and attraction of prospective customers through a literature review.
- To examine the impact of CRM on customer satisfaction in the South African retail banking industry.
- To explore the perception of banking customers on CRM as a tool for the South African retail banking industry in the retention of existing customers and attraction of prospective customers.

1.4.2 Research questions

From the above discussion and given the evolutionary trends of the South African retail banking industry, this study aims to answer the following research questions.

- What are the challenges faced by customers in the five big retail banks in Port Elizabeth as a result of CRM practices implemented by these banks to increase customer satisfaction and build effective relationship with existing and prospective customers?
- What roles does CRM play in increasing customer satisfactions, retention of existing customers and attraction of prospective customers?
- To what extent does CRM influence customer's satisfaction in the South African retail banking industry?
- What are the perceptions of banking customers on CRM as a tool for the South African retail banking industry in the retention of existing customers and attraction of prospective customers?

1.5 BRIEF LITERATURE REVIEW

CRM is regarded as a major source of competitive advantage for the banking industry and is an accepted instrument that supports customer-oriented organisations' decisions (Kebede & Tegegne, 2018:2; Mohammed, Rahid & Tahir, 2014). CRM provide banks with the need for the continuous collection of information on customers' behaviours as the goal of the banks if to provide benefits to customers based on their needs (Rao & Patel, 2018:17). The banking industry in South Africa is extremely competitive and to gain competitive advantage, banks must aim at providing quality services to satisfy their customers (Kebede & Tegegne, 2018:3). Balakrishnan and Krishnaveni (2014:15) also concur that commercial banks must come out with innovative measures to satisfy both the needs of the existing and prospective customers. Banks need to increase customer satisfaction by using various modern banking services as well as provide more customer-friendly services to make modern banking activities a joy for the customer to use (Balakrishnan & Krishnaveni, 2014:15). In this regard, CRM has been identified as a vital tool to be adopted by the South African banking industry to improve customer satisfaction (Coetzee, 2016:95).

Managing customer relationship will assist banks to effectively coordinate efforts to present a unified message to individual customer (Laketa *et al.*, 2015:242). Balakrishnan and Krishnaveni (2014:15) in a study conducted in India reveals that a suitable and correct customer management practice will assist the banks to increase customer satisfaction and develop a concrete relationship with existing and prospective customers by managing information and improve performance of delivering products and services at a great speed that facilitates customer creation and retention. According to Balakrishnan and Krishnaveni (2014:15), customer relationship management is a comprehensive approach for creating, maintaining and expanding customer relationship. Laketa *et al.* (2015:21) concur that using modern technologies, managing customer relationship is a process for banks to maintain existing structure and development of high-quality customer base. Rapid changes in technology coupled with changes in customer's everyday life have enabled the successful implementation of customer relationship management (Laketa *et al.*, 2015:242). Laketa *et al.* (2015:242) suggest that it is necessary to submit a unique

proposal to a customer by phone, mail, and personal contact or by email; in accordance with the method of communication that customer has chosen.

Fierce competition amongst Banks over customers has intensified lately with lots of lucrative incentives being on offer for switching. Non-traditional Banks, Retailers and Insurance companies are joining the fray of banking making the competition worse (Coetzee, 2016:95). Kumbhar (2011:21) contends that the conventional banking system is being replaced with electronic-based business models, hence the need to redesign their business processes and customer management relationship. Masuabi and Erasmus (2016:1862) advocate that modern- day banking is reliant on digital and electronic channels, which has increased consumer satisfaction. Balakrishnan and Krishnaveni (2014:15) found that retail banks that are using CRM will place emphasis on total customer satisfaction which will indicate that the customer is satisfied and happy with the services rendered by the bank. Opara and Opara (2016:13) argued that the retention of existing customers, attraction of new customers and enhancement of customer satisfaction are the important dimensions of CRM.

1.6 RESEARCH METHODOLOGY

According to Vosloo (2014:299), a research design is an outline that enables the researcher to plan a suitable research strategy to ensure that validity of the result. In the context of this study, an exploratory research design was adopted as the researcher aimed at obtaining new insights into the behaviour and attitude of bank customers stemming from CRM practises implemented by the banks. Exploratory research design is the primary stage of research with the aim of obtaining new insights into the phenomenon under investigation (Akhtar, 2016:68). Exploratory research design was considered appropriate for this study as it provided the researcher with a broader understanding into concerns customers in the five big retail banks in Port Elizabeth are facing as a result of CRM practices implemented by these banks to improve customer satisfaction and retention with existing and prospective customers.

1.6.1 Research paradigm

Creswell (2009:6) define a research paradigm as “the basic set of beliefs that guided the way of conducting a study”. The philosophical assumption that will underpin this research study falls primarily within the interpretivist paradigm (Creswell, 2011:257). Interpretivist paradigm involves taking participants’ understanding as the centre of what is real to them (Creswell & Plano Clark, 2011:53). Interpretivist paradigm was considered vital for this study because it recognises the existence of multiple social realities and the need for a researcher to explore how individuals interpret and make sense of their social experiences.

1.6.2 Research approach

The qualitative research approach will be adopted for this study. Qualitative research is the collection, analysis of data that cannot be meaningfully quantified or summarised in the form of numbers (Wiid & Diggins, 2015:95). A qualitative research approach was considered appropriate for this study as the researcher aim to examine attitudes, perceptions, motivation and understanding of bank customers (Wiid & Diggins, 2015:95). Semi-structured open-ended interviews were used to solicit the opinions and experiences of customer relationship management. Furthermore, a qualitative research approach assisted the researcher to comprehend with how bank customers’ best describe their own personal experiences, and what meaning they attribute and attach to their experiences.

1.6.3 Population for the study

A population is a group of potential participants to whom the researcher wants to generalise the result of the study (Salkind, 2014:185). The target population for this study comprised of customers between the ages of 18 and 65 and from the identified five retail banks (refer Table 2.1). Hennink, Hatter and Bailey (2011:84) argued that a study population should focus on individuals with knowledge and experience that can contribute to a greater understanding of the phenomenon under investigation. The target population for this study have a reasonable knowledge to provide empirical data with regards to CRM.

1.6.4 Selection of participants

A nonprobability, purposive sampling technique was used to select the unit of analysis to elicit views with respect to the perceptions of CRM in the South African retail banking sector. Purposeful sampling does not only consider the selection of participants but also involves the settings, incidents, events and activities for data collection and the researcher hand-picking participants (Maree, 2010:178). The researcher repeated the process of data collection and analysis until new data stop emerging and the data saturation occurred. Hence, 20 participants were purposively selected from the five identified retail banks. Four participants were purposively selected from each of the five top retail banks in Port Elizabeth.

1.6.5 Data collection

The primary data was collected through semi-structured open-ended individual interviews with 20 purposively selected bank customers in Port Elizabeth. 4 customers from each of the 5 retail banks in Port Elizabeth were interviewed. The interview is regarded as a social relationship designed to exchange information between the participant and the researcher (Vosloo, 2014:330). The main feature of an interview is to facilitate the interviewees to share their perspectives, stories and experience regarding a particular social phenomenon being observed by the researcher (Wahyuni, 2012:73). To answer the research questions, the researcher repeated the process of data collection and analysis until new data stopped emerging and the data saturation occurred. The researcher briefly explained the aim of the interview to the participants and emphasised on the confidentiality, anonymity, and the voluntary nature of the study. Only participants who signed the consent form were interviewed and each interview lasted for 15 to 20 minutes and was audio recorded.

1.6.7 Data analysis

Data analysis involves the drawing of inferences from raw data (Wahyuni, 2012:75). This study utilised grounded theory thematic analysis whereby specific themes and sub-themes are presented under the guideline auspices of Strauss and Corbin (1990) grounded theory interview.

1.7 DEFINITION OF KEY CONCEPTS

The following definitions were used to clarify an understanding of certain key concepts used in the current study.

Customer relationship management

Customer relationship management is referred to as a process of identifying, attracting, differentiating and retaining customers as well as an outcome for continuing evolution and integration of marketing ideas and newly available data (Balakrishnan & Krishnaveni, 2014:15). In the context of this study, customer relationship will be considered as an intelligent combination of marketing and information technology for serving the customer with greater care and value as opine Balakrishnan and Krishnaveni (2014).

Banking

Banking is defined as accepting of deposit in form of money from the members of the public for the purpose of lending or investing and that money is repayable on demand or otherwise and withdrawn by cheque, draft or order (Amadeo, 2018). For this study, the researcher will concur to the above definition. The banking referred to in this study are the five financial institutions normally referred to as the Big 4 Retail Banks in South Africa viz. (ABSA, FNB, Nedbank and Standard Bank) including Capitec all operating from Port Elizabeth.

Bank Customer

A bank customer is any individual or an entity that makes use of the services of a bank. Bank customers refer to in this study are those individuals that are using the banking services of the selected banks for this study.

Primary Relationship

It is a bank relationship wherein the salary of the customer gets credited into the transactional account they hold with that bank.

Secondary Relationship

It is a bank relationship wherein the customer has multiple relationships with various financial institutions.

1.8 ETHICAL CONSIDERATION

According to Salkind (2014:149), the researcher must keep the participants at the forefront of all consideration and their dignity maintained. Most ethical issues fall into one of the four categories namely; protection from harm, informed consent, the right to privacy and confidentiality and honesty with professional colleagues (Leedy & Ormrod, 2005:101; Punch, 2014:43). The researcher has an obligation to protect the rights and interests of the participants and institutions. The researcher will take all steps to ensure that participants are not exposed to any form of distress or harm and their rights to privacy will be respected. The researcher obtained an ethical clearance from North West University business school ethics committee.

1.9 CHAPTERS OUTLINE

This study will consist of five chapters:

Chapter 1: Introduction to the study

Chapter 1, in detail, introduced the study by providing the background and contextualisation of the study. The statement of the problem, research objectives and questions were also provided. The chapter further provided a brief overview of the literature review, research design and methodology as well as ethical considerations.

Chapter 2: Literature review and theoretical foundation

Chapter 2 reviewed the literature relating to customer relationship management and provide a theoretical framework through which the study will be grounded.

Chapter 3: Research design and methodology

The third chapter will discuss the research design and methodology adopted to gain empirical answers to the research question and locate the study within an interpretivist research paradigm. The chapter will also discuss issues of validity and reliability as well as ethical issues for this study in detail.

Chapter 4: Interpretation and presentation

This chapter will deal with the research findings which will be analysed, interpreted, and presented in a clear, coherent, and comprehensive manner. This will comprise the views of individual customers from the selected branches.

Chapter 5: Findings, conclusions, and recommendations

This chapter will be characterised by a detailed summary and conclusion based on the main findings in the literature and in the empirical research. Considering this, constructive recommendation and areas for future research will be provided. Limitations of the study will also be highlighted.

1.10 CHAPTER CONCLUSION

This chapter will set the scene for the study to determine the challenges retail banks in South Africa are facing with respect to the implementation of customer relationship management. A quantitative research method was to be used to find answers to the research questions.

The next chapter reviewed the literature relating to the challenges that banks are facing with respect to the implementation of customer relationship management.

CHAPTER 2

LITERATURE REVIEW AND THEORETICAL FOUNDATION

2.1 INTRODUCTION

The purpose of the current study is to investigate the challenges bank customers in South Africa are facing because of customer relationship management practises implemented within the South African banking industry. First chapter provided a road map through which the study was conducted. Chapter two reviewed the different themes under investigation for the study. This chapter begins with a detailed summary of the theoretical framework which is the bed rock of this study. This will then be followed by a review of literature relating to the South African banking sector and its associated challenges coupled, by a review of relevant literature associated with customer relationship management processes, practices, and challenges. The chapter will conclude with a review of the literature linked customer satisfaction, perception of banking customers as well as retention of customers.

2.2 THEORETICAL FRAMEWORK

There is little consensus on a single accepted definition of theory (Abend, 2008). According to Miles (2012), theories are essential tools used by academics to help us organise our thoughts and ideas about the world, and generate and explain relationships and interrelationships among individuals, groups, and organisations. Corley and Gioia (2011) define theory as a statement of constructs and their interrelationships that shows how and why a phenomenon occurs. In other words, a theory can be any coherent description or explanation of observed, experienced, or documented phenomena (Gioia & Pitre, 1990). Notwithstanding the fact that transition procedure from CRM strategies and practices is still in its early stages, the investigation of the possible importance of customer relationship management in banking within the South African context is of a great significance (Coetzee, 2016:96).

Many theories have been advanced to explain and clarify the concept of CRM, among these, are relationship marketing theory (Möller & Halinen, 2000), and CRM theory (Labus & Stone, 2010). To gain an in-depth understanding of the impact of CRM on customer satisfaction, retention of existing customers and attraction of potential customers, the current study adopted the CRM theory. According to Labus and Stone (2010:155), CRM theory represents inter-related perspectives of CRM practices to managing corporate customer relationships in service industries such as banks. The study of Al-Khouri (2012:30-32) suggested key common components of CRM theory. The dimensions of which are: key customer focus, knowledge management, customer relationship management organisations, and technology-based customer relationship management. Applying the CRM theory to the current study implies that the inter-related perspectives of CRM practices must be effectively implemented by retail banks in South Africa so as to successfully increase customer satisfaction and build effective relationships with existing and prospective customers.

2.3 THE CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT

The concept of customer relationship management came into existence in the organisational domain in the 1990s. From 1990, the concept of customer relationship became more vulgarised as a legitimate area of scholarly inquiry and stimulated the interest of global business and research community (Giannakis-Bompolis & Boutsouk, 2014:69). For Galbreath and Rogers (1999), customer relationship management is nothing more than an approach that stems from the need to create a new business environment, which allows more effective management of relationships with customers. Simultaneously, the concept customer relationship management for many academics is theoretically grounded on relationship marketing, whose philosophy lies on improving long-term profitability established as strategic goal retention of the customer through more effective management of customer relationships.

Customer relationship management is defined as the managerial process and practice that an organisation can apply to gain competitive advantage (Mekkamol, Piewdang & Untachai, 2013:108). Parvatiyar and Sheth (2001:5) on the other hand define customer relationship management as a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value

for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organisation to achieve greater efficiencies and effectiveness in delivering customer value. Abbas and Hafeez (2017:133) refer to customer relationship management as a policy used by an organisation to attract and retain its potential customers. Abbas and Hafeez (2017) further explained the concept of customer relationship management in the banking sector as a practice which requires understanding the customer's changing needs and developing services to satisfy these needs by building long term relationships with the customers.

2.4 CUSTOMER RELATIONSHIP MANAGEMENT PRACTISES

Customer relationship management is regarded as one of the best basic strategies for retaining existing customers, especially the most profitable and sustainable ones (Ghalenooie & Sarvestani, 2015:364). Anbuoli and Thiruvengkraj (2013:2) argue that customer relationship management is a sound business strategy banks can use to identify its most profitable customers and prospects and can devote time and attention to increase account relationships with those customers through individualised marketing, reprising, discretionary decision-making, and customised service-all delivered through the various sales channels that the bank uses. Ateba *et al.* (2015:83) argue that this strategy is not received well by customers who feel they have no control or choice with regards to their banking needs coupled with inflated costs of banking. Payne (2012) is of the opinion that the concept of customer relationship management is a very comprehensive and on-going process that suggests that responses from the banks as an external environment are forever changing.

Taking cognisance of poorly differentiated offerings by banks adequate customer relationship management practises will assist banks in establishing long-term and mutually beneficial connections between banks and their customers (Cvijović *et al.*, 2017:151). Customer relationship management practices are a classification of organisational information systems that enable organizations to provide services for customers gather and analyse customer information and manage their relationships with customers more effectively (Khodakarami & Chan, 2011). Abbas and Hafeez

(2017:130) identified three customer relationship practices namely: clients 'attitudes, the efficiency of banking services and knowledge abilities.

2.4.1 Attitude towards clients

Employees are an integral part of any organization. The modern-day employee-customer relationship is more complex and sometimes employees face hurdles in dealing with customers (Johlke & Lyer, 2013). This is mainly because of attitudes displayed or demonstrated by the employees. In the current business environment, the biggest challenge faced by organizations is to have satisfied customers. Therefore, organizations should have employees exhibiting interpersonal and communication skills rather than more technical skills. Customer satisfaction levels and loyalty have a reverse and negative impact on the firm due to the lack of right attitude and behaviour (Abbas & Hafeez, 2017:134). Chapter two provides evidence that employees' attitude, behaviour and dealing with customers contribute towards service quality along with the knowledge and experience that helps employees to understand the needs of and dealing with customers (Flinchbaugh, Schwoerer & May, 2017).

2.4.2 Efficiency of banking services

For any institution to satisfy the needs of its customers as well as achieving their target markets, such an organization should provide its services in an efficient and effective way. All financial institutions in South Africa have already embraced digital banking with various ranges of offerings not limited to online banking, reverse billing applications, Automated Teller Machines (ATM) and scan and pay devices to better improve their efficiencies and banking services. Fourth Industrial Revolution promises to change the world of banking significantly with Big Data, Internet of Things (IoT), and Artificial Intelligence (AI) being the leading interventions to revolutionaries the banking space. Use of plastic cards has been for all these years at the forefront of banking services that were deemed to be convenient and efficient for use by customers (Abbas & Hafeez, 2017:135).

Banks have made use of various product offerings to improve their customer relationships with services like internet e-channels ATM's, credit cards, debit cards, internet banking, mobile banking, electronic funds transfer (EFT) as well as electronic clearing services (Kumbhar, 2011:21). It is therefore expected of banks to ensure that their employees are competent in performing their tasks and responsibilities within stipulated time frames to far surpass the expectations of their customers. These are multiple factors that should influence the environment and efficiency of the banking sector. These factors are confidentiality, safety or security, technology, honesty, attitude, and behaviour of employees including management and so on. All these factors are very important to gain the trust of customers and for developing relationships with them (Abbas & Hafeez, 2017:135).

Customers are more aware of banking services whilst they also expect high service quality. According to Izogo and Ogba (2015), service quality is an important factor in marketing. It enables firms to maximise additional benefits. Service quality is considered as a customer assessment and satisfaction mechanism in relation to their experience of the services they have received from their organizations (Abbas & Hafeez, 2017:132). The breakthrough of any service orientated organization is based on the service quality and the satisfaction levels of their customers with the services provided to them (Makanyeza, Makanyeza, Chikazhe & Chikazhe, 2017). Abbas and Hafeez (2017:130) noted that employees' knowledge and capabilities have a significant impact on service quality. Service quality, ability to manage complaints, effective and timeous responses to customer complaints and good behaviour of employees towards their customers determine the customer satisfaction levels, which is related to increased satisfaction levels of customers.

2.4.3 Knowledgeability

Employee's knowledge and capabilities help customers to gain experience that leads towards service quality and efficiency in the services provided by the banks which also help in service quality (Abbas & Hafeez, 2017:130). Abbas & Hafeez (2017:136) indicated that bank employees could assist in ensuring that clients become more effective and efficient in conducting their financial dealings and decision-making regarding financial matters utilizing the available information, knowledge and skills.

A study conducted by Ghalenoie and Sarvestani (2015:363) reveals that human resource factors such as perceptions, understanding and self-acknowledgement have positive effects and can guarantee success in customer relationship management.

The development of human resources and the strategies of organisational culture are all processes that subsidised the growth and sustainability of the banking industry and that of the banking employees (Dimitrios, 2014:15). This shows that employees, who interface directly with clients, should have the necessary skills to satisfy the customer needs. Customers will always have different problems and issues regarding their banking experiences, and if they do, then companies should acknowledge and attempt to resolve such issues by responding promptly and efficiently. The above discussion indicates that knowledgeable employees are an asset for the organizations as they are able to develop relationships with their customers that will, in turn, increase the service quality (Abbas & Hafeez, 2017:137).

2.5 IMPORTANCE OF CUSTOMER RELATIONSHIP MANAGEMENT

Managing customer relationship helps banks to effectively coordinate efforts to present a unified message to an individual customer (Laketa *et al.*, 2015:242). It results in higher profits through increased business from a firm's customer base. Customer relationship management is the seamless coordination between sales, customer service, marketing, field's support, and other customer touching functions. Previous studies (Abdul & Basri, 2012; Nwankwo & Ajemunigbohun, 2013:2) have also shown that customer relationship management improves bottom-line effect or profits, while marketing efforts and pricing improves product differentiation whilst customer commitment, satisfaction and loyalty, enhances long-term profitability or sustainability.

The constant interaction between clients and the management team will enable the organisation to identify their customers, understand their unique needs and tailor their service or product offerings to their needs in a sustainable and competitive manner that can yield significant incremental shareable value. Customer relationship management also enables knowledge management, enhances customer acquisition, development, retention, and decision making that brings about increased firm performance (Abdul & Basri, 2012). Customer relationship management has always

been a well-liked and widely accepted practice to maximise customer equity according to Abaser, Thakar and Ambedkar (2015:43).

Research has shown that customer relationship management will increase the satisfaction levels of the customers. This in turn will improve customer loyalty and the implication of this means that customers will get an in-depth knowledge of the organisation leading to a higher customer satisfaction. The relationship between the management and the clients plays a significant role in increasing market share and can enhance productivity. Nwankwo and Ajemunigbohun (2013:1) suggested that retaining profitable customers and understanding customer profitability models are the recognisable core values of customer relationship management. Customer relationship management integrates the organisational supply chain to create customer value at every step, either through increased benefits or reduced costs as well as an improved corporate competitive advantage (Karahan & Kuzu, 2014:6).

2.6 CUSTOMER RELATIONSHIP MANAGEMENT PROCESSES

The rapport between clients and the management entails all the activities that are taking place inside the organisation, which influence the customer relationship quality and duration (Rababah, Mohd & Ibrahim, 2011:22). Santouridis and Tsachtani (2015:304) found that customer relationship management is the most essential organisational resource since it has positive impact on all the stages of the customer life-cycle process. Parvatiyar and Sheth (2001) informed that the efficacy of marketing could be increased through cooperative and collaborative processes that helps to reduce the transaction costs and the total operational cost of the company.

Customer relationship management can be explained as a process often used by banks in identifying, attracting, differentiating, retaining and creation of wealth whilst maintaining long term relationships with bank customer according to (Hassan, Nawaz, Lashari & Zafar, 2015:563). The two main factors that contribute to the success of customer relationship management are the effective commitment of banks and performance-based customer behaviour (Giannakis-Bompolis & Boutsouk, 2014:69). Geib *et al.* (2005) classified customer management processes into three groups viz. delivery processes, support processes and analysis processes.

Delivery processes: these are the different undertakings in connection with sales, service support, marketing promotions and customer complaints.

Support processes: these are activities oriented towards what the market needs with the intention to develop loyal customers.

Analysis processes: these are activities entailing analysis of data acquired by processes from the other two groups and the creation of value leading to service innovation.

2.7 CUSTOMER RELATIONSHIP MANAGEMENT IN THE BANKING INDUSTRY

Nowadays, many banks intend to develop and manage stronger interaction with their customers with the aim to maximise customer equity. This does involve building and managing successful customer relationships to raise customer satisfaction (Yao & Khong, 2011). According to Baser *et al.* (2015:43), an effective customer relationship management in a bank will bring about vital segments such as incorporating the communication tools to meet the needs of customers, referring to each customer as an individual, and making the customer relationship an impressive and long-lasting experience.

Every bank customer is considered as one of the most important assets that a banking institution should preserve and continuously expand. As customers are significant, it is essential for banks to gratify their needs and wants. Target-group marketing and segmentation techniques assist in establishing and maintaining long-term relationships of trust between banks and their customers (Karahan & Kuzu, 2014:7). Tamilarasan (2011) attests that customer relationship management has become a pivot in the programmes and practices of banking services particularly in the context of retail banking services.

Modern economy is characterised by globalisation, increasing competition and advances in communication and information technology. This has forced companies to depart from traditional marketing doctrines and adopt a customer-centric approach by focusing on managing customer relationships (Santouridis & Tsachtani, 2015:304).

Giannakis-Bompolis and Boutsouk (2014:68) opine that the success in communications and information technology have provided bank consumers with a wide range of new online opportunities and possibilities to gather, exchange and share information around services and products along with personal experiences with brands. However, most banks in South Africa are not up to date with the latest banking technology; hence this is a major challenge to implement an effective customer relationship management.

2.7.1 Trust and commitment

Confidence and commitment between banks and their customers can be regarded as the powerful competitive advantage for banks. This statement justifies to a certain degree why financial institutions have since shifted from transaction-based banking to a relational approach (Santouridis & Tsachtani, 2015:306). Karahan and Kuzu (2014:6) reveals that maximising competitiveness in the global markets has led to organisations looking for better strategies to manage their relationships with customers more effectively over time. Consequently, CRM has become a central part of most businesses and many organisations are implementing customer relationship management systems. Anbuoli and Thiruvengkataj (2013:1) suggested that a unique relationship exists between banks and their customers but financial burdens, risk of failure, marketing inertia have led to some banks continuing to pursue traditional ways of marketing resulting in only a handful of banks making attempts to adapt to customer management relationship practises. Retail banks must strive to establish long-term relationships with their customer base on the premise that positive long-term trust and commitment with customers will improve positive customer satisfaction (Mkawuganga, 2018:36).

2.8 CUSTOMER SATISFACTION

Highly competitive market environments require organisations to maintain positive relationships with their customers which can only be achieved through developing an effective customer relationship management programme that will boost customer satisfaction levels (Hassan *et al.* 2015:563). Karahan and Kuzu (2014:6) recommended that improved customer satisfaction levels can be achieved by

analysing customer's detailed information. Research conducted by Baser *et al.* (2015:44) informed that a gratified customer is more loyal and can facilitate a constant economic performance for the bank through referrals. That practise will trigger the customer to bring in more clients inducing a multiplier effect to the organisation. Baser *et al.* (2015) further explained that a stable customer base demonstrates an organisation's ability to effectively implement a customer relationship management strategy on customer satisfaction and business conductance.

Research has shown that customers are the lifeblood of any business hence the success of any organisation depends largely on how effective the management of their relationship is with their customers as per (Santouridis & Tsachtani, 2015:305). Paul, Mittal and Srivastav (2016:616) suggested that client satisfaction is based on the customer requirements and expectations, which means if they do get the required quality and service levels they would essentially be satisfied. Abbas and Hafeez (2017) investigated the impact of customer relationship management practices on the service quality in the banking sector and concluded that these practises largely affect not only loyalty and customer satisfaction but also the quality of services provided by the banks.

Santouridis and Tsachtani (2015:306) have reported that bank clients often express their dissatisfaction from product-focused strategies, as they expect an effective relationship management from the banks. In a competitive banking sector where products and services tend to be homogeneous, this then give rise to a differentiating factor. Giannakis-Bompolis and Boutsouki (2014:67) have pointed-out that there are some indicators that discloses the fact that a client would be willing to get involved in a new type of relationship with their bank. These determinants include the level of a customer's overall satisfaction, their effective commitment to the bank and the active social media presence of the bank.

Hassan *et al.* (2015:563) resolved that customer relationship management has a significant effect on customer satisfaction levels, and such an increase in the satisfaction levels will lead to repeat business from that same customer. Giannakis-Bompolis and Boutsouk (2014:68) see this phenomenon as another innovative modern way organisations can harness market ecosystems where customers should be regarded as the number one priority and not the business itself.

2.8.1 Types of customer satisfaction

CRM is a vital tool that propels banking institutions to tap into a range of business benefits such as customer satisfaction (Safa & von Solms, 2016:1). There are various types of customer satisfaction, which include transaction-based satisfaction and experience-based satisfaction. Transaction-based satisfaction relates to the satisfaction or dissatisfaction a customer derives from a discrete service encounter (Jones & Suh 2000:148). Transaction-based satisfaction is not necessarily related to overall customer satisfaction as different customers may experience a different level of service quality from each discrete transaction (Liang, Choi & Joppe, 2018:42). On the other hand, experience based refers to the specific experience a customer was subjected to, which can be measured based on specific norms (Liang *et al.*, 2018:42). In other words, customers compare their previous experience with the current experience to determine the level of their satisfaction. In this regard, banks can increase the experience-based satisfaction of customers by providing modern quality products and services as well as providing information to customers on new products and services (Oumar, Mang'unyi, Govender & Rajkaran, 2017:694).

2.8.2 Determinants of customer satisfaction

Client satisfaction is a mental state, which compares the results of customer expectations prior to purchase with performance perceptions, post-purchase or sale, and customers are satisfied when they are happy with their purchase outcomes, achieve their goals, and experience no hassle (Paul *et al.*, 2016:606). Research has also shown that happy customers maintain contact with the company and tend to purchase more products or services more frequently than unsatisfied customers. Giannakis-Bompolis and Boutsouk (2014:72) suggested that there is a constructive correlation between client's overall satisfaction, his existing relationship with the bank and his readiness and willingness to get involved to a new engagement-type relationship with the bank.

Quality of service provided by the firm is considered as one of the key areas that increases the organisational performance (Alabboodi, 2019: 146; Mostafa & Eneizan, 2018). Paul *et al.* (2016:606) attested that in private banking, product knowledge, speed in responding to the need, ability to resolve complaints, efficient service and efforts to reduce queuing time were found to be the factors that are positively associated with overall customer satisfaction. Paul *et al.* (2016) further revealed that assistance to the customer, appearance, and follow up are negatively associated with customer satisfaction in private banking, whilst in the case of mainstream retail banking, product knowledge and efficient assistance are the factors which are associated positively, and appearance is the only factor that is negatively associated.

Findings from Alabboodi (2019) indicated that service quality components namely, assurance, reliability, tangibility, and empathy have a significant positive impact on customer satisfaction. Paul *et al.* (2016) on the other hand have found out that both service problems and the service recovery ability of a bank have major impacts on customer satisfaction and their intention to switch. Ndubisi and Wah (2005) also found that five key dimensions viz. competence, communication, conflict handling, trust, and relationship quality are discriminating factors between customers, both in terms of perceived relationship quality and customer satisfaction.

2.9 CUSTOMER RETENTION

Customer Relationship Management is one of the leading modern business imperatives and market strategies employed in highly competitive business environments whilst understanding the changing needs and expectations of customers through ensuring retention of such customers should primarily be the concern of business managers (Nwankwo & Ajemunigbohun, 2013:1). Scholars have proven that the main objective of CRM is to retain current customers by increasing their loyalty and to select new customers that provide higher profitability (Hansotia, 2002). Client retention refers to the activities and actions of companies and organisations to reduce the number of client defections and making them loyal (Kebede & Tegegne, 2018). With that having been said the global economic crisis and its associated consequences did send a clear message to the banking industry in that the only way to survive was to, first of all, keep existing customers whilst inspiring them

to continue to buy from them or remain subscribers to their services (Giannakis-Bompolis & Boutsouk, 2014:68). Hassan *et al.* (2015:563) proposed that the organisation should make their customer relationship management philosophies strong and dependable, to keep their existing customers.

In an earlier study conducted by Nwankwo and Ajemunigbohun (2013:1) they revealed how customer relationship management processes positively influenced customer retention in Nigeria's Insurance Industry, and how it helped to create increased values for ensuring populace in Nigeria. A study conducted in Zimbabwe by Munyoro and Nyereyemhuka (2019:216) revealed that customer relationship management exists in the Zimbabwean banking sector and that customer relationship management practises are positively related to customer retention. Kebede and Tegegne (2018:2) believe that customer relationship management practises assist customer retention initiatives of the organization which seek to improve profitability, by reducing costs incurred in acquiring new customers with the prime objective being zero defections of profitable customers. Laketa *et al.* (2015:242) argued that most banks aim to identify their customers and segment them into groups with unique needs so as to better serve their needs as well as maximise profit and shareholder wealth.

Customer relationship management is an organisational wide approach aiming to understand and influence customer behaviours through meaningful communication to attract and retain customers (Santouridis & Tsachtani, 2015:304). Hassan *et al.* (2015:563) claimed that it is less costly to retain a customer than to find a new one. Using Pareto's Principle, it is assumed that 20% of a company's customers generate 80% of its profits. In industrial sales, it takes an average of 8 to 10 physical calls in person to sell to a new customer, 2 to 3 calls to sell to an existing customer. It is 5 to 10 times more expensive to acquire a new customer than to obtain repeat business from an existing customer. A 5% increase in retaining existing customers translates into 25% or more increase in profitability. Patwa and Patwa (2014) examines the relative CRM performance and evaluates its collision on customer retention between the private and public banks, and found that the implementation of an effective customer relationship management assisted both private and public banks in Utah to retain existing customers

2.10 CUSTOMER ENGAGEMENT

The term customer engagement was first mentioned in 2006, when the Advertising Research Foundation along with the American Association of Advertising Agencies and Association of National Advertisers, made an attempt to define this concept and prescribed it in a broader context as turning on a prospect to a brand idea enhanced by the surrounding context. The traditional term Engagement was redefined by consumers themselves when they began to act in an open, participatory, on-line Social environment. According to Higgins (2006), Engagement is a second source of experience for the consumer, beyond the sensual experience that stems from the driving force to proceed (or not) with an action and Calder and Malthouse (2008) discuss the concept of Media Engagement focusing on the psychological experience of Media consumption by the consumer.

Van Doorn, Lemon, Mittal, Nass, Pick, Pirner and Verhoef (2010:256) examine Customer Engagement as a behaviour which is not limited to simple transactions and can be defined as the customers' behavioural manifestation towards a brand or firm, beyond purchase, resulting from motivational drivers. Moreover, Van Doorn *et al* (2010) considered that, in the essence, customer engagement is manifested through an eagerness for participation in business processes and highlight the fact that engagement behaviours may be manifested by a wide range of different agents, such as current and/or prospective customers, suppliers, the public, legislators, even by employees of the company and can have either positive or negative outcome for the enterprise.

Van Doorn *et al* (2010) posted that engagement is reflected through a customer behaviour towards a company or a Brand, which surpasses a common purchase process and gets affected by motivational drivers. However, in order to make clear to the participants what this collaborative relationship could include, the present study accepts as the four main dimensions of such a relationship the ones defined by Giannakis-Bompolis and Boutsouk (2014:69).

2.11 CUSTOMER LOYALTY

Customer loyalty is referred to as the faithfulness that a customer has on a particular product or services or brand (Xiao, Guo, D'Ambra & Fu, 2016:431). Customers maintain a series of loyalties to organisations whose service they usually consume (Oumar *et al.*, 2017:694). Genuine loyalty can only be achieved when strong and positive attitudes are associated with high levels of repeated patronage. While aiming to fulfil their strategic objectives, banks can gain significantly from customer loyalty since loyalty is an effective tool for generating repeat sales from the customers (Azila & Noor, 2011:1)

Bricci, Fragata and Antunes (2016:173) investigated the effects of trust, commitment and customer satisfaction on loyalty and found that trust has a positive and direct effect on commitment, also trust has a positive and direct effect on satisfaction, commitment has a positive and direct effect on loyalty and satisfaction has a positive and direct effect on loyalty. Mpinganjira, Roberts-Lombard and Svensson (2017:421) concur that economic satisfaction has a positive direct influence on trust which in turn influences commitment. Oumar *et al* (2017:694) found that there is a positive relationship between CRM and customers' loyalty.

2.12 BENEFITS OF IMPLEMENTING CUSTOMER RELATIONSHIP MANAGEMENT IN THE BANKING INDUSTRY

The banking industry is affected by numerous factors such as technological infrastructure and regulations all over the world (Eneizan & Wahab, 2016). Matar and Eneizan (2018) argue that the banking industry has been through global harmonisation due to development and progress in regulatory improvements. It has been proven statistically that there is a correlation between quality commitment, trust, satisfaction, customer retention and future use of the product. In an earlier study, it has been found that trust and commitment lead directly to cooperative behaviour that is conducive to relationship marketing success; and is important in the establishment and maintenance of long-term relationships with customers. Rao and Patel (2018) enumerated the three major benefits of customer relationship management that any bank can generate which include benefits to bank esteemed customers, benefits for

bank employees and the overall benefits to banks as opine Eneizan and Wahab (2016).

2.12.1 Benefits to highly respected bank customers

- The Approach is very professional towards customers with Integrated Data.
- Having integrated and updated customer information, better and enhanced level of personalized services are offered by the Bank.
- Customers relate to the Bank 24*7 with the Banks constant Support on call.
- Many Modules and Enhancement have come up serving Customers in every better way possible making the Customers Life easy.

2.12.2 Incentives for employees of banks

- Employees of the bank are motivated and inspired when their net promoter scores (NPS) is favourable indicating high customer satisfaction levels.
- Effective technology helps employees to move queues faster.
- Reliable and efficient systems afford employees more valuable time to engage with clients.
- Better performance ratings are awarded to employees by the banks resulting in improved reward and remuneration.

2.12.3 Strong overall benefits for banks

- Management gets overall benefits as it increases its Customer retention percentages.
- Optimum utilisation of resources by the institution.
- Increased customer satisfaction levels lead to customer growth and ultimate profits.
- Increased customer loyalty has a positive influence on brand value.

- Engaged workforce leads to satisfied customers.
- Chances of retaining customers are great resulting in increased loyalty.

2.13 CHALLENGES OF IMPLEMENTING CUSTOMER RELATIONSHIP MANAGEMENT IN THE BANKING SECTOR

Customer relationship management is viewed as an ideal strategy for managing relationships between the organisation and its customers. Ghaleenooie and Sarvestani (2015:363) on the other hand argues that customer relationship management will sometimes realise the expected outcomes of the organisation after having failed because most organisations tend to rely heavily on technological insights ignoring observed behaviour. Above and beyond technology, the challenges and role played by other organisational factors such as human resource factor should be acknowledged as one of the vital sources for a successful customer relationship management (Ghaleenooie & Sarvestani, 2015:363). Santouridis and Tsachtani (2015:305) further suggest that successful implementation of an effective customer relationship management practises can also pose significant challenges to the banks, as most initiatives do fail to meet expectations.

In this respect, banks need to track the success of applied customer experience management activities and pay attention to human and organizational capital (Keramati, Mehrabi & Mojir, 2010:1170). Niketan, 2011 recommended that challenges faced by many of the banks whilst implementing customer relationship management strategies can be summarised as follows

- Getting management sponsorship;
- Quality of customer data Alignment issue (Alignment of people and processes);
- shortage of skilled personnel;
- Determining the right time for customer needs;

- Using customer data more intelligently;
- Incorporating customer data and customer preferences to the customer database;
- Using the right technologies; and
- Real-time data across all customer channels

2.14 CHAPTER CONCLUSION

A review of the literature shows that the implementation of an effective customer relationship management in the banking industry can assist to attract new customers, keep existing customers, increase customer satisfaction, enhance and sustain market share, enhance service quality and boost bottom-line growth. Literature has also indicated that there is the existence of effective customer relationship management practices in most banks. Also, banks attitude towards clients was found to have a huge impact on the quality of services furnished to their customers.

For this review, the next chapter addressed the research design and Methodology adopted to find empirical answers to the research questions.

CHAPTER 3

RESEARCH DESIGN AND METHODS

3.1 INTRODUCTION

The previous chapter provided the theoretical foundation and reviewed the literature relating the subject under investigation for the study. This chapter focused on the research design and methods adopted in the study. The chapter begins with a detailed discussion of the research paradigm that underpins the current study. This is then followed by the explanation of the research design and approach adopted for the study. A comprehensive description and the procedures of data collection and analysis will then be covered at length. The chapter concluded with an explanation of the ethical considerations for the study.

3.2 RESEARCH PARADIGM

Research is referred to as the procedures of intellectual discovery, which provide the abilities to transform our knowledge and understanding of the globe around us (Ryan, Scapens & Theobald, 2009:7). The researcher must be able to comprehend and articulate beliefs about the nature of reality, what can be known about the reality and how the researcher can go about attaining this knowledge (Rehman & Alharthi, 2016:51). All facets of a research model are these values, fact and knowledge.

A research paradigm is a system of thinking or philosophical framework that helps researchers develop a research tradition in a specific discipline (Neuman, 2011:94; Vosloo, 2014:301). The philosophical assumption that underpins this research study falls primarily within the interpretivist paradigm (Creswell, 2011:257). Creswell (2014:6) defined a philosophical paradigm as a universal logical view about nature and the landscape of the research techniques that scholars utilize in the module of a research project. The philosophical assumption that supports this research project falls primarily within the interpretivist paradigm (Creswell, 2011:257).

3.2.1 Interpretivist paradigm

Interpretivist paradigm initially rooted from the idea that approaches used to understand knowledge with regards to human and social sciences are not same as methods used in physical sciences because human interprets their world and then a behaved based on that interpretation (Hammersley, 2013:26). The interpretative model requires taking perception and perceptions from people as the core of what is true or important to them (Creswell & Plano Clark, 2011:53). The interpretative model in a nutshell is aimed at exploring the complexity of social phenomenon with a view to gaining an understanding of lived experiences (Vosloo, 2014:307). Vosloo (2014) further offers that Interpretivists believe that social reality is subjective and nuanced because it is shaped by the perceptions of the research participants, as well as the values and aims of the researcher. Making sense of customer views and experiences with regards to the importance of customer relationship management in banking will be important to this study as it will assist the researcher to explore an in-depth understanding of the customer perceptions.

Interpretivism discards the belief that, irrespective of our knowledge, a single, verifiable truth exists (Rehman & Alharthi, 2016:51). Interpretivists claim that social agents and the expectations of people create reality. Interpretivist recognises that individuals with their own varied backgrounds, assumptions and experiences contribute to the on-going construction of reality existing in their broader social context through social interaction (Wahyuni, 2012:71). Truth can be understood by means of the meanings people offer their universe. As the interpretivist paradigm assumes that each individual construct reality, thus multiple realities exist in any given situation (Creswell, 2011:257; Creswell & Plano Clark, 2011:53). The interpretative model was considered crucial to this study because it recognizes the presence of various social realities and the need for a researcher to investigate how individuals interpret their social interactions and make sense.

3.3 RESEARCH DESIGN

A research design is a general plan for linking the theoretical research problem under investigation with the relevant empirical research. According to Vosloo (2014:299), a research design is an outline that enables the researcher to plan a suitable research strategy to ensure that validity of the result. McMillan and Schumacher (2001:66) summarise that a research design addresses essential aspects of the research projects. The location of the study is presented as a good example to type of investigation and unit of analysis. More specifically, a research design directs the researcher what data is needed, what methods are the best fit for data collection and analysis. William (2005:395) put this in yet another way in that a research design must address aspects of data collection and outline the purpose of the data collection as well as techniques to interpret the data. For the purpose of the current study, an exploratory case research design was employed to investigating the behaviour and attitude of bank customers with regards to customer relationship management practices implemented by the banks in South Africa.

An exploratory research design is conducted to investigate a research problem when there are few or no reliable earlier studies to refer to or to depend upon to make predict an outcome (Kabir, 2016:161). Baxter and Jack (2008:554) concur that an exploratory research design is used to investigate the research phenomenon in which the research problem being evaluated has no clear, single set of outcomes. In the current study, an exploratory research design was deemed suitable in order to provide a detailed understanding of the problem of research through semi-structured open-ended individual interviews (Saunders, Lewis & Thornhill, 2009:138-140).

3.4 RESEARCH APPROACHES

Methods of analysis cover all the tools and methods used to perform a research study (Mishra & Alok, 2017:1). A research approach is a plan of action that directs the researcher to conduct a research study in a systematic and successful manner according to Creswell (2009). There are three main research approaches, namely: quantitative, qualitative, and mixed methods research approaches. The current research project adopted a qualitative research approach.

3.4.1 Qualitative research methods

Qualitative study is a way of understanding and investigating human activities and behavior in natural settings according to Mishra and Alok (2017:3). Creswell (2009:4) defines qualitative research as a way of interpreting the significance given by individuals or groups to a social issue. Qualitative research was adopted in the current study to gain an in-depth understanding of customer relationship management in South African banking with specific reference to selected Port Elizabeth customers. Baxter and Jack (2008:554) further suggest that qualitative research methods as a research approach that offers the researcher with tools to ease exploration of multi-facet phenomena within their contexts using various data sources. The qualitative research approach was considered appropriate because the subject under this study is of a social nature and there is a need to acquire in-depth opinions from the participants through research methods such as interviews.

3.4.2 Population of the study

A research population is described as the complete set of subjects or events with similar characteristics in which the researcher is interested (Sileyew, 2019:3). The population for this study is heterogeneous in nature as the banking customers hold different bank accounts and have different years of relationship with their banks. Hennink, Hutter and Bailey (2011:84) argued that the research unit for a study should concentrate on respondents with unique expertise and experience that could lead to a greater understanding of the phenomenon being examined. The population for this study comprises of the banking customers in the top five retail banks in Port Elizabeth area in the Eastern Cape Province of South Africa. These customers were between the ages of 18 and 65 and were fully conversant in English.

3.4.3 Selection of participants

Selection of participants requires the assortment of some part of the entire population on the grounds of which judgement is made about the universal population (Nakkiran & Ramesh, 2009:183). According to De Vos (2005:146), a sample is an element of the entire population which the researcher considered for actual inclusion in a study. To

gain an understanding about the entire population reactions towards the challenges South African banking customers are facing with respect to the implementation of customer relationship management, a nonprobability purposive sample approach was employed to select participants in the study. According to Guest, Bunce and Johnson (2006:59), purposive samples are the best used type of non-probability sampling and their sample size depends on the concept of saturation or the point at which no themes are observed in the data. Khan (2014:226) recommends that grounded qualitative research should collect primary data through the use of interviews with 20 – 60 individuals. The researcher repeated the process of data collection and analysis until new data stop emerging and the data saturation occurred. Hence, 20 participants were purposively selected from the five identified retail banks. Four participants were purposively selected from each of the five top retail banks in the Port Elizabeth.

3.5 DATA COLLECTION

The primary data for this study was collected semi-structured open-ended individual interviews with purposively selected bank customers in the Port Elizabeth area of the Eastern Cape Province in South Africa. The researcher repeated the data collection and analysis method to address the research questions until no new data appeared leading to data saturation. The interview is viewed as a structured qualitative way of learning about the views and opinions of people, particularly with people who have clear understanding of the phenomena under investigation (Sileyew, 2019:5). Maree (2010:92) concurs that semi-structured open-ended individual interviews will enable cooperation of participants and in turn gives high response rates. The semi-structured open-ended individual interviews were considered vital for this study as it gives the researcher an opportunity to seek new insights, ask questions and assess phenomena in various perspectives.

The interview questions for this study were designed using Rubin and Rubin (2005:20) responsive interviewing model of an in-depth qualitative interviewing, which is profoundly underpinned by the interpretive research philosophy. On adopting this approach, the researcher was able to give specific focus to the importance of keeping the research design and questioning flexible and adaptive in order to facilitate new information to emerge or to adapt to an unexpected direction. In this regard, the

researcher had the opportunity to obtain an in-depth understanding of the current challenges South African Banking Customers are facing with respect to the implementation of customer relationship management by banks.

The interview consisted of seven semi-structure open ended main questions and nine semi-structure open ended sub-questions. Sub questions were asked only if a participant's response to the initial question did not cover certain topics of interest (Guest et al, 2006:65). All respondents were asked identical questions in the same sequence, but interviewers probed inductively on key responses. The guide was divided into the following six domains of inquiry

- Relationship with your bank
- Understanding of the concept of CRM
- Perception of the bank?
- Level of satisfaction with the service the bank provides
- Customer retention
- Commitment, trust and loyalty

Prior to conducting the formal interview, the researcher conducted a pre-interview with colleagues to fine-tune the research instrument. The feedback from the pre-interview was used to check some expressions and words that could be changed to make the questions clearer. The pre-test of the interview questions also aided the researcher to validate the participants understanding of the phenomenon under investigation for the study (Sileyew, 2019:7). After the pilot test, few minor changes were made on the interview questions. This was then followed by the researcher informing the participants of the aim of the interview placing emphasis on confidentiality, anonymity, and the voluntary nature of the study. Only participants who signed the consent forms were interviewed and each interview was recorded.

Data was collected from November 4th to November 28th, 2019. The interviews were carried outside the banking premises. They were conducted in English and only took approximately 15 to 20 minutes. Audiotapes were used during all interviews to assist the researcher in transcribing and coding of data in the section of data analysis. Other participants were given the option to write their opinions on a semi-structured open-ended questionnaire. The researcher also made use of field notes and diaries where necessary and applicable to record observations, moments of confusion and innovative ideas.

3.6 DATA ANALYSIS

Data analysis is the process of managing, evaluating, summarizing, organising and interpreting the data collected in order to extract valuable information to provide answers to the research questions under investigation (Ibrahim, 2015:99). Data analysis is regarded as a process of organising the data collected in a proper manner to determine inherent facts with regards to the research problem. Data analysis involves the drawing of inferences from raw data (Wahyuni, 2012:75). Analysis of data requires the drawing of raw data inferences (Wahyuni, 2012:75). This study utilised grounded theory interview strategies coupled with situational analysis under the guideline auspices of Strauss and Corbin (1990). Grounded theory involves the “use of an intensive, open-ended, and iterative process that simultaneously involves data collection, coding (data analysis), and memo-writing (theory building)” (Groat & Wang, 2002:181). Grounded theory is a data collection method in qualitative research method, which is based on data rather than try to emerge theory from data (Khan, 2014:224). This study utilised grounded theory thematic analysis whereby specific themes and sub-themes are presented under the guideline auspices of Strauss and Corbin (1990) grounded theory interview. In this regard, a grounded theory approach was employed to highlight and explore retail banks customer perceptions regarding the implementation of CRM by the top five retail banks in South Africa.

3.7 TRUSTWORTHINESS

Trustworthiness is a set of standards formulated to determine research efficiency (Bryman, 2012:717). Accordingly, trustworthiness can be seen as the way qualitative researchers ensure that transferability, integrity, reliability, and confirmability are evident in their study (Susanne, 2012:1). For this qualitative study, trustworthiness was established by member checking. Also, the identified themes and categories from data will be discussed with the participants to ensure accuracy and dependability. The data quality for this study was dependable due to the pilot testing of the interview questions with 3 colleagues and the data was improved (Sileyew, 2019:10). Results from field notes, interviews and the study diary will also be triangulated to provide accurate findings on common themes. Data trustworthiness in qualitative content analysis research has four key components, namely credibility, transferability, dependability and confirmability (Shenton, 2004:63).

Credibility

Credibility deals with how consistent the findings are with reality (Merriam, 1998). In addressing credibility, the researcher attempts to demonstrate that a true picture of the concerns customers within the five big retail banks in Port Elizabeth are facing as a result of CRM practices is being presented. Triangulation and member checking attempts to establish credibility and contribute to trustworthiness. Triangulation asks the same research questions of different study participants and collects data from different sources through different methods to answer the same questions. According to Gunawan (2015:11), to ensure the trustworthiness, the role of triangulation must be emphasis to reduce the effect of the researcher bias.

Member tests, on the other hand, take place when researchers ask participants to review the data obtained by interviewers and the interpretations of that data by the researchers. Guba and Lincoln (1989) referred to member checking as the most vital technique for establishing credibility. To ensure member checking, participants were given the chance to verify their statements and fill in any gaps from earlier interviews.

Transferability

Transferability generalises study findings and attempts to apply them to other situations and contexts. According to Shenton (2004:63), transferability provides sufficient detail of the data collection process for a reader to be able to decide whether the prevailing environment is similar to another situation with which he or she is familiar and whether the findings can justifiably be applied to the other setting.

Dependability

The meeting of the dependability criterion is difficult in qualitative work, although researchers should at least strive to enable a future investigator to repeat the study (Shenton, 2004:63).

Confirmability

To achieve confirmability, the researcher must take steps to demonstrate that findings emerge from the data and not their own predispositions Shenton (2004:63). The investigator was able to replicate the results to show that the results from this study are a product of independent research methods and not of conscious or unconscious bias.

3.8 ETHICAL CONSIDERATION

The investigator must keep the participants at the forefront of all considerations and preserve their integrity, according to Salkind (2014:149). Most ethical issues fall into one of the four categories namely; protection from harm, informed consent, the right to privacy and confidentiality and honesty with professional colleagues (Leedy & Ormrod, 2005:101; Punch, 2014:43). Thus, the scientist has an obligation to protect the rights and interests of the participants and institutions. The analyst will take all steps to ensure that participants are not exposed to any form of distress or harm and their right to privacy is being respected. The investigator explained the purpose of the study to the participants and they were informed that any information they provided kept confidential and no identity would be revealed in relation to the information they

have provided (Sileyew, 2019:11). All the participants signed the informed consent before participating in the study. The researcher obtained clearance from NWU business school ethics committee.

3.9 CHAPTER SUMMARY

The research design and techniques adopted to obtain empirical answers to the research questions for the study were described in detail in this section. The study was underpinned by an interpretivist paradigm and guided by a qualitative research approach. Semi-structured open-ended individual interviews method were employed to collect primary data as this method provided the participants to raise additional issues that were not identified by the researcher. All interviews were audio-recorded and transcribed.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 INTRODUCTION

The previous chapter discussed and explained in detail the research design and methodology adopted to answer the research questions posed in this study. This chapter presents analyses and interprets the results from the data collected through semi-structured open-ended individual interviews with participants. The aim was to attain the research objectives for the study, which are:

- To explore concerns customers in the five big retail banks in Port Elizabeth are facing as a result of CRM practices implemented by these banks to increase customer satisfaction and builds effective relationship with existing and prospective customers.
- To obtain an insight into the role of CRM in increasing customer satisfactions, retention of existing customers and attraction of prospective customers through a literature review.
- To examine the impact of CRM on customer satisfaction in the South African retail banking industry.
- To explore the perception of banking customers on CRM as a tool for the South African retail banking industry in the retention of existing customers and attraction of prospective customers.

4.2 DATA FROM INTERVIEWS

A total of 20 participants were purposive selected from the five identified retail banks. Four participants were purposive selected from each of the five top retail banks in the Port Elizabeth. Participants were given the chances to write their opinions on a semi-structured open-ended questionnaire. The data was presented, analysed and interpreted to attain the objectives of the study. The findings presented in this study were produced under the guiding auspices of Strauss and Corbin (1990) grounded

theory method analysis. This study utilised grounded theory interview strategies coupled with situational analysis.

The first question participants were asked to provide was around the duration they have had their relationships with their banks.

The observation that emerged from this question was that majority of the participants have been having an effective relationship with their banks for more than a decade.

The second question was for participants to explain their understanding of the concept of CRM. The theme that emerged from the above research question was a combination of a good understanding and a poor understanding of the CRM concept.

The main themes of understanding that emerged from the participants regarding the CRM concept were as follows.

- A process of monitoring accounts, building relationships and keeping customers happy, a strategy to know the customer better by staying connected with them.
- A process of how the organisation would manage the current clients and the prospective clients. Considering their history and ways of improvement going forward.
- A process of how to attract, retain and satisfy customers.
- A process of sales, support, feedback and marketing.
- A process about having a relationship with your bank involved in customer interaction as well as building a long loyal relationship with your customers through service delivery.
- A process of a series of activities businesses uses to organise, nurture current and new prospects whilst pursuing opportunities.
- A process of keeping a close relationship and follow- up processes with customers.
- A process that refers to strategies that companies use to manage customers interactions.

- Banks need to have a relationship with their customers and keep checking if they are still happy as customers.
- It is an approach to manage a company interaction with current and potential customers.
- A process of having a relationship with your banker who understands your needs and provides lasting solutions that will suite my financial standing.
- It means understanding the value that each customer adds.
- It is how the business relates with clients, manage the clients' expectations, keeping them satisfied, delivering world-class service so they can retain the business
- banks mostly try to create effective relationship when only when they want to sell their products or services

From the above findings, it could be deduced that most of the participants have been having existing relationship with their banks for more than a decade. From the above findings it can also be concluded that one important observation about CRM is the dual nature of the relationship where the customer must also get involved in the relationship setup to be effective. It was however evident that not all of the participants could comprehend with the concept of CRM.

The third research question was for participants to share their perceptions and insights about their banks. The probing questions in support of the latter question were about what do participants think of the reward schemes their banks do offer and what do the participants needed to do to participate in these reward schemes?

Participants disclosed a range of past and present relationship experiences with their banks. The themes that emerged from the study are that most of the customers had negative perceptions about their banks in that their banks treated them as a number with their queries never being attended to. Furthermore, majority of the participants are of the opinion that they are not being offered the opportunities to participate in any bank's reward schemes, and this was one of the reasons that led to them switching to other banks. However, few of the participants agreed that they were currently participating in their bank's reward schemes. Some of these reward schemes included

Absa bank rewards cashback programme, eBucks by FNB and the Nedbank Greenbacks.

These results are in line with a study conducted by Balakrishnan and Krishnaveni (2014) whose findings revealed that majority of private and retail banks both in developed and developing countries have been using customer relationship management as a strategy to retain and reward existing customers as well as attract new customers (Balakrishnan & Krishnaveni, 2014:15). Examples of these strategies in South Africa as identified by PWC (2018) include the eBucks by FNB, FNB Fusion for Premier, Private & Private Wealth Clients, and green affinity account by Nedbank (PricewaterhouseCoopers [PWC], 2018).

The fourth research question required participants to describe their level of satisfaction with the quality of service they received from their banks.

The themes that emanated from the participants are that most of the participants were happy and satisfied with the service their respective banks provided. Some of the reasons provided by the participants for their satisfaction were as follows:

- I do not have time to always do my own banking. Therefore, I love the fact that I can do things at ATM or update records via Internet banking etc. Like order cards, stop orders etc. Convenience.
- I am satisfied because they do send me regular updates and monitoring my monthly fees and send me communication of higher spending when my monthly service fees are higher than the norm.

These results are in line with a study conducted by Raza, Jawaid and Hassan (2015), whose findings revealed that service quality had a positive impact on customer satisfaction in the banking industry. However, some of the participants were not satisfied with the quality of services they received from their banks. One of the participants replied as follows 'I feel that they do not care about me as they do not respond to any queries I have logged in their 'so-called' efficient app'.

The fifth question asked participants to provide possible known strategies implemented by their banks to retain them as customers. The probe question was for participants to provide any reasons that could have influenced them to switch to other banks.

With regards to customer retention, most interviewees noted that their banks were using various strategies to retain them as customers. Some of these strategies according to the participants were as follows:

- Frequently reviewed portfolios and constant communication with customers.
- Tailor made product solutions, multiple channels of service and quick turnaround times.
- Value added offerings and loyalty programmes.
- Online banking capability and technological innovation (e.g. Bank Apps).

Participants were further probed to provide any reasons that could have influenced them to switch to other banks. The themes that emerged from the responses were that majority of the participants were banking with other banks because they were not receiving value from their primary banks and were merely a number.

These results are not in line with existing literature. For example, Das (2012) found that customer retention is not a big challenge to Banks as per the opinions of customers of selected Banks.

Finally, participants were asked to describe their level of commitment, trust and loyalty with their banks.

Several participants shared their concerns that they were not being treated as valuable assets by their banks. For example, one of the participants provided the following response; "I feel that the bank does not care about me as they do not respond to any queries, I have logged in their 'so-called' efficient app". There were however participants that felt very attached to their banks for having been with them for a long haul and being also happy with their offerings and reward schemes resulting in them being loyal and committed. Signs of trust on their respective banks were also very

evident on some of the responses gathered from the interviews.

4.3 CHAPTER SUMMARY

The rapid changes in financial markets, customer behaviour and preferences, and the application of modern technologies in the banking sector have called for the application of customer relationship management in the banking industry (Cvijović *et al.*, 2017:161). The results revealed that majority of the participants have been having an existing relationship with their banks for more than a decade and it was evident that most of them understood the concept of customer relationship management. Furthermore, majority of the participants believed that they were not being offered the opportunity to participate in the bank's reward schemes, and this was one of the reasons why they switched to other banks. Finally, the results also indicated that majority of the participants were aligned with the fact that their banks were using various strategies to retain them as customers.

The next chapter summarises the findings from the empirical results and provide conclusions and recommendations based on the findings.

CHAPTER 5

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The main aim of the study was to unpack concerns bank customers of the selected 5 banks in Port Elizabeth are facing because of customer relationship management practises implemented by their specific banks. Additionally, the study also aimed to examine the impact of customer relationship management on customer satisfaction trends in the South African banking industry as well as to analyse the perception of banking customers on customer relationship management as a tool of the banking industry in the retention of customers. To attain the aim and objectives of the study, chapter one provided the background and the road map through which the study was conducted. Chapter two reviewed literature relating to customer management relationship to identify the various gaps in the existing literature, while chapter three provided a detailed explanation of the research design and methodology. Chapter four analysed and interpreted the responses from the participants. This chapter will then summarise the findings from the empirical results and provide conclusions and recommendations based on the findings.

5.2 SUMMARY OF THE MAIN FINDINGS

Findings reveal that customer relationship management should be regarded as a way of knowing the customer better, by placing the customer at the centre of everything we do, when providing the customers with products, when engaging with customers on a regular basis, when maintaining an effective relationships with existing and potential clients, and when providing services that satisfy the needs of the customer. This suggests that banks should not only contact their customers to only promote their offerings when selling their products and services but should also consider checking in with their customers on a regular basis to determine if they are still satisfied with their services in general. These findings oppose the findings by Das (2012), who argued that inadequate understanding of customer relationship management is always a concern among service providers, especially banks.

The findings further reveal that most bank customers are happy and satisfied with the services they receive from their various banks whilst their banks on the other are using various strategies to retain them as customers. Finally, not all the banks are offering opportunities for customers to participate in their reward schemes, and that was cited as a reason behind many defections to other banks. Similarly, a survey conducted in the USA by Accenture (2015)

5.3 SIGNIFICANCE OF THE STUDY

Given the significant growth of financial literacy and human population, there has been a speedy growth in the number of bank customers thereby requiring banks to satisfactorily deliver financial services to customers grossly inadequate (Okoye *et al.*, 2019:2157). Banks must continuously seek out ways of serving this growing number of customers in a cost-effective way to remain in business in the ever-changing business environment.

Below are the significant benefits the study has revealed for the industry:

- Provide strategies that could assist banks in South Africa in improving the level of customer satisfaction, which could be achieved through the implementation of modern best practices of customer relationship management.
- Provide banks in South Africa with an opportunity to radically transform the industry so as to become attractive to an un-bankable population that remains outside the mainstream of the banking realm in the country due to perceived inaccessibility.
- Provide banks in the country with an opportunity to further analyse and interpret customer analytics to be in a better position to devise customer value propositions that do appeal to their customer base.
- Provide banks with creative ways to improve their communication strategies with their customers to achieve inclusivity and shared understanding of their offerings.
- Provide banks in South Africa with an opportunity to deliberate meaningfully around the perceptions that the cost of banking in our country is extremely high compared to international counterparts.

- Provide the industry or individual banks with an opportunity to conduct introspection on their customer relationship management strategies of whether they are customer-centric or what they think of customer centricity as businesses (Inward or outward focus).

5.4 LIMITATION OF THE STUDY

This study, as is always the case of qualitative research in social science, might experience the following limitations:

- Cost and time limitations have constrained the researcher to focus in Port Elizabeth rather than the Eastern Cape Province.
- Port Elizabeth is an unofficial capital city of the Eastern Cape Province which has a fair representation of the banking footprint which therefore places the study in an advantageous position for generalization.

5.5 RECOMMENDATIONS

- Retail banks in South Africa need to be transparent about banking fees and the funding model for the reward schemes and their freebies.
- Retail banks in South Africa need to improve on their customer insights and use of their customer analytics in order to be able to gather reach data from insights and able to effectively analyse customer perceptions.

5.6 SUGGESTION FOR FUTURE RESEARCH

Future research should be considered using both qualitative and quantitative research method on a longitudinal basis to obtain an in depth perception of the SA Banking customers' with regards to the CRM initiatives offered by their banks and what banks could do to improve their relationships with customers.

5.7 RESEARCH CONCLUSION

Banks need to increase customer satisfaction by using various modern banking practises as well as providing more customer-friendly services to make modern

banking activities more convenient for customers to use (Balakrishnan & Krishnaveni, 2014:15). In this regard, customer relationship management has been identified as a vital tool to be adopted by the South African banking sector to improve customer satisfaction. Customer relationship management is regarded as a major source of competitive advantage for the banking industry and is an acceptable instrument that supports customer-oriented organisations' decisions (Kebede & Tegegne, 2018:2; Mohammed, Rahid, & Tahir, 2014). The banking industry in South Africa is extremely competitive and to gain competitive advantage, banks must aim at providing quality services to satisfy their customers (Kebede & Tegegne, 2018:3). Balakrishnan and Krishnaveni (2014:15) also concur that private banks must come out with innovative measures to satisfy both the needs of the existing and prospective customers.

Data was collected through semi-structured open-ended individual interviews with 20 purposive selected banks customers from the Port Elizabeth area in South Africa. The study utilised grounded theory interview strategies coupled with situational analysis under the guideline auspices of Strauss and Corbin (1990). The results revealed that majority of the respondent have been having an existing relationship with their banks for more than a decade and it was evident that most of them understood the concept of customer relationship management. Furthermore, the results showed that although majority of the participants were happy and satisfied with the services they received from their banks, who are using various strategies to retain them as customers, even though, they were of the opinion that they were not being offered the opportunity to participate in some of the bank's reward schemes, hence they wanted to switch to other banks. They did acknowledge that their banks were using various strategies to retain them as customers. The study recommended that banks in South Africa needed to offer reward scheme opportunities to their customers on a large scale as a strategy for managing the relationship with them.

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APPENDIX A: INFORMED CONSENT LETTER



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08 April 2020

To whom it may be concerned

INFORMED CONSENT TO PARTICIPATE IN AN INTERVIEW

Date: _____

Participant code: _____

My name is Gordon Simanga and I am a Master of Business Administration (MBA) student at the North-West University Business School. I am currently doing research as part of my Masters' dissertation s under the supervision of Dr Richard Meissner. We are inviting you to participate in a study entitled: *Measuring Customer Relationship Management in South African Banking*

The purpose of this study is to explore concerns customers in the five big retail banks in Port Elizabeth are facing as a result of CRM practices implemented by these banks to increase customer satisfaction and builds effective relationship with existing and prospective customers.

You have been chosen to take part in this study because you are a customer in one of the top five retail banks in South Africa. There are no foreseeable risks involved in taking part in this research beyond those experienced in everyday life. I would

therefore greatly appreciate your contribution. The entire interview will take approximately 15 to 20 minutes. The interview will be voice-recorded, and the interviewer will take notes during the interview process.

Your response is used only for the purpose of this study. However, data may be used for other purposes, such as a research report, journal articles and/or conference proceedings. Your participation in this study is completely voluntary. If you choose not to participate or to withdraw from the study at any time, there will be no penalty. Also, if you do not wish to answer any of the questions, you may skip them and move on to the next question. The information recorded is confidential; your name is not being included in the study. No identifying information of the participants will be shared with anyone who is not directly connected with the project.

Audio records and hard copies (notes) of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet in the researcher private home or the research supervisors' office for future research or academic purposes. Electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. Hard copies of your answers will be shredded, and/or electronic copies will be permanently deleted from the hard drive of the computer through the use of a relevant software programme after a period of five year.

The study was approved by the Scientific Committee of the NWU Business School. The Chair of the Scientific Committee is Prof Christoff Botha. He can be reached at 018 299 1672 and his email address is christoff.botha@nwu.ac.za.

Ethical clearance will be obtained by the Faculty of Economic and Management Sciences Ethics Committee (EMS-REC) and the ethical clearance number will be allocated. The Chair of the Ethical Committee is Mark Rathbone. He can be reached at 018 299 1356 and his e-mail address is mark.rathbone@nwu.ac.za.

Should you have concerns about the way in which the research has been conducted, you may contact the research supervisor Dr Richard Meissner. He can be reached at 018 299 1414

Your input is of great value to this research and I appreciate your help in providing this information.

Sincerely,

Gordon Simanga

Cell. 082 8537619

Email: Bragee364@gmail.com

NWU Business School

North-West University, Potchefstroom

APPENDIX B: INTERVIEW QUESTIONS

Q1. For how long have you been having a relationship with your bank?

.....

Q2. In your opinion, what do you understand by the concept CRM?

.....

Q3. What is your perception of your bank?

.....

Probe: What do you think of their reward system? (Probing question)

.....

Probe: What did you actually do to participate in their reward scheme?

.....

Q4. In your opinion, how will you describe your level of satisfaction with the quality of service your bank is providing to you?

.....

Probe: What else could the bank do to increase your satisfaction levels?

.....

Q5. In your opinion, what are the possible strategies implemented by your bank to retain you as a customer?

.....

Probe: provide any reason that might influence you to switch to another bank?

.....

Q6. Describe your level of commitment, trust and loyalty with your bank?

.....

Q7. Is there anything else that you might want to discuss regarding customer relationship management?

.....

.....

APPENDIX C: LANGUAGE DECLARATION

Language Editor's declaration



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To whom it may concern,

This document certifies that the manuscript listed below was edited for proper English language, grammar, punctuation, spelling, and overall style by one or more of the qualified text editors at Language Matters.

Manuscript title: Measuring customer relationship management in South African Banking with specific reference to selected Port Elizabeth customers

Author(s): G Simanga

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