Determining predictors of customer loyalty in the South African retail banking industry

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ABSTRACT

The South African retail banking industry is a highly competitive industry which has experienced an increase in customer attrition. A large number of customers showing intentions to leave their banks have been observed. Consequently, South African banks have begun to put more focus on the use of loyalty or loyalty programmes to ensure that customers are not easily tempted to switch banks. To this end, banks are investing billions of Rands on loyalty programmes with the aim of obtaining and keeping profitable customers.

From a literature perspective, relationship marketing has proven to be an invaluable tactic in the banking industry to create intimate relationships with its customers. This type of marketing helps to gain insights about customers and their satisfaction levels, also in light of the intensifying competition in this sphere. It is a truism that relationship marketing can result in loyalty.

The primary objective of this study was to determine the predictors of customer loyalty, including service quality, trust, switching costs, and satisfaction, in South African retail banks. The primary research conducted was based on a quantitative descriptive research approach. A non-probability convenience sampling technique was implemented to reach respondents, and self-administered questionnaires were distributed among South African retail bank (Absa, Capitec, FNB, Nedbank and Standard bank) customers in the Gauteng Province who have been with their bank for a period of two or more years. The sample size realised included 464 responses.

The structural equation modelling (SEM) results indicated that service quality, trust and perceptions of switching costs statistically significantly predict satisfaction, which in turn statistically significantly predicts loyalty. The confirmatory factor analysis (CFA) and Cronbach alpha values confirmed the reliability and validity of the measurement scales for measuring service quality, trust, switching cost, satisfaction and loyalty. Furthermore, no practically significant differences were uncovered among retail banks in terms of service quality, trust, switching cost perceptions, satisfaction and loyalty.

Based on the results, this study proposes a model that indicates how South African retail banks can use service quality, trust and switch cost to increase satisfaction, which consequently results in loyalty.

It is recommended that, in order to achieve loyalty, retail banks should improve satisfaction, which is achieved by improving service quality, establishing trust and discouraging customers from incurring switching costs (during the change from one bank to another). Therefore, to improve satisfaction, banks should not exaggerate on promises as this might lead to dissatisfaction.

Service quality perceptions can be improved by specifically addressing banks' responsiveness to their customers. Furthermore, trust can be improved by being reliable in the promises made. Lastly, to improve perceptions of switching costs, banks should inform customers beforehand of the potential costs involved in switching.

Recommendations for future research include using online surveys which are less costly and time-consuming. Researchers can liaise with retail banks to conduct primary research within bank branches since the Protection of Personal Information Act restricts banks from giving out customers' information. Finally, the conceptual model developed can be tested in other service industries to assess its reliability, relevance and applicability.

LIST OF KEY TERMS

- **Relationship marketing**

  Sheth *et al*. (2015:123) define relationship marketing as the process of collaborating with customers in the long term, with a view to understand these customers' needs and wants, to ultimately establish mutual economic, social and psychological value in a profitable manner.

- **Service quality**

  According to Parasuraman *et al*. (1988:17), service quality is defined as the difference between what customers look forward to receive from a service and their perceptions of the actual service received.

- **Trust**

  Trust is the willingness of one party to depend on another party in whom one has confidence within a transaction between the parties (Morgan & Hunt, 1994:23).

- **Switching cost**

  According to Porter (1980:10), switching cost is defined as once-off costs that are incurred by a customer due to moving from one provider to another.

- **Satisfaction**

  According to Oliver (1981), customer satisfaction refers to the assessment that a customer makes of a transaction, which shows the relationship between the customer's expectations and the actual perceptions that the customer has about the business' offerings.

- **Loyalty**

  Oliver (1999:34) defines loyalty as a customer's deep-held commitment to repurchase a desired product or service in future – regardless of situational influences and marketing efforts – having the possibility to result in staying behaviour and recommending the product or service to other people.

- **Retail banking**

  Retail banking includes those financial products and/or services that are provided to individuals for personal use or consumption, at physical branches or via online interactions (Das, 2009:23; Lin *et al*., 2011:252).

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INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

The main objective of this study is to determine the predictors of customer loyalty in the South African retail banking industry. To achieve this, the influence of selected relationship marketing constructs (namely service quality, trust and switching cost) on customer satisfaction are investigated, in order to analyse the influence of customer satisfaction on customers' loyalty levels. It is imperative to conduct ongoing research in this field due to continuous changing trends in the retail banking industry. This study, therefore, focuses on providing a conceptual model that links the aforementioned relationship marketing constructs (i.e. service quality, trust, switching cost, and customer satisfaction) and customer loyalty within South African retail banks.

This chapter includes a contextualisation and formulation of the research problem, followed by an overview of the South African banking industry. Afterwards, a literature overview is provided on the theoretical constructs and relationship between the constructs of the study. The next section includes a formulation of the primary and secondary objectives, the research hypotheses and the conceptual model. After this section, a discussion of the research methodology is given, followed by a section that highlights the importance or contribution of the study. The chapter concludes with a structural and chronological outline of the remainder of the study.

1.2 BACKGROUND AND RESEARCH PROBLEM

In the increasingly competitive global financial environment (including South Africa), relationship marketing is believed to be a perfect means for banks to create distinctive and long-term relationships with customers (Taleghani *et al*., 2011:155). Gilaninia *et al*. (2011a:508) posit that relationship marketing has proven to be an invaluable tactic in the banking industry to create intimate relationships with its customers in order to gain insights about customers and their satisfaction, also in light of the intensifying competition in this sphere. According to Adejoke and Adekemi (2012:102), the concept of relationship marketing has been studied from different viewpoints and examined in several ways, and has grown its theoretical and practical importance. Therefore, the concept of relationship marketing became the strategy – with the goal of creating and cultivating long-term relationships with customers – to manage challenges and to gain a competitive advantage (Rezaei *et al*., 2015:352).

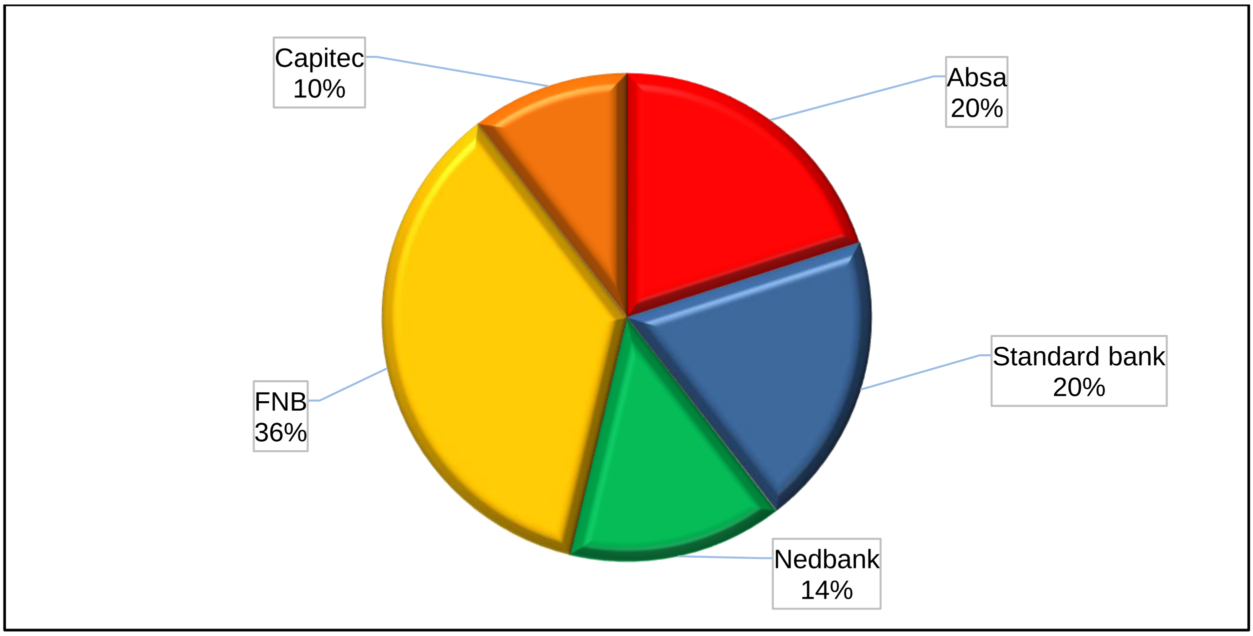
The fundamentals of this relationship philosophy (relationship marketing approach) entail that it is costly to attract new customers as compared to nurturing and developing existing customers (Anabila *et al*., 2012:51). Rizan *et al*. (2014:2) indicate that the concept of relationship marketing was introduced on the basis that customers differ in needs, choices, purchasing behaviour and price sensitivity. It is a truism that customer relationships are of significant value to businesses, hence it is crucial for businesses to be focused on customers and to create good relationships with all stakeholders (especially customers) in order to offer excellent service to customers and to establish a competitive advantage (Oogarah-Hanuman & Ramnarain, 2013:1).

The emphasis on creating and cultivating quality relationships can bring about numerous desirable marketing results (Clark & Melancon, 2013:132). Petzer *et al*. (2009:32) state that businesses are constantly searching for innovative methods to obtain, increase and retain customers due to the increasing costs associated with lost customers. In many instances, when any of the South African banks initiates an innovative offering into the market, other banks imitate this offering shortly after (BusinessTech, 2016a). Subsequently, the core products and services that banks provide to their customers tend to be much the same (Taleghani *et al*., 2011:155). As a result, it is not difficult for customers to consider shifting from one bank to another – resulting in banks having to implement marketing strategies aimed at attracting new customers or retaining existing ones (Magasi, 2015:2). Furthermore, Mecha *et al*. (2015:270) note that it is crucial for banks to pinpoint specific aspects that can improve customer retention, in light also of the fact that Mackay *et al*. (2014:307) emphasised that the existence of customers is the core reason for the existence of businesses.

In order to address the issue of customer switching, South African banks have focused a great deal on the use of loyalty or reward programmes to ensure that current customers are not easily tempted to switch banks (Mather, 2013). Ernst and Young (2012) indicate that customer attrition in South African banks has risen from 34% to 39%, and 13% of customers were considering moving to other banks. As indicated in Figure 1-1, BusinessTech (2015b) also provided statistical figures of customers who were intending to leave South African retail banks in 2015.

Acquiring loyal customers in service industries such as banks is difficult, because regardless of the customers being satisfied or not, they may still switch to other service providers in search of variety (Kashif *et al*., 2015:24). According to SAcsi (South African customer satisfaction index) (2015), customers are more likely to switch from one bank to another if they are dissatisfied with products or services – evident from the latest popular South African advertising campaigns encouraging customers to change banks if they were unhappy with their present banks. This form of behaviour poses challenges in terms of customer retention that banks should not underestimate (News24.com, 2015).

Figure 1-1: Customer intentions to leave South African retail banks



Source: Adopted from BusinessTech (2015b).

Considering that the banking industry is reliant on customers, the sustainability of banks is essential; and this can be accomplished through customer satisfaction over the long-term (Ujakpa *et al*., 2015:44). According to Dalhstrom *et al*. (2014:269), the aspect of trust is critical in the banking industry considering the financial transactions that implicate risk. Chigamba and Fatoki (2011:72) and Rootman and Cupp (2016:283) assert that it is not difficult for customers to switch banks due to the high concentration of banks in South Africa; but customers experience some switching costs when they switch (Bhattacharya, 2013:102). Hence, as noted by Coetzee *et al*. (2013:2), during the past years, South African banks have considered service quality to be of strategic importance and as the main driver for gaining a competitive edge. Rasheed *et al*. (2015:240) further suggest that customer loyalty has been a key issue in banking due to the intense competition and increasing customer expectations. Consequently, each year, bank marketers spend billions of Rands on loyalty programmes to obtain and keep profitable customers, although the question remains whether the money spent provides the best results (Mokoena & Govender, 2015:22).

Considering the frequent switching of customers between banks and increasing customer attrition, it is important to study and observe those aspects (from a relationship marketing perspective) that might potentially predict customer loyalty in South African retail banks, since relationship marketing is regarded as the foundation for reinforcing relationships and maintaining customer loyalty (Lo, 2012:92).

1.3 INDUSTRY OVERVIEW

The South African retail banking industry is a highly competitive market (KPMG, 2014). According to the Banking Association South Africa (2014:1), the banking industry has experienced a number of changes pertaining to the regulatory environment, product offerings and the number of competitors. This gave rise to high levels of competition from smaller bankers which have entered a low-income and formerly unbanked market. The most significant retail banking segments include traditional retail banking (such as deposit taking and transactional banking), electronic banking and personal banking (PWC, 2013:8).

A MarketLine report (2015:13) states that South African retail banks differentiate themselves by means of offering different fees, interest rates on loans and deposits, lending limits, notice periods for withdrawing, customer convenience, as well as the general quality and range of product and service offerings. These factors, along with customer service, reputation and security against fraud, significantly influence customers' loyalty.

According to the South African Reserve Bank (2016), the South African banking industry consists of two banks in liquidation, 15 branches of foreign banks, 38 foreign representative banks, six foreign controlled banks, 10 locally controlled banks and three mutual banks. Table 1-1 below provides a list of banks in South Africa.

Table 1-1: List of South African banks

Bank category	Bank name
Banks in liquidation	• Islamic Bank Limited (In Final Liquidation) • Regal Treasury Private Bank Limited
Branches of foreign banks	• Bank of Baroda • Bank Of China Limited • Bank of India • Bank of Taiwan South Africa Branch • BNP Paribas SA • Canara Bank • China Construction Bank Corporation • Citibank N.A. • Deutsche Bank AG • HSBC Bank plc - Johannesburg Branch • Icici Bank Limited • JPMorgan Chase Bank • Société Générale • Standard Chartered Bank • State Bank of India

Table 1-1: List of South African banks (cont.)

Bank category	Bank name
Foreign representative banks	• AfrAsia Bank Limited • African Banking Corporation of Botswana • Banco BIC • Banco BPI, SA • Banco Nacional De Desenvolvimento Econômico E Social • Banco Santander Totta S.A. • Banif - Banco Internacional do Funchal, S.A. • Bank Leumi Le-Israel BM • Bank of America, National Association • Bank One Limited • Banque SYZ Suisse SA • Commerzbank AG Johannesburg • Credit Suisse AG • Doha Bank • Ecobank • Export-Import Bank of India • First Bank of Nigeria • Hellenic Bank Public Company Limited • Industrial and Commercial Bank of China • KfW Ipex-Bank GmbH • Millenium BCP • Mizuho Bank Limited • National Bank of Egypt • Notenstein Private Bank Limited • Novo Banco • Société Générale Representative Office for Southern Africa • Sumitomo Mitsui Banking Corporation • Swedbank AB (Publ) • The Bank of New York Mellon • The Bank of Tokyo-Mitsubishi UFJ, Ltd • The Mauritius Commercial Bank Limited • The Rep. Off. for Southern and Eastern Africa of The Export-Import Bank of China • UBS AG • Unicredit Bank AG • Union Bank of Nigeria Plc • Vnesheconombank • Wells Fargo Bank, National Association • Zenith Bank Plc

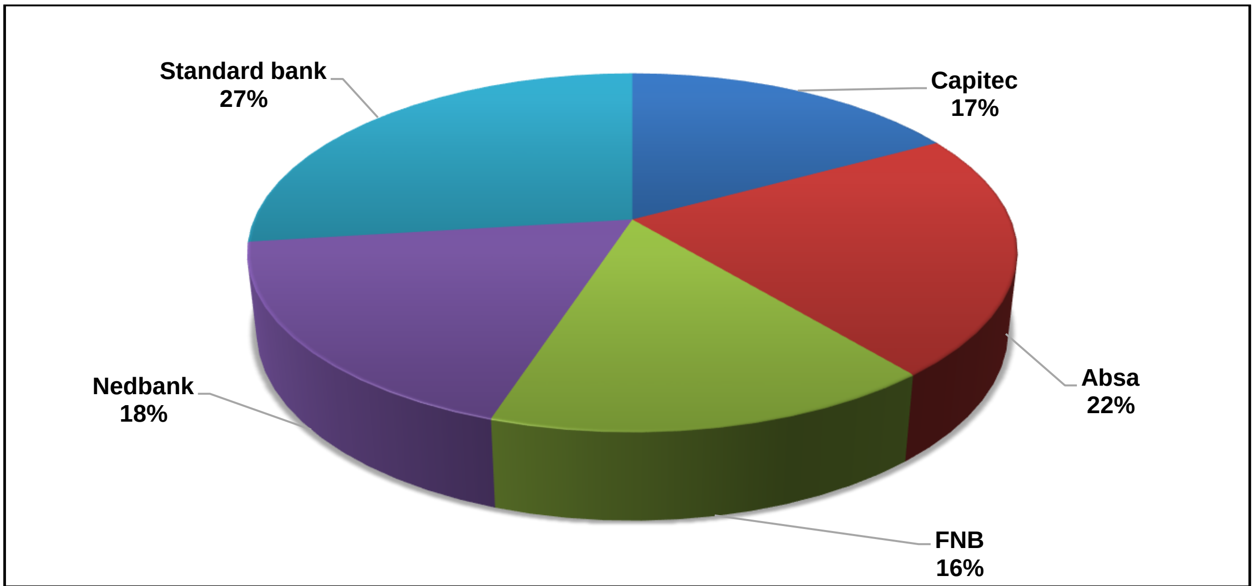
Table 1-1: List of South African banks (cont.)

Bank category	Bank name
Foreign controlled banks	• Absa Bank Limited • Albaraka Bank Limited • Habib Overseas Bank Limited • Mercantile Bank Limited • The South African Bank of Athens Limited
Locally controlled banks	• African Bank Limited • Bidvest Bank Limited • Capitec Bank Limited • FirstRand Bank Limited • Investec Bank Limited • Nedbank Limited • Sasfin Bank Limited • The Standard Bank of South Africa Limited • UBANK Limited
Mutual banks	• Finbond Mutual Bank • GBS Mutual Bank • VBS Mutual Bank

Source: Adopted from South African Reserve Bank (2016).

As indicated in Figure 1-2, the major role-players in the South African retail banking industry include Absa, Capitec bank, FNB, Standard bank and Nedbank (BusinessTech, 2016c). Figure 1-2 highlights the five major South African retail banks, indicating their respective market shares.

Figure 1-2: Market share of South African retail banks



Source: Adopted from BusinessTech (2016c).

The bank profiles for these five major South African banks are as follows:

- **Absa** is a subsidiary of the Barclays Africa Group (Absa, 2016). The bank was founded in 1991 after a consolidation of four retail banks (Allied, Volkskas, United Bank and Trust Bank) forming the Amalgamated Banks of South Africa (Swart, 2016). Services offered by Absa include investment banking, retail banking, commercial banking, credit cards, finance and insurance, private equity and investment management (Bank Information of South Africa, 2014). According to BusinessTech (2016c), as of December 2015, Absa had 9.4 million customers, holding 22% market share of the South African retail bank customers.
- **Capitec bank** was established in 2001 (Capitec Bank, 2015) and as of December 2015, Capitec bank had 7.3 million customers, holding 17% market share of the South African retail bank customers (BusinessTech, 2016c). According to News24.com (2015), Capitec bank has grown with nearly 100% within a period of one year between 2014 and 2015, overtaking the major banks and the broader financial services industry. Within a decade, the Capitec bank has risen from a small micro lending start-up to a major competitor, and is considered a market leader in terms of acquiring a clientele of first-time bank users and middle to low-income earners (MWEB, 2014).
- **FNB** is the oldest South African Bank, established in 1838, and currently trades as a division of FirstRand Bank Limited (FNB, 2016). The bank provides several business solutions that includes merchant service, instant accounting, instant payroll, e-wallet pro, prepaid cards and cell pay point (Bank Information of South Africa, 2014). According to SouthAfrica.info (2012), the 2012 BAI-Finacle Global Banking Innovation Awards awarded FNB as the world's most innovative bank. As of December 2015, FNB had 7.2 million customers, holding a 16% market share of South African retail bank customers (BusinessTech, 2016c).
- **Nedbank** is a principal banking subsidiary of the Nedbank Group. It provides a range of wholesale and retail banking services, growing insurance, asset management and wealth management offering (Nedbank, 2016). According to BusinessTech (2016c), in December 2015, Nedbank had a customer base of 7.4 million customers indicating 18% market share of South African retail banks.
- **Standard Bank** continues to have the largest customer base from previous years in South Africa (BusinessTech, 2015b). As of December 2015, BusinessTech (2016c) indicate that, Standard Bank had 11.6 million customers. Standard Bank currently has operations in 20 countries in Africa, including South Africa, and other upcoming markets (Standard Bank, 2014). According to the Banking Information of South Africa (2014), Standard Bank's main offerings include personal and business banking, wealth-Liberty and investment and corporate banking.

The South African retail banking industry is experiencing fast and irrevocable changes, including demographic shifts, which means that banks have to anticipate these changes and render products and services that suit these changing demographic profiles (PWC, 2013:26, 41). In addition, according to Slater (2014), the nature of customers is changing -especially the young technological generation who seeks a technological means of service delivery. Slater (2014) further indicate that trends in technology, especially technology such as mobile banking, cell-phone banking applications and money transfers through cell phones, have taken over retail banking. Regulatory trends have also emerged, which means that banks have to modify their approach towards greater transparency, market integrity and consumer protection, as suggested in the structural separation recognised as Twin Peaks (KPMG, 2013:4).

According to a report by PWC (2014:26), regulations in the South African banking industry pose a great challenge to the affiliated banks. Regulatory changes include forced amendments to remuneration structures (Gouws, 2012:10). Furthermore, shortage of regulatory oversight of market conduct practices has slowed transformations such as applying Jali Enquiry recommendations (National Treasury Republic of South Africa, 2014:10). The changing business cycles encountered by the South African banking industry makes it difficult to attract and retain a flexible working staff to ensure enhanced productivity and customer service (Banker SA, 2012:20).

1.4 RESEARCH OBJECTIVES

This section highlights the primary and secondary objectives formulated for this study based on the above discussion and the research problem.

1.4.1 Primary objective

The primary objective of this study is to determine predictors of customer loyalty, including service quality, trust, switching costs, and satisfaction, in South African retail banks.

1.4.2 Secondary objectives

In order to address the primary objectives and research problem, the following secondary objectives have been formulated:

1) Compile a demographic profile of respondents.
2) Determine the retail banking habits of respondents.
3) Determine respondents’ perceptions of the service quality of their banks.
4) Determine respondents’ trust towards their bank.
5) Determine respondents’ perceived costs of switching between banks.

6) Determine respondents' levels of satisfaction with their banks.
7) Determine respondents' loyalty towards their banks.
8) Determine whether significant differences exist between different groups of retail banking customers in terms of each of the above constructs.
9) Determine the interrelationship between service quality, trust, switching costs, satisfaction and loyalty in South African retail banks (as presented in the conceptual model).

1.5 HYPOTHESES

Based on the literature discussion, the research problem (section 1.2) and research objectives (section 1.4), the hypotheses pertinent to this study are subsequently provided. According to Armstrong and Kotler (2013:156), customers worldwide differ in terms of age, income, level of education, and tastes. Due to the diverse nature of customers, the following alternative hypotheses are formulated to further address the secondary objectives:

H_1: Respondents of different age groups differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

H_2: Respondents of different genders differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

H_3: Respondents with different levels of education differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

H_4: Respondents of different ethnicities differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

H_5: Respondents with different employment levels differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

H_6: Respondents of different retail banks differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

H_7: The duration that respondents have been with their retail bank, differs statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

To keep customers, and to look after and sustain long-term customer interest, banks need to maintain a continuing relationship with their customers. This can be achieved by understanding the needs of these customers, in so doing serving them satisfactorily by enhancing service quality (Lee & Moghavvemi, 2015:92). According to Minh and Huu (2016:105), customers' perceptions of a service's quality constitute a significant antecedent of their level of satisfaction. Hossain and Hossain (2015:115) conducted research in the banking context and their results proved a significant correlation between service quality and satisfaction. Furthermore, Chenet *et al*. (2010:340) found that there is a positive relationship between service quality and trust in business relationships. Ahmad *et al*. (2014:78) further note a significant relationship between service quality and switching costs. Therefore, the following alternative hypotheses are formulated:

H_8: There is a statistically significant correlation between service quality and trust.

H_9: There is a statistically significant correlation between service quality and perceptions of switching costs.

H_{11}: Service quality statistically significantly predicts respondents' levels of satisfaction with their retail banks.

Trust is a factor that can increase the likelihood of customer interest in a repurchasing behaviour (Dimyati, 2015:16). According to Dash and Rajshekhar (2013:3), maintaining and reinforcing trust is crucial to the long-term success of a relationship. The research of Fatima and Razzaque (2014:566) found that trust statistically significantly predicts customer satisfaction. In addition, Raza *et al*. (2015:15) established a significant relationship between trust and switching cost. Therefore, the following alternative hypotheses are formulated:

H_{10}: There is a statistically significant correlation between trust and perceptions of switching costs.

H_{12}: Trust statistically significantly predicts respondents' levels of satisfaction with their retail banks.

According to Ting (2014:315), if customers perceive high switching costs, they are more probable not to demonstrate switching behaviour. Furthermore, customers may consider not switching if perceive a risk of not being satisfied properly somewhere else (other businesses) (Sahin & Kitapci, 2013:910). Thus, Jaroensrisomboon (2009:27) notes that customers may develop loyalty due to costs related to switching and purchasing from another business. According to Baksi (2015:28), there is a positive relationship between switching cost and satisfaction. Therefore, the following alternative hypothesis is formulated:

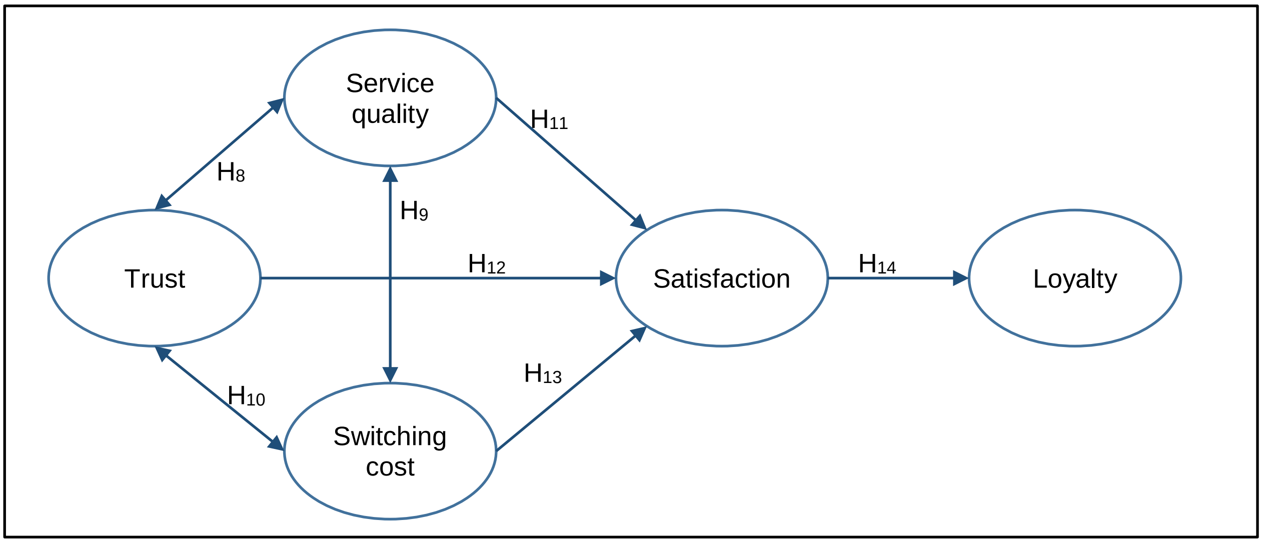
H_{13}: Perceptions of switching costs statistically significantly predicts respondents' levels of satisfaction with their retail banks.

Satisfying the customer is the main aim of well-reputed businesses (Haq, 2012:363). Bricci *et al*. (2016:175) indicate that customer satisfaction creates confidence in the business that is providing the product or service. According to Lee and Moghavvemi (2015:96), meeting or exceeding the customer's expectations ensures satisfaction. Therefore, improving customer satisfaction ought to be a key driver for banks in sustaining on-going relationships with their customers (Magasi, 2016:576). Furthermore, Madjid (2013:49) posit that customer satisfaction can result in customer loyalty. Asfar *et al*. (2010:1045), Rizan *et al*. (2014:8) and Siddiqi (2011:23) support the notion that a significant relationship exists between customer satisfaction and loyalty as demonstrated by the research conducted by these authors. Therefore, the following alternative hypothesis is formulated:

H_{14}: Satisfaction statistically significantly predicts respondents' levels of loyalty with their retail banks.

From the formulated hypotheses, the following conceptual model has been developed as shown in Figure 1-3.

Figure 1-3: Conceptual model



The research constructs dealt with above (service quality, trust, switching cost, satisfaction and loyalty) have to be measured by some method. Therefore, the following section briefly discusses the research methodology pertinent to this study.

1.6 RESEARCH METHODOLOGY

This section provides an overview of the methods used to collect and evaluate data for the study (discussed in detail in Chapter 4). The research design, population and sampling, measurement instrument, data collection and data analysis are discussed below, indicating the procedures followed to accomplish the research objectives.

1.6.1 Research design

For the present study, a descriptive research design was used. According to McDaniel and Gates (2010:49), descriptive research is done to answer who, what, when, where and how questions. Malhotra (2009:100) states that descriptive research uses several data-collection methods, including quantitative analysis of secondary data, surveys, panels and observational data.

1.6.2 Questionnaire design and pretesting

The nature of research conducted is quantitative descriptive research design, which involves a numerical measurement and statistical analysis of the research objectives (Zikmund & Babin, 2013:99). Hence, for the purpose of this study, primary data was collected by means of a survey (see section 4.3.3.2.2), where self-administered structured questionnaires were used. The questionnaire was designed and pretested amongst a representative sample of 30 respondents from the chosen study population. After the pretesting, the final questionnaire was compiled. Therefore, the following sections were included in the questionnaire:

- Section A: Demographic information.
- Section B: Patronage habits.
- Section C: Research constructs.

The final questionnaire was distributed to respondents as briefly discussed in the subsequent sections.

1.6.3 Sample design

According to Neelankavil (2015:234), a clear definition of the target population has to be done; since Whitley and Kite (2012:485) state that the target population can affect the validity of the research. Neelankavil (2015:234) defines a population as the total number of elements in a particular population appropriate to a study. For this study, the target population (summarised in Table 1-2) included all individuals in the Gauteng province of South Africa who are customers at one of the five major South African banks (Absa, Capitec, FNB, Standard Bank and Nedbank). The Gauteng province population was selected based on the fact that it is the economic hub or powerhouse of South Africa, contributing to 35% to the country's economy (The Citizen, 2016). This province also has the largest population, representing 23.7% of the South African population among the country’s provinces (Statistics South Africa, 2014:16).

Table 1-2: Summary of target population

Sampling aspect	Sample description
Target population	Gauteng province residents using retail banks (Absa, Capitec, FNB, Nedbank and Standard bank)
Time period	2016
Sample size	500 respondents
Sample elements	Respondents in the Gauteng Province which were accessible during the time the primary data was collected

For the purpose of this study, a non-probability convenience sampling method was used, which means the likelihood of a respondent being selected was unknown (Whitley & Kite, 2012:486), since there was no sampling frame available due to Protection of Personal Information Act (4 of 2013) that promotes the protection of personal information by public and private bodies. Therefore, respondents were surveyed based on convenience and availability (Shiu *et al*., 2009:480), meaning that respondents were randomly chosen based on ease of accessibility to fieldworkers. Furthermore, a quota was used, based on the market share of each South African retail bank.

The sample size for the study was determined based on previous studies of the same field (Dash & Rajshekar, 2013:5; Husnain & Akhtar, 2015:5; Kishada & Wahab, 2013:267). According to BusinessTech (2016c), the market share for the five retail banks is 27.04% Standard Bank, 21.91% Absa, 17.25% Nedbank, 17.02% Capitec, and 16.78% FNB. From this indication of the market share of the retail banks, a total sample of 500 respondents was drawn with quota sampling, based on each bank’s market share – summarised in Table 1-3.

Table 1-3: Summary of sample quotas

Bank	Sample quota
Absa	110
Capitec	85
FNB	84
Nedbank	86
Standard bank	135
Total	**500**

Based on the market share of each retail bank and the total sample of 500 respondents drawn, the quota sample was 135 Standard Bank respondents, 110 Absa respondents, 86 Nedbank respondents, 85 Capitec respondents and 84 FNB respondents.

1.6.4 Data collection

Data was collected through structured, self-administered questionnaires. According to Wiid and Diggines (2015:206), several challenges can occur at this point, and therefore measures must be set up to reduce or eliminate potential challenges. For the purpose of this study, five BCom Honours (Marketing Management) students from the North-West University (Potchefstroom Campus) were trained as fieldworkers. The fieldworkers had marketing research as a 3rd year subject and at the time of data collection, they were busy with marketing research as an honours subject.

1.6.5 Data analysis

After the collection of primary data had taken place, the data was analysed. According to Zikmund and Babin (2010:66), the most appropriate analytical method for data analysis is determined by management's information needs, the nature of research design and the characteristics of the data collected. Therefore, in this study, the Statistical Package for Social Sciences (SPSS version 23) was used for data analysis. The data analysis process includes: (1) determining the reliability and validity of measures (by means of Cronbach alpha values and confirmatory factor analyses); (2) analysing descriptive results (including frequencies, percentages, means and standard deviations); (3) determining the distribution of the results (by means of skewness and kurtosis); and (4) testing hypotheses (by means of structural equation modelling). Consequently, a number of main findings were formulated in Chapter 5 taking into account the results obtained after data analysis with the aim of addressing the secondary objectives.

1.7 CONTRIBUTION OF THE STUDY

It is imperative for ongoing research in the field of relationship marketing to be conducted due to constantly changing customer behaviour. The present study will be of significance to scholars, government and the commercial industry. Scholars will gain greater insight and knowledge of the trends in the South African retail banking industry. Information from the study will show banks reasons why customers remain loyal to a bank and how they can implement strategies to attract and keep customers loyal to banks. The management of banks in South Africa will, in this manner, be enlightened in areas of improvement that are critical.

Banks will also be able to identify specific profitable and effective relationship marketing strategies to implement, which can maintain sustainable relationships, keep customers loyal and retain customers. Furthermore, this study will help banks to identify changing customer behaviour and patterns that need attention. The identification of appropriate and effective relationship marketing strategies can also help banks to increase their performance. Through the identification of effective relationship marketing strategies, customers will have access to better and efficient services from the retail banks in South Africa. Chapter 6 provides a discussion of the final contribution of this study.

1.8 OUTLINE OF CHAPTERS

The structure of the study is as follows, in chronological order:

- **Chapter 1 (Introduction):** This chapter provides insights into the research topic, its context and the goal of the study. The chapter also highlights the structure of the research study and presents the aspects that are further addressed.
- **Chapter 2 (Relationship marketing literature review):** This chapter discusses the concept of relationship marketing as gleaned from the existing literature. This includes the definition of relationship marketing, comparison of relationship marketing and transactional marketing, the benefits of relationship marketing and the concept of relationship marketing in the retail banking industry.
- **Chapter 3 (Service quality, trust, switching cost, satisfaction and loyalty in context):** This chapter provides detail on the constructs of the study, which include service quality, trust, customer switching costs, satisfaction and loyalty. This includes definitions and characteristics of the key constructs from the existing literature.
- **Chapter 4 (Research methodology):** This chapter presents the available methods for data collection and the methodology most suitable pertaining to the study of customer loyalty in South African retail banks. Aspects addressed in this chapter include an explanation of the secondary data collected, the empirical investigation, the research design, the target population and sample size, the measuring instrument and data analysis methods.
- **Chapter 5 (Empirical results):** This chapter provides a detailed discussion of the empirical results obtained from the collected data. The related data analysis methods are implemented with a view to realise the objectives and hypotheses for this study.
- **Chapter 6 (Conclusion, limitations and recommendations):** This chapter provides recommendations to banks based on the results from the study. Also, the limitations of the study are noted, as well as future research suggestions. Finally, this chapter includes a summary of the entire study.

1.9 CONCLUSION

This chapter provided insight into the research topic, its context and objectives of the study. Accordingly, the aspects discussed in this chapter include the background and research problem, industry overview, research objectives and hypotheses and the relationship between constructs. Furthermore, the chapter briefly discussed the research methodology pertinent to this study followed by the contribution that the study hopes to make. Finally, the last section highlights the structure of the study indicating the aspects that are further addressed. The next chapter explores the discipline of relationship marketing.

CHAPTER 2

RELATIONSHIP MARKETING

2.1 INTRODUCTION

This chapter explores the concept of relationship marketing and presents a comprehensive review of relevant literature in the field of marketing. Therefore, a clear perspective is provided with regard to the discipline of marketing and the importance thereof. From the marketing perspective follows the emergence of relationship marketing, the evolution from transactional marketing to relationship marketing, the nature and variables of relationship marketing, relationship marketing tools, benefits, and pitfalls to avoid in relationship marketing, and linking the concept of relationship marketing to the South African banking industry.

2.2 MARKETING

At the heart of marketing, is developing satisfying exchanges from which both customers and marketers (businesses) can receive benefits (Hult *et al*., 2014:5). Outstanding marketing businesses go the extra mile in order to gain more insights on customer and understanding their needs, wants and demands (Armstrong & Kotler, 2013:59). Al-Hersh *et al*. (2014:71) state that, for a lengthy period, marketing had the primary goal of acquiring customers rather than attempting to keep them; the main focus was therefore on transactions and exchanges (Adejoke & Adekemi, 2012:103). According to Rasul (2015:66), customers were persuaded to buy, but there was no emphasis on the establishment of a long-standing relationship between the customer and the business. The introduction of relationship marketing therefore sought to change the customer-business relationship (Rasul, 2015:66). Therefore, relationship marketing is a logical improvement in the gradual development of marketing thinking (Cant, 2010:10) and encompasses building and maintaining relationships (Ibok & Akaninyene, 2014:97).

2.2.1 Definition of marketing

Regardless the fact that many people consider marketing as advertising or selling, marketing is much more complex than what most people perceive (Hult *et al*., 2014:4). According to Armstrong and Kotler (2013:33), marketing is the process through which businesses create value and establish customer relationships with the aim of obtaining value from customers in return. The American Marketing Association (2013) defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”. Mullins and Walker (2010:6) further define marketing as a social process comprising the activities essential to enable individuals and businesses to get what they need and want by means of exchanges with others and to cultivate continuous exchange relationships.

From the above definitions, marketing is defined in this study as:

> *A mutually beneficial process which involves a business creating and delivering valuable offerings to customers and in exchange the business also obtains benefits from the customer.*

2.2.2 Importance of marketing

It is important that businesses should strive to obtain insights on what their customers actually feel and want, to enable meeting those needs. This is also the fundamental argument that proves the significance of marketing (Ellis *et al*., 2011:134). According to Armstrong and Kotler (2013:33), sound marketing strategies are vital for the success and sustainability of businesses. In light of these statements, marketing is important because:

- It is required in order to create awareness of a new product and to permit innovative businesses to earn benefits from their efforts before the product reaches the decline stage of the product life-cycle (or is overtaken by competing products) (Ailemen, 2013:152).
- It provides information to stakeholders, the businesses and customers. It gives basic interrelated information with respect to demand, supply, and competition of products other than successes and failures of a product in the market (Tabassum, 2014:42).
- It is a business function encompassing a chain of techniques such as advertising and marketing research (Gbadamosi, 2013:18). Advertising performs the marketing communications function (Rad *et al*., 2014:121), and as identified by McDaniel and Gates (2013:4), marketing research constitutes the planning, gathering and analysis of data pertinent to marketing decision-making and the communication of the findings of this analysis to management.
- Through the appropriate use of marketing within a business, a business knows that keeping customers informed; this is not difficult if the business continuously interacts (communicates) with the customer (Burnett, 2007:27).
- It draws attention and builds interest (Morello, 2016). In other words, marketing can entice customers and cause them to develop interest in the business or products.
- It provides a wide range of job opportunities (Adamson & King, 2013:38). In other words, marketing is a viable source of employment to people.

As indicated above, relationship marketing emerged in order to establish relationships between customers and the business, since more traditional forms of marketing only focused on attracting customers instead of keeping customers. The following section discusses the advent of relationship marketing.

2.3 THE EMERGENCE OF RELATIONSHIP MARKETING

The concept of relationship marketing may appear to have been non-existent, but it has been in use for hundreds of years (Sonkova & Grabowska, 2015:201). Although the term was only formally presented by Berry in 1983, numerous authors have previously debated on the relationship between marketers and customers (Khojastehpour & Johns, 2014:242). Shirshendu *et al*. (2009:2) further argue that to a certain extent, it is difficult to determine the actual period when the concept of relationship marketing began in marketing literature. Keshvari and Zare (2012:157) posit that the term relationship marketing rose to prominence in the 1980s when the focus of marketers began to change from gaining customers to retaining customers. According to Taleghani *et al*. (2011:156), relationship marketing emerged as an alternative to the main interpretation of marketing as a sequence of transactions, because many exchanges (specifically in the service industry) were regarded to have interpersonal features (Gummesson, 1994).

According to Jesri *et al*. (2013:305), the development of industrial marketing and service marketing resulted in a new tactic that emphasised long-term and intimate relationships between the business and the customer. Hence, the evolution of relationship marketing was predicated on the criticism of pure transaction oriented marketing (Ogechukwu, 2012:32) and in reaction to the weaknesses of transactional marketing (Widana *et al*., 2015:3), which was a major trend in the 20th century (Sonkova & Grabowska, 2015:197). During the 1970s and 1980s, numerous authors such as Gummesson, Grönroos, Berry, Sheth, Hammarkvist, Håkansson and Mattson began to query on the validity of the concept of transactional marketing as a generally accepted marketing theory (Maxim, 2009:289). Ogechukwu (2012:32) further states that the key principles upon which relationship marketing is rooted is that the greater the level of customer satisfaction in a business relationship, the more likely the customer will be to continue the relationship with a specific business.

The establishment of the relationship marketing approach resulted in remarkable changes in marketing methods (Nezhad, 2015:602). Morgan *et al*. (2015:1) state that the major force behind the emergence of relationship marketing was the economic recession of the 1980s. According to Koi-Akrofi *et al*. (2012:79), the concept of relationship marketing was strongly influenced by the reengineering of marketing theory, which was of increasing significance at the same time. Furthermore, the increase in the number of scholars studying the concept of relationship marketing became a driving force in its growth, with numerous studies justifying and supporting the relational approach in academic conferences and journals (Egan, 2011:17). Sheth *et al*. (2015:125) state that the need to embrace total quality management in order to enhance quality and decrease costs – thus making it essential for suppliers and customers to be part of the programme in the value chain – led to the adoption of relationship marketing, as this required interactions between customers, suppliers and other marketing members.

According to Gilaninia *et al*. (2011a:510), researchers identified several factors that resulted in the emergence of relationship marketing, which include:

- Increasing intensity of global competition.
- Customers' increasing knowledge and demand.
- The fragmentation of markets.
- Significant changes in customer buying patterns.
- Continuous improvement in quality standards.
- The overall influence of technology.

Morgan *et al*. (2015:16) indicate that Berry encouraged both marketing scholars and practitioners to observe, and to implement a strategic focus on retaining customers rather than merely acquiring them. Oogarah-Hanuman and Ramnarain (2013:1) stipulate that customers are the reason for the presence of businesses and without customers, businesses cannot obtain profits and will cease to operate. Khalifa (2014:944) further notes that a relationship marketing focus is giving rise to significant successes and improvements due to environmental characteristics and the swift evolution of information and communication technologies. Since the ultimate goal of relationship marketing is to obtain the utmost value from a customer, customer loyalty should be accentuated to reach this goal (Ogungbade, 2015:3).

2.4 DEFINING RELATIONSHIP MARKETING

Defining relationship marketing is rather difficult, because its conceptual and theoretical foundations span several fields and disciplines (Beetles & Harris, 2010:348). Abeysekera and Kumaradeepan (2012:48) argue that the concept of relationship marketing can be simplified and easily understood through a comparison with its complementary concept known as transactional marketing. The field of relationship marketing has been broadly studied (Soimo, 2015:1307) and Rahman and Masoom (2012:97) indicate that researchers have defined the concept of relationship marketing in different terms. According to Gilaninia *et al*. (2011b:788), relationship marketing continues to be one of the least understood concepts, regardless of the fact that it is one of the oldest approaches to marketing.

Berry (1983) viewed relationship marketing as a tactic to attract, maintain and improve the relationship between the customer and the business (Percy *et al*., 2010:2597). Abdullah *et al.* (2013:373) further state that even though attaining more customers was and would continue to be part of the marketer's duty, this perspective highlights that a relationship view of marketing means that retention and development are equivalent or even more significant to a business in the long term than customer acquisition. This notion further implied that by categorising customers, not all customers or prospects should be treated in the same manner (Oboreh *et al*., 2011:230).

According to Berry and Parasuraman (1991), relationship marketing entails "attracting customers, developing lasting relationships with those customers, and potentially retaining those customers for as long as profitable". Palmatier (2008:3) further defines relationship marketing as the process of identifying, developing, keeping, and ending relational exchanges with the aim of improving performance. According to Godson (2009:4), relationship marketing involves the focus of marketing efforts and resources on developing and preserving long-term, intimate relationships with customers. Sheth *et al*. (2015:123) also define the concept of relationship marketing as "the ongoing process of engaging in collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic, social and psychological value, profitably". Further definitions of relationship marketing from different authors over the last two decades are provided in Table 2-1 below.

Table 2-1: Relationship marketing definitions

Author(s)	Definition
Gummesson (1994)	Relationship marketing can be seen as relationships, networks and interactions.
Morgan and Hunt (1994)	Relationship marketing is any marketing effort aimed at the creation, development and maintenance of successful interactions (exchange values).
Möller and Wilson (1995)	Relationship marketing is about understanding, creating and managing interactions between economic partners, suppliers, service providers and end-users.
Sheth and Parvatiyar (1995)	Relationship marketing includes communications and marketing programs focused on economic development, i.e. customers benefit by lowering the price of products or services.
Grönroos (1997)	Relationship marketing can be seen as a process of identifying and creating, maintaining, improving and, if necessary, terminating relationships with customers or other stakeholders. The aim is to build profitable relationships based on mutual trust, fulfilling promises and achieving the objectives of all parties involved.
Berry (2002)	Relationship marketing is the development of strategies to cultivate relationships with customers, developing these relationships further, maintaining them over the long term, and adding more value during the process.

Table 2-1: Relationship marketing definitions (cont.)

Author(s)	Definition
Dudinská *et al*. (2006)	Relationship marketing is one of the strategic business management concepts and its essence is to establish, develop, maintain and improve relationships with customers and other stakeholders (such as employees, owners, suppliers, intermediaries, public and professional institutions) in order to create mutual value and benefits for all parties involved.
Michalová (2006)	Relationship marketing is forcing one to immediately analyse the marketing situation and develop activities and resources in order to create, maintain and expand relationships with customers or specific customer segments.
Peng and Wang (2006)	Relationship marketing involves all the marketing tools with a focus on developing customer loyalty, and gives benefits to all parties involved in the process.
Žvirelienė and Bučiūnienė (2008)	Relationship marketing is defined as “the new marketing”, oriented towards the main objective of the business’ operations-fulfilment of customer needs and building of long-term relationships with customers.
Jurgilevičiūtė and Sūdžius (2010)	Relationship marketing can be defined as a long-term, mutually useful relationship, which is characterised among others by such attributes as confidence, cooperation, communication, commitment, dependence, as well as development and maintenance.
Koi-Akrofi *et al*. (2013)	Relationship marketing entails an understanding of customers' needs and wants through their lifecycle and providing a variety of products or services to meet their needs and wants.

Source: Adapted from Lendel and Varmus (2015:65).

According to Benouakrim and Kandoussi (2013:148) and Moretti and Tuan (2013:254), regardless of the various definitions of relationship marketing, there are similar elements noticeable in the definitions as shown in Table 2-2. Sonkova and Grabowska (2015:197) provide the following three main elements of relationship marketing (also highlighted in Table 2-2), namely that it is concerned with:

- Setting up engagement activities on the overall process of the relationship life-cycle.
- Identifying individual customers, groups of customers, other businesses and/or employees as targets of relationship marketing activities.
- Creating mutual benefits for the exchange parties involved.

Table 2-2: Relationship marketing common elements

Author(s)	Relationship marketing entails
Gummesson (1994), Morgan and Hunt (1994), Möller and Wilson (1995)	… the maintenance of successful interactions.

Table 2-2: Relationship marketing common elements (cont.)

Author(s)	Relationship marketing entails
Godson (2009:4), Sheth and Parvatiyar (1995)	… communications and marketing programs.
Berry (2002), Berry and Parasuraman (1991), Dudinská *et al*. (2006), Grönroos (1997)	… the establishment, development, maintenance and improvement of relationships.
Grönroos (1996), Peng and Wang (2006), Sheth *et al*. (2015)	… mutual benefits to both parties involved.
Jurgilevičiūtė and Sūdžius (2010), Žvirelienė and Bučiūnienė (2008)	… long-term relationships with customers.

From the above discussion and definitions, relationship marketing is defined in this study as:

> *A concept that involves attracting customers, converting short-term transactions between a business and customers into long-term transactions in order to establish sustainable long-term relationships while eliminating costly or unnecessary relationships and nurturing existing relationships to ensure there are mutual economic, social and psychological benefits acquired while adding value continuously.*

2.5 THE EVOLUTION FROM TRANSACTIONAL MARKETING TO RELATIONSHIP MARKETING

Marketing philosophies and practices are continuously changing (Khalifa, 2014:943). According to Al-Hersh *et al*. (2014:71), marketing efforts used to be typically aimed at getting customers rather than retaining them. The intensifying competition in the production of goods and services has in recent times resulted in the transactional marketing approach evolving into to the relationship marketing approach, which is focused on forming and maintaining long-term relationships with customers (Gilaninia *et al*., 2011b:789). Over the past decades, businesses have therefore become aware that a focus on transactional marketing may not be enough to provide an advantage above competitors (Sonkova & Grabowska, 2015:197). According to Morgan *et al*. (2015:2), relationship marketing has transformed the marketing paradigm from a transactional to a relational viewpoint, and from a market share, to share-of-wallet objective in marketing, and this resulted in a change from competition and competitive advantage concepts to collaboration and transaction cost as economics concepts. It is worthwhile to state that in the past, marketers did have concerns regarding retaining customers, encouraging repeat purchases, nurturing trust and facilitating future marketing (Al-Hersh *et al*., 2014:72).

Since relationship marketing entails a transition from market share to customer share, as such, a sale should be considered as the genesis of a continuous relationship (Veerasamy, 2011:2356). Al-Hamed and Amin (2014:47) posit that the paradigm shift from transactional to relationship marketing is related to the reappearance of direct marketing. According to Rahman and Masoom (2012:98), the causes as to why this paradigm shift occurred include:

- Recognising the importance of customer retention.
- Globalisation of businesses.
- Keeping up with the progressing market economy.
- The developing nature of the marketing mix.
- Fulfilling the need for establishing closer customer relationships.

Rahman and Masoom (2012:98) further state that, in addition to the aforementioned market demands, paradigm shifts concurred with a view to develop marketing practices and achievements that were missing. In contrast to relationship marketing, which focuses not only on attracting customers but also on keeping customers and understanding more about the customer, transactional marketing is centred on attracting new customers and making as many transactions as possible (Maxim, 2009:289). In other words, transactional marketing seeks to reach the target market as a whole (i.e. mass marketing), whereas relationship marketing attempts to provide individual communication to the relevant customer (Sonkova & Grabowska, 2015:202). Furthermore, transactional marketing has no objective of creating loyal customers (Domazet *et al*., 2010:5), whereas relationship marketing is very much concerned with building relationships based on every possible transaction between the business and the customer (Lo, 2012:92).

Ogechukwu (2012:35) further indicates that the differentiating features between relationship marketing and transactional marketing include the following:

- Relationship marketing consists of the key concepts of interaction, relationships and networks, whereas with transactional marketing, the 4Ps (price, place, product, promotion), segmentation, and branding are the important aspects.
- With regard to marketing goals, transactional marketing activities seek only to obtain new customers, while relationship marketing focuses not only on obtaining new customers but also on their retention and recovery.
- Relationship marketing attempts to establish two-way communication with the customer in order to align the business' product and services with specific customer needs. In contrast, in transactional marketing, the marketing strategy involves presenting the product.

- While a transactional marketing strategy implements non-personal advertising as a promotion strategy, the promotional strategy of relationship marketing involves personal interaction with customers.

Egan (2011:39) further theorises that relationship marketing advocates a paradigm shift in the type of marketplace transactions - from discrete to relational exchange. Table 2-3 below summarises the differences between relationship marketing and transactional marketing.

Table 2-3: Transactional marketing versus relationship marketing

Characteristics	Transactional marketing	Relationship marketing
Time orientation	Short-term	Long-term
Organisational goal	Emphasis on making the sale	Emphasis on retaining the customer
Customer service priority	Relatively low	Key component
Customer contact	Low to moderate	Frequent
Degree of customers' commitment	Low	High
Basis for seller-customer interactions	Conflict manipulation	Cooperation and trust
Source of quality	Primarily from production	Companywide commitment

Source: Adapted from Al-Hamed and Amin (2014:48).

In every marketing interaction between the buyer and seller in a transaction-based situation, a relationship exists - although the relationship might be short and narrow in scope (Al-Hamed & Amin, 2014:48). Rahmaan and Masoom (2012:97) opine that marketing in the 21st century is centred mainly on creating a relationship between a business and its customers. However, Nakhleh (2012:539) argues that some businesses use both components of relationship and transactional marketing tactics. Hence, Egan (2011:106) argues that the coexistence of relationship marketing and transactional marketing means that relationship marketing is a different marketing perspective, not a replacement for transactional marketing strategies. Bhaskar *et al*. (2012:46) finally add that relationship marketing is the maturity of transactional marketing.

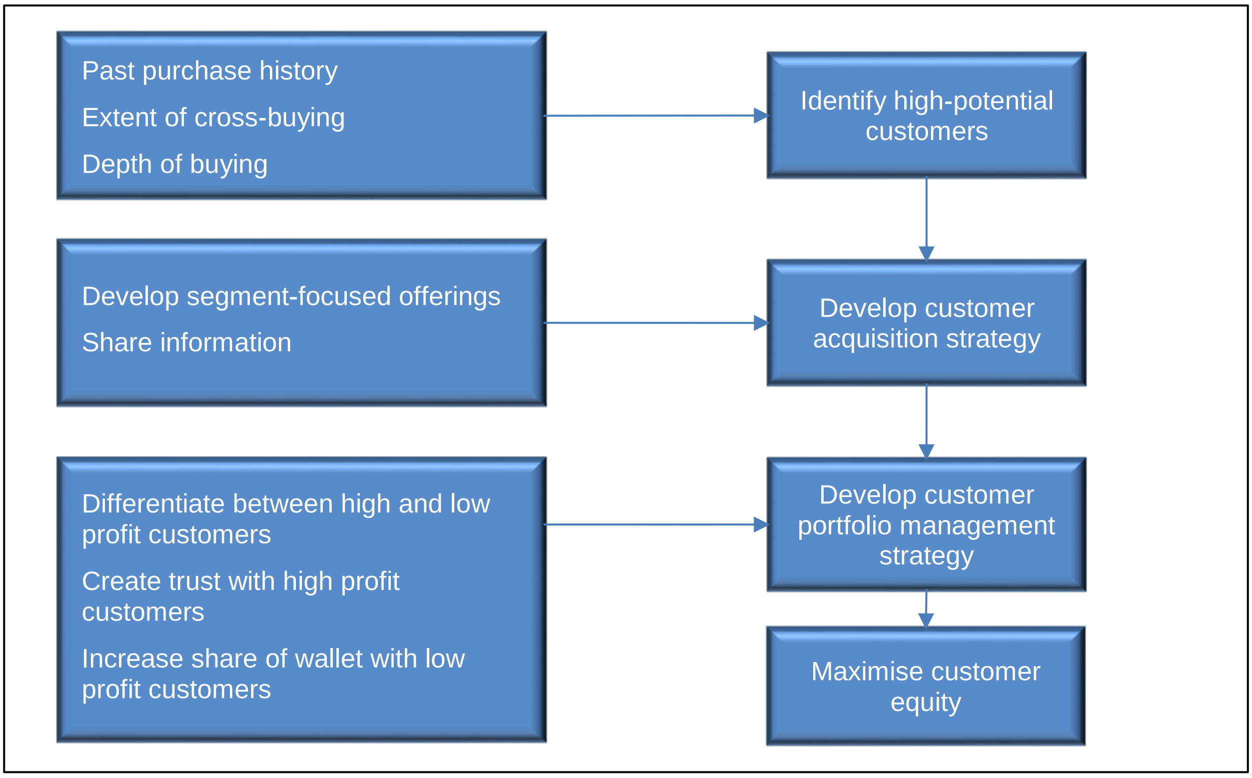
2.6 THE FUNDAMENTALS OF RELATIONSHIP MARKETING

The main characteristics of relationship marketing are that all customers are regarded as unique. All activities, therefore, must be focused on current customer satisfaction, by implementing plans that are centred on the flow of information. Subsequently, businesses should realise profits by upholding lower customer turnover and reinforcing relationships with existing customers (Husnain & Akhtar, 2015:2). Veerasamy (2011:2356) states that the concept of relationship marketing is characterised by the occurrence and number of exchanges between customers and the business. According to Chidozie and Anayochukwu (2012:28), the philosophy of relationship marketing is predicated on the notion that customers seek to have a continuous relationship with one business rather than constantly changing service providers in their quest for value. Hence, at the heart of relationship marketing is the interaction between the business and relevant stakeholders (Pop *et al*., 2012:353). Among these different stakeholders, a customer is regarded as the most important (Rashed & Asil, 2015:82). In light of the fundamentals of relationship marketing set out above, the subsequent sections presents an overview of the relationship marketing process and the main characteristics of relationship marketing.

2.6.1 Relationship marketing process

Relationship marketing is a process rather than a onetime event, and therefore, customers have to be aware that the business is committed to enduring relationships and that they can trust the business to deliver services as required (Al-Hamed & Amin, 2014:51). Al-Hamed and Amin (2014:51) concur that relationship marketing is a process (as shown in Figure 2-1), consequently, the entire process of building and maintaining healthy and long-lasting relationships has to be controlled at every stage (Buhler & Nufer, 2010:82). Sahaf (2008) further adds that a business has to be cautious while developing the relationship marketing process.

Figure 2-1: Relationship marketing process



Source: Adopted from Slater *et al*. (2009:39).

2.6.2 Long-term orientation of relationship marketing

As explained in section 2.4, relationship marketing is long-term orientated (Taleghani *et al*., 2011:157). According to Adejoke and Adekemi (2012:102), relationship marketing underscores that long-term relationships benefit both exchange partners. Bazini *et al*. (2011:159) posit that the development of long-term relationships with customers is regarded as one of the main elements in relationship marketing and a fundamental aspect to a business' profitability. The concept also means an ongoing exchange between the business and selected valued customers (Lee *et al*., 2013:1200). Undeniably, as indicated by Moenardy *et al*. (2016:49), the business' commitment to retain customers is a fundamental part of relationship marketing. Therefore, businesses that are able to create long-term relationships with customers can gain a competitive advantage that cannot be easily imitated (Juščius & Grigaite, 2011:71). According to Domazet *et al*. (2010:9), the prerequisite for long-term relationships is the ongoing interaction between a business and its customers. A long-term relationship with customers guarantees continuous purchases by customers (Shruthi & Devaraja, 2012:6).

Domazet *et al*. (2010:7) postulate that in the development of long-term relationships with customers, the business has to pay attention to relationships with customers' management value chain and actions should be planned for the growth of profitable relationships. Tarokh and Sheykhan (2015:63) add that relationship marketing seeks to build long-term fulfilling relations with customers, suppliers and distributors with a view to attain and keep long-term business priorities. Hence, a good relationship involves at least two necessary conditions, namely that it should benefit both the business and the customer, and that it involves commitment from both exchange parties over time (Bazini *et al*., 2011:159). Accordingly, Madan *et al*. (2015:7) postulate that relationship marketing requires appropriate management in order to maintain, improve and cultivate longstanding relationships between the business and the customer.

2.6.3 Interactive relationships

Prasath (2014:164) propounds that relationship marketing is primarily concerned with communicating or interacting with customers through online contents and connecting products and services by social networks like Facebook, Twitter, Pinterest and other social networking platforms to create word-of-mouth in the market. As Prasath (2014) noted above, relationship marketing is an interactive relationship between two active exchange partners (Khalifa, 2014:945). Al-Hamed and Amin (2014:47) further support Khalifa's (2014) statement when they indicate that relationship marketing requires two-way communication rather than one-way communication, as well as the proper management of customers. Two-way communication (or even multi-way communication) enables customers to interact and state their needs to the business (Williams & Chinn, 2010:424). Du Plessis and Lombard (2013:3) posit that it is necessary for the business to communicate with the customer and the customer has the duty to listen.

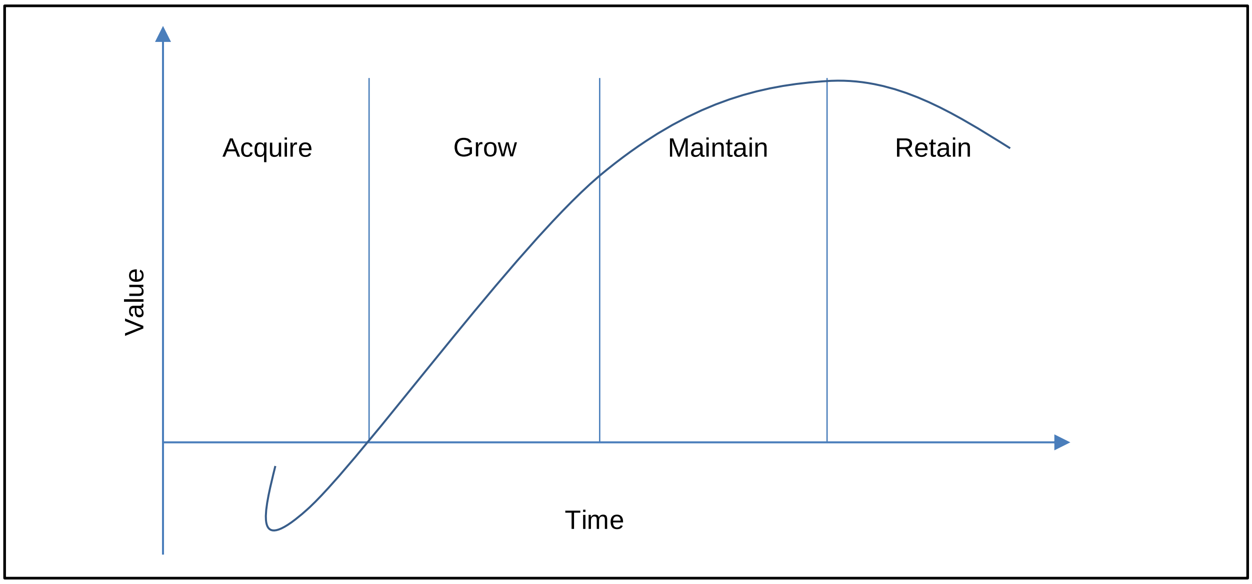
Successful communication can be useful in retaining current customers (Lo, 2012:93). Al-Hersh *et al*. (2014:80) note that effective communication between a business and its customers builds a superior relationship and ultimately results in loyal customers. Active communication permits customers and businesses to meet and interchange information-related needs that might be a challenge to express (Gustafsson *et al*., 2012:314). Balaji *et al*. (2016:186) further state that communication is regarded as the epitome of customer relationship management, as it gives an understanding of the exchange partners' aims, and nurtures trust and information exchange required to stimulate long-term customer relationships.

2.6.4 Customer lifetime value

According to Blythe (2012:284), relationship marketing is also concerned with the customer lifetime value. Customer lifetime value changes marketing from a transactional marketing approach to a relationship marketing approach (Rozek & Karlíček, 2014:29). Safari (2014:168) defines customer lifetime value as the existing value of all future profits acquired from a customer over his or her life of relationship with a business. According to Bassett (2013:1), customer lifetime value is about "optimising each interaction and conversation in order to create an engaged customer relationship which drives customer retention, repeat purchases, customer referrals, reduced support costs, and possibly even price premiums". It is therefore crucial to retain customers in order to realise the highest possible customer lifetime value (Roberts & Zahay, 2012:86). Bassett (2013:4) states that higher customer lifetime value is influenced by a business' capability to create valuable and sustainable relationships with its customers.

Damm and Monroy (2011:268) underscore that customer lifetime value is an instrument that assists in estimating the financial potential of customers; this requires a great deal of information. According to Krstevski and Mancheski (2016:66), customer lifetime value can be useful to a business in identifying the profitable customers. Customer lifetime value plays a significant role in driving the different marketing efforts through the customer's life-cycle (Mahishi, 2014:5). Figure 2-2 shows the value created by a typical customer over his or her life-cycle.

Figure 2-2: Value customers generate during different phases of the lifecycle



Source: Adopted from Mahishi (2014:6).

2.6.5 Customer intimacy

Customer intimacy is also one of the main components of relationship marketing (Blythe, 2012:287). Beetles and Harris (2010:353) posit that customers are often more willing to engage in a marketing relationship where a certain level of intimacy is reached between the business and the customer. Customer intimacy focuses on getting insights about customers' needs and expectations with a view to enable the customisation of the product or service offering (Habryn, 2012:50). According to Peck *et al*. (1999:418), the success of customer intimacy as a strategy entails identifying the type of customers who are willing to be in an intimate (business-customer) relationship. Omarini (2011:86) indicate that the existence of customer intimacy occurs when both the relationship between a business and a customer, and when the capability of a business to adapt to customers are high. With reference to the service industry, human resources play a crucial role to ensure the appropriate service delivery towards achieving customer intimacy (Anantadjaya *et al*., 2015:13).

Anantadjaya *et al*. (2015:17) posit that, within competitive market environments, businesses must provide customer value through intimate relationships with customers in order to encourage loyalty. Therefore, businesses pursuing a customer intimacy strategy ought to have extremely sophisticated tools, often comprising of comprehensive IT databases, to record important customer information; they should also concentrate on building knowledge concerning customer need and expectations frequently (Kandasamy, 2016:199). According to Sulaiman *et al*. (2013:357), the customer intimacy tactic is characterised by the fact that businesses must establish a relationship with customers. Undeniably, businesses that concentrate on customer intimacy will thrive or fail mainly by giving high levels of personalised service to their customers as compared to the market rivals (Cobb, 2015:228).

2.6.6 Customer share

Relationship marketing refers to customer share and not market share (Veerasamy, 2010:2356). Customer share (or share-of-wallet) measures the extent to which a customer is committed to a business' products by calculating the percentage increase of customers' total purchases of those products (Davis & Hilbert, 2013:163). In contrast to share–of-wallet, Kumar and Reinartz (2012:106) define market share as the share of a business' sales as compared to the sales of all other competing businesses across the total number of customers in a given market. According to Armstrong *et al.* (2014:30), businesses seek to obtain profitable customers as well as building relationships that will retain these customers and grow customer share. Ferrell *et al.* (2015:66) believe that having the knowledge that customers have distinct needs and that all customers have different values for the business is necessary when focusing on customer share. The ability to recognise single customers enables marketers to change their concentration from targeting groups of same customers to increasing their share of a single customer's purchases (Pride & Ferrell, 2016:17).

According to Armstrong *et al.* (2014:29), providing great customer value results in highly satisfied customers who will have more repeat purchases, which in turn assists the business in capturing customer lifetime value and greater customer share. Customer share is helpful in assessing individual salespersons as the outcome suggests how successful they have been in extending their relationship with the customer (Davis & Hilbert, 2013:164). As noted by Cravens *et al*. (2011:319), share-of-wallet shows different customer groups' potential value, a significant contribution for direct marketing and sales tactic and steering promotional programmes. In addition to using share-of-wallet to track the progress of an individual's customer lifetime value contributions, this measure can be useful when making a distinction between profitable and unprofitable customers (Kumar & Shah, 2015:151).

In conclusion, one of the fundamental principles of relationship marketing is to distinguish profitable customers from non-profitable customers with a view to allow a business to focus properly on customer share (Veerasamy, 2011:2357). Relationship marketing also involves the engagement of a business in certain important activities that include setting up tactics to draw customers and retaining the attracted customers (Udegbe *et al*., 2010:168). Paliwal and Indu (2013:407) hold that relationship marketing also entails an understanding of customers' needs and wants through their life-cycle and catering for those needs and wants by providing products and services. For relationship marketing to be used and form part of business culture, it has to be oriented towards all customer groups (Hughes & Fill, 2003:97). The overall objective of relationship marketing is to unpack all those aspects that affect customer relationship with the business and to work on those factors to allow customer retention (Lo, 2012:92).

In light of these features of relationship marketing, the customer-business bonds established in relationship marketing tend to last longer and encompasses a broader scope than those established in transactional marketing (Kurtz, 2014:348). According to Ocloo and Tsetse (2013:138), relationship marketing is primarily focused on how businesses create and improve their relationships with customers for lasting profitability. However, Al-Hamed and Amin (2014:50) argue that relationship marketing has to take into consideration whether a customer is indeed keen to engage in a longstanding relationship or not.

2.7 DRIVERS OF RELATIONSHIP MARKETING

Numerous efforts have been directed towards enhancing business performance through different relationship marketing practices (Rajalingam & Pushpanathan, 2013:58). According to Chowdhury (2012:50), the main aim of relationship marketing is to detect the main drivers of the relationship and their results. The following section therefore discusses the different key drivers of relationship marketing.

2.7.1 Service quality

Service quality is generally noted as a critical requirement and contributing factor of competitiveness for creating and sustaining satisfying relationships with customers (Agyapong, 2011:204). However, Ariani (2015:35) posit that the concept of service quality receives much attention and debate in the research literature since it is difficult to define and measure. Ocloo and Tsetse (2013:140) add that, if the anticipated service is higher than the received service, the service quality is considered unsatisfactory. According to Hutt and Speh (2010:268), from a customer’s viewpoint, service quality implies a responsive employee who stimulates confidence and adjusts to the customer’s distinctive needs or choices in a professional way.

2.7.2 Trust

Marketing academics have acknowledged the significance of trust in creating and managing business relationships (Naderian & Baharun, 2015:6). Rezaei *et al*. (2015:353) define trust as the level to which one party considers the other party as being honest. According to Halimi *et al*. (2011:209), in order for trust to be developed, a customer should have confidence in the business’ reliability and honesty. Furthermore, Rahmani-Nejad *et al* (2014:263) propound that customers who have trust in a business are most likely to be loyal to the business. Afzal *et al*. (2010:44) add that trust is an indicator of customers' commitment and satisfaction with a specific business, brand product or service.

2.7.3 Switching costs

Switching costs (or perceptions thereof) are a powerful mechanism to avoid customer defection (Eid, 2013:283). According to Matzler *et al*. (2014:118), switching costs are viewed as a powerful marketing instrument that results in higher revenue and less costly relationships. Lucchesi *et al*. (2015:25) believe that the main consequence of switching costs is the likelihood of businesses to increase their prices and generate a captive demand. Furthermore, Stan *et al*. (2013:1545) state that an increase in switching costs may imply that dissatisfied customers maintain their relationship with the service provider (business) even if the business' image is subject to negative change. According to Marshall (2010:71), customers tend to develop commitment if they perceive high switching costs associated with changing from their current business to another business.

2.7.4 Satisfaction

In the course of creating customer satisfaction, economic aspects, emotional attitudes, and behaviours of customers are important factors (Magasi, 2016:577). Therefore, as highlighted by Naderian and Baharun (2015:8), those customers who feel satisfied about the whole experience, would be satisfied. Ariani (2015:35) defines customer satisfaction as "the perception or judgment made by customers for services it receives". According to Kishada and Wahab (2013:265), when experiencing a lack of satisfaction, customers would tend to spend less on a business's services and would not advocate the services to others. On the other hand, Angelova and Zekiri (2011:236) state that overall customer satisfaction results in additional profits for businesses and market share growth.

2.7.5 Loyalty

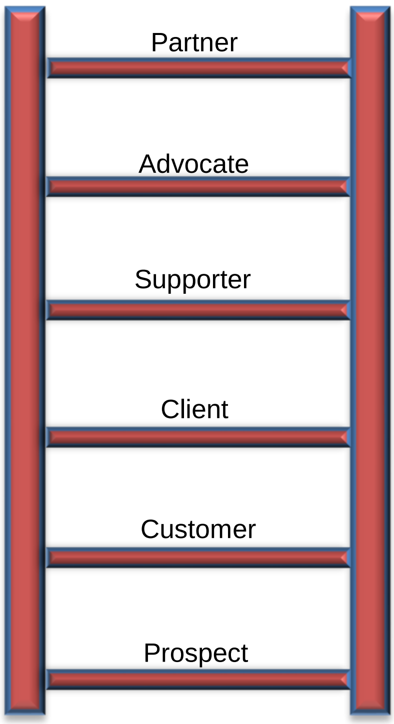
Angelova and Zekiri (2011:236) note that customer loyalty is a critical aspect in businesses' growth and their performance. Loyalty is built through methods that strengthen and create a positive mind-set and related behaviours (Sidiqqi, 2011:17). According to Auka (2012:185), there are more benefits related to keeping loyal customers as compared to getting new customers. Onditi *et al*. (2012:225) argue that customer loyalty encompasses attracting the appropriate customer, getting them to purchase, purchase frequently, purchase in large quantities and bring more customers to the business. Furthermore, Poku *et al* (2013:601) add that loyal customers are the ones that are not easily attracted to price incentives from business's market rivals, and loyal customers frequently purchase more than less loyal customers.

The implementation of successful relationship marketing strategies tends to result in long-term loyal customer relationships (Gaurav & Khan, 2013:47). Madjid (2013:49) notes that, in order to establish long-term loyalty amongst customers, these customers need to be satisfied, which according to Hutchinson *et al*. (2011:194) can be achieved by establishing a trusting relationship between customer and provider, and as postulated by Karimi *et al*. (2011:10) by providing consistent and high-quality services, and by discouraging customers from incurring the additional costs required to switch to another provider.

2.8 DEVELOPING RELATIONSHIPS

Once a business has obtained a customer, the relationship with the business can develop in two distinct directions based on the level of customer satisfaction achieved. A customer can either become an enthusiast for the business if he or she is continuously satisfied, or on the other hand, a customer can become a "terrorist" if he or she has been dissatisfied (Brink & Berndt, 2013:34). According to Beamish (2003:203), relationship development is a lengthy process and in order to attain customer loyalty, there are various significant stages through which the relationship should move. The popular relationship marketing ladder of loyalty (shown in Figure 2-3) is used to show the six stages of relationship development and these also signify the various stages of relationship development, or customer bonding, in order to attain loyalty (Brink & Berndt, 2013:34).

Figure 2-3: Relationship marketing loyalty ladder



Source: Adopted from Payne *et al*. (1999:45).

The first three stages of the ladder (i.e. prospect, customer and client) concentrate on obtaining customers (as is the case with the transactional marketing approach), and the upper three stages (i.e. supporter, advocate and partner) focus on the development of business-customer relationships (Buhler & Nufer, 2012:30). The six stages of relationship development are discussed below:

- **Prospects**: At the bottom of the loyalty ladder is a prospect who needs to be convinced to buy for the first time and to experience the product offering. These prospects have the possibility of buying in the future since they are attracted to a business' promotions. In a scenario where prospects are addressable, businesses do not only have to choose how much to spend; they have to select more interesting prospects to target first. By approaching a prospect, a salesperson must have details about the prospects concerning their needs, use of brands, feelings about existing brands as well as individual characteristics (Bowie & Buttle, 2011:380; Buhler & Nufer, 2012:30; Kumar & Shah, 2015:180; Ferrell *et al*., 2015:478).
- **Customer**: In relationship marketing, a customer refers to someone who has had a transaction with a business on one occasion or occasionally. Superior service and follow-up contacts are, however, essential to move customers to the next step of the ladder (Brink & Berndt, 2013:35; Smith *et al*., 2007:202).
- **Client**: The business should attempt to convert the new buyer into a client who buys more often. If clients are satisfied with all their interactions with the business, they may turn out to be more significant, and the relationship evolves to be more than just buyer and supplier, and brand loyalty starts to increase (Brink & Berndt, 2013:35; Withey & Lancaster, 2007:244)
- **Supporter**: Supporters tend to like the business, but only supports it passively. Although supporters can patronise a business, its products and services and while they spread good word-of-mouth, they are not motivated to the level of an advocate (Buhler & Nufer, 2012:31; West *et al*., 2010:225).
- **Advocate:** Advocates include those customers who have high levels of commitment towards the business, and only a major breach of trust will break this goodwill. These customers begin to create word-of-mouth about a business' products, telling other people about the satisfaction they have experienced and recommending them to use a specific business' products (Brink & Berndt, 2013:35; Withey & Lancaster, 2007:245).
- **Partners**: Finally, advocates turn into partners in the ultimate equally rewarding relationship. Fulfilled with the period during which a business has been catering to the customer's needs, at this point, a customer prefers a certain business as a provider of their

needs, and the business now has the customer's trust (Bowie & Buttle, 2011:380; Brink & Berndt, 2013:35).

The main aim of the loyalty ladder is to progress customers up the ladder, although some customers may move down the ladder and some may remain at the same rung (Bowie & Buttle, 2011:380). Getting customers to move up the ladder entails a shift from customer acquisition (which is a transactional approach), to customer retention, which is a relationship approach (Jackson, 2013:48). According to Yoon and Sims (2014:230), the main objective of relationship marketing is to shift customers to the highest rung possible, since greater benefits accumulate to the business at the higher level of loyalty. Gledhill (2010:61) notes that there are numerous methods that can be implemented to get customers from being a prospect to a partner. Some of these methods include:

- **Loyalty programmes:** These function on the basis of giving rewards to customers in exchange for their on-going support (Harris & Botten, 2008:111). According to Magatef and Tomalieh (2015:78), loyalty programmes have to be designed with specific rewards to specific groups depending on their value, and they have to offer high value to higher customer value tiers, by rewarding best customers to stimulate purchasing higher levels.
- **Exit barriers:** Making barriers to exit a business can assist a business in keeping customers by making it difficult for the customers to switch to the competitors' offerings (Gledhill, 2010:61). In other words, a business can put in place switching costs that will make it hard for customers to change to another business offering products or services of the same range.
- **Customer satisfaction:** In a turbulent market arena, customer satisfaction is the best method to guarantee that customers buy continuously with the same business (Gledhill, 2010:61). According to Mohsan *et al*. (2011:264), customer satisfaction is of great importance in business world because without satisfied and loyal customers, a business will cease to exist.

2.9 RELATIONSHIP MARKETING IMPLICATIONS

According to Lancaster and Massignham (2011:29), adopting a relationship marketing approach has implications on how a business conducts its promotional strategies, how a business handles its customers and customer service functions, and how a business develops and implements customer information. Therefore, as posited by Withey and Lancaster (2007:34), adopting relationship marketing approach has the following implications:

- The entire emphasis in marketing shifts from getting the customer to retaining the customer.

- The entire business unit, not only the marketing department, has to be customer-oriented and must assist in creating advocates for the business.
- It is important to establish and sustain a customer-focused environment, which must be motivated and supported by top business managers.
- More emphasis should be on researching and understanding customers. Effective relationship marketing is sustained by getting relevant and good information and databases which, in turn, form the foundation for customer relationship management. Therefore, customer research is an inevitable requirement for relationship marketing (Buhler & Nufer, 2012:71).
- Relationship marketing includes the use of the additional 3Ps of the marketing mix, namely people, physical evidence and processes.

2.10 RELATIONSHIP MARKETING TOOLS

According to Ogungbade (2015:9), relationship marketing tactics are regarded as important in establishing long-standing relationships with customers with a view to attain mutual benefits for all parties. Some of the tools used in achieving relationship marketing include financial bonds, social bonds, promises, trusts, commitment, and structural bonds (Dash & Rajshekhar, 2013:2). The above-mentioned relationship marketing tools are briefly explained below.

- **Financial bonds** entail that businesses utilise financial incentives to reinforce customer relationships (Wu & Lin, 2014:55). According to Lin and Chung (2013:4), this type of bond forms a relationship that encourages customers' consumption motivation and gains their loyalty by means of price incentives such as discounts, free VIP cards, coupons and free delivery charge. The main idea behind the implementation of financial bonds as a strategy is that customers are more willing to be involved in an exchange relationship if they can save money from the exchange (Buhler & Nufer, 2012:27). This bond can be easily imitated by market rivals, and it cannot give a competitive advantage to a business (Lin & Chung, 2013:4).
- **Social bonds** as defined by Dash and Rajshekhar (2013:2) are "investments of time and energy that produce positive interpersonal relationships between partners, although this can be range from formal organizational contacts to informal, personal contacts". Businesses that have social bonds as their focal point understand that forming a relationship comprises social relations with their customers; furthermore, the quality of social relations is a key aspect for building these social bonds (Lee *et al*., 2015:831). The main objective of social bonds is to make customers personally involved in the relationship (Buhler & Nufer, 2012:27). This type of bond allows the business to understand their customers' needs and

wants, and the business is therefore able to make and deliver individualised products or services (Lin & Chung, 2013:4). Shruthi and Devaraja (2012:11) posit that social bonds cannot be easily broken and therefore they tend to last longer. The creation of social bonds usually occurs during interactions between employees and customers in the context of service delivery within the working hours, but also and afterwards (Basera, 2013:236). According to Buhler and Nufer (2012:27), the more positive interactions created by a business with a customer, the closer the social bond will be.

- **Structural bonds** are formed when businesses and customers commit resources to a relationship (Buttle, 2009:275). According to Lee *et al*. (2015:832), "firms focusing on this level rely on structural solutions in establishing and maintaining a relationship with their customers. The structural solutions may include technical or informational factors (e.g. requesting a business partner to adopt a software that enables the partner to share certain information) and strategic partnership (e.g. co-branding)". This bond provides solution to important customer, and is a worthy dimension in relationship marketing (Lin & Chung, 2013:4). Structural bonds can also result in switching costs being incurred by the customer when they change their service provider (Adiwijaya, 2014:19). Shruthi and Devaraja (2012:14) posit that a structural bond comprises a strong bond between the customer and the business. Among structural bonds, product or service performance is at the core of an exchange transaction, because a product or service has to align with the customer's expectations to enable the continuation of the relationship and to be at least of a similar value to its market rivals (Chirica, 2013:293).
- **Trust** is the level to which one party feels that the other party is honest (Rezaei *et al*., 2015:353). According to Dash and Rajshekhar (2013:3), keeping and reinforcing trust are necessary to the long-term success of a relationship. The key advantage of trust is customer loyalty that results in a sustainable relationship, better share of wallet, and referrals (Halliburton & Poenaru, 2010:3). In addition, Dash and Rajshekhar (2013:3) indicate that trust can result in the commitment to a relationship from another partner putting more effort to preserve an essential relationship. If a customer regards a business as reliable and as having integrity, the customer will tend to trust the business (Buhler & Nufer, 2012:29).
- **Commitment** suggests that exchange partners in a relationship assume a successful and on-going relationship (Li *et al*., 2015:1046). The concept of commitment can be categorised into calculative commitment, which is based on the cognitive assessment of the importance of a relationship, and affective commitment, which is based on a sense of preferring and emotional bonding to a relationship (Buhler & Nufer, 2012:29). Husnain and Akhtar (2015:3) state that communication is necessary between exchange partners for sustainable relationships and commitment. In addition, Danish *et al*. (2015:30) posit that commitment is

a crucial aspect in attaining successful relationships between exchange partners. Dagger *et al*. (2011:276) further note that customers who are committed to a business will greatly value the relationship given that the relationship demands effort and attention. When customers maintain long relationships with a specific business, they seek not only its core service, but also expect additional favours as a mutual benefit to their commitment to a business (Lee *et al*., 2013:1204).

- **Promises** communicate what a customer can anticipate to receive from a business' goods and services. Promises must be genuine and consistent with other promises (Al-Hamed & Amin, 2014:49). According to Dash and Rajshekhar (2013:2), delivering a promise is equally essential as a means of attaining customer satisfaction, and as a way to retain existing customers and long-term profitability. Al-Hersh *et al*. (2014:80) suggest that a business can use promises to lure customers, thus influencing customers to act in some desired manner. These promises may be clear and imbedded in the image of a brand. However, if promises are broken, the developing relationship cannot be maintained and improved (Dash & Rajshekhar, 2013:2).

Customers differ in the degree to which they are receptive to relationship marketing initiatives (Hutt & Speh, 2010:412). Al-Hersh *et al*. (2014:68) posit that the relationship marketing strategy is specifically essential in the service industry, which is characterised by intangible products with high levels of customer contact. According to Shirshendu *et al* (2009:2), Berry also suggested five relationship marketing strategies which are core service, relationship customisation, service augmentation, relationship pricing and internal marketing. The relationship marketing strategies highlighted by Berry are depicted in Table 2-4.

Table 2-4: Berry's five relationship marketing strategies

Strategy	Description
Core services marketing – the foundation	Develop a "core service" that attracts new customers by meeting their needs, product quality, offers multiple parts or choices, is long-term in nature and provides a base for selling additional services to those customers over time. This type of core service should be foundation for building customer relationships.
Relationship customisation – not mass marketing	Custom-fit the service offering to create relationships. Learn about specific characteristics and requirements of individual customers, capture the individual data, and ultimately create unique, personalised service experience for each individual customer.
Service augmentation – the extras	Augment the core service offering with "extras" to encourage customer loyalty and develop relationships. "Extras" can be anything, ranging from preferred customer programs to free gifts, as long as they are value by the target market and not easily matched by the competitors.

Table 2-4: Berry's five relationship marketing strategies (cont.)

Strategy	Description
Relationship pricing – a better price for better customers	Give customers quantity discounts or price incentives to consolidate much or all of their business with one supplier (e.g., frequent flyer programmes). Customer loyalty should be encouraged with gifts.
Internal marketing – view the employee as the customer, and the job as the product	Use marketing activities to develop relationships with the internal customer or employees. Marketers should encourage external customers to buy; however, they should also encourage internal customers to perform. Good employee performance increases the likelihood of external customer buying.

Source: Adopted from Morgan *et al*. (2015:18).

2.11 BENEFITS OF RELATIONSHIP MARKETING

Husnain and Akhtar (2015:1) state that in the current fast-moving global environment, more competition necessitates an increase in performance, which suggests the need to establish strong relationships. Relationship marketing tactics are recognised as an important aspect for building sustainable relationships with customers in order to realise mutual benefits for both exchange parties (Ogungbade, 2015:9). Moreover, as noted by Adejoke and Adekemi (2012:102), in any true relationship, both exchange partners should mutually benefit from the relationship results. Top business managers are aware of the significance of creating strong relationships with customers to guarantee enduring profitability and sustainable core revenues (Al-Hersh *et al*., 2014:67). According to Adejoke and Adekemi (2012:102), the concept of relationship marketing has been investigated and examined from different perspectives thus, signifying its conceptual and practical importance. The following sections therefore provide the different benefits of relationship marketing to the business and to the customers respectively.

2.11.1 Benefits of relationship marketing to businesses

Regardless of the various interpretations of the concept of relationship marketing by different scholars, its benefits and effects on business performance cannot be overlooked (Khandabi *et al*., 2014:1546). Relationship marketing has the following benefits to the business:

- Previous studies have shown that the costs of keeping existing customers are less as compared to acquiring new customers. Therefore, relationship marketing helps businesses to reduce the costs of new customer acquisition. Indeed, research indicates that it is five times more costly to attract new customers, compared to keeping existing customers (Bahri *et al*., 2013:46; Bhaskar *et al*., 2012:46; Masoudi & Ansary, 2015:198).
- Relationship marketing results in greater customer loyalty. Customers who have a relationship with a certain business' brand are less likely to switch to other businesses'

products or services. More often, marketers implement relationship marketing to make customers loyal to ensure that customers keep returning to the business over and over again with similar requirements (Biswas, 2014:37; Gaurav & Khan, 2013:47).

- By building relationships with customers through relationship marketing, a business can obtain quality sources of marketing intelligence to help in developing better marketing tactics. In other words, relationship marketing enables a business to gain greater customer insights. Better performance tactics are thus developed and implemented. Relationship marketing also allows a business to have greater knowledge of customer value, so that they segment and improve its customer base and marketing tactics and even implement systems that can warn of customer failure (Anabila *et al*., 2012:51; Jersi *et al*., 2013:304).
- Relationship marketing allows the business to establish an intimate relationship with customers, and in this way, customer expectations are served in a manner superior to the market rivals or competing businesses (Capel & Ndubisi, 2011:18).
- Cross-selling and up-selling also result from relationship marketing. Cross-selling involves linking related products to the ones already being used by the customer, while up-selling involves linking to a more expensive option from the customer's choice (Biswas, 2014:37).
- Existing customers acquired through relationship marketing freely advertise the business's products and services to non-customers (Bahri *et al*., 2013:46). In other words, relationship marketing results in existing customers making referrals or participation in word-of-mouth to non-customers about the business and its products services. Word-of-mouth advertising has a significant influence on the way that customers view goods and services, and therefore it makes changes in judgment, values and purchasing a possibility (Rashed & Asil, 2015:82), since customers trust recommendations from other customers more than from the business itself (Kordnaeij *et al*., 2013:1838).
- Businesses using relationship marketing can engage the customer in product development (Sonkova & Grabowska, 2015:205). In this sense, relationship marketing allows the business to get contributions from customers - this means value co-creation in the development of products. As stipulated by Kavosh *et al*. (2011:77), it is essential for a relationship to be cooperative, which implies that a customer can suggest improvements or innovations of the product.
- Relationship marketing also results in higher profitability by means of the creation of long-lasting relationships with existing customers (Bazini *et al*., 2011:159). In other words, creating long-term relationships results in customer retention and ultimately high profitability.

- Customer relationship has become a factor that stakeholders use to evaluate a business with regards to profitability, and therefore relationship marketing attracts new investors for the business (Lo, 2012:93).
- Relationship marketing has the ability to create effective and influential relationships with the customers and with other businesses, and these would result in a competitive advantage (Rahman & Masoom, 2012:98).

2.11.2 Benefits of relationship marketing to customers

Cosic and Djuric (2010:54) posit that, the purpose of relationship marketing is to provide long-term value to customers, and long-term satisfaction to customers. Accordingly, relationship marketing benefits to the customers include:

- Relationship marketing results in special treatment benefits where customers who have a long-lasting established relationship with the business are offered better deals, quick service or more offers than other customers without these relationships (Morgan *et al*., 2015:33).
- Social benefits also emerge from relationship marketing whereby employees individually recognise customers, as they become familiar with each other. This allows for customised interface opportunities. Customisation of services is the best approach to use for relationship building, and employees should be encouraged to be aware of their duty in enabling this process. The relationship, alliance and personal recognition that are part of social benefits result in greater value to a customer's experience, which encourages the customer to maintain and commit to a specific business. Customers with good relationships with a service business will obtain benefits associated to this relationship (Bhaskar *et al*., 2012:47; Dagger *et al*., 2011:274; Mackay *et al*., 2014:307; Morgan *et al*., 2015:33).
- Interactive communication emanates from the effective use of relationship marketing. This will allow customers to relate and communicate with the business, thus allowing customers to have specific needs they require from a business satisfied (Buhler & Nufer, 2012:40).
- Lastly, relationship marketing leads to confidence benefits where customers experience reduced anxiety because they understand the service encounter that they will have. Confidence benefits are considered to be very influential on customer satisfaction and customers derive more advantages from them (Adejoke & Adekemi, 2012:104; Mackay *et al*., 2014:306).

2.12 PITFALLS OF RELATIONSHIP MARKETING

Despite all the advantages mentioned above, relationship marketing has also been condemned for several reasons (Bowie & Buttle, 2011:384). The pitfalls of relationship marketing to both the business and the customers are provided below.

Pitfalls of relationship marketing to the business include:

- **Costs of technological systems:** This implies a failure of a business to use and maintain relationship marketing software, above all for financial reasons (Buhler & Nufer, 2012:38).
- **Fostering relationships to wrong customers:** Certain customers may prefer to have transactional relationships with their service provider, and consequently, if a business constantly concentrates their relationship marketing efforts on this segment of customers, the customers may want to change to another business for products and services (Rootman, 2011:81). In other words, a business may lose customers if they apply the relationship marketing approach to an inappropriate segment of customers.

Pitfalls of relationship marketing to customers include:

- **Intrusion of privacy:** In many businesses that give special treatment benefits to long-term customers, the customer has to provide confidential and personal information he or she may not be willing to share with a business. Customers are increasingly concerned about the quantity of information they have given to businesses and what the information is used for. Furthermore, many critics fear that marketers may obtain too much information about the customer and they may use this information to manipulate the customer (Buhler & Nufer, 2012:41; Buttle, 2009:117; Kotler & Armstrong, 2010:542).
- **Additional costs:** Long-term relationships between the business and the customer often mean that the customer should have membership that has to be paid. Even though a membership fee is supposed to cover the costs by certain benefits of the business, the costs of acquiring the benefits may be greater than their perceived value (Buhler & Nufer, 2012:42).
- **Different treatment of customers:** The creation of long-term relationships with certain customers often means that customers who are profitable will be treated differently from those who are seen as less profitable to the business (Buhler & Nufer, 2012:42).

2.13 RELATIONSHIP MARKETING AND THE SOUTH AFRICAN BANKING INDUSTRY

In the highly competitive South African banking industry, it is crucial for banks to develop sustainable and close relationships with target customers in order to reduce competition in the market and to maintain long-term profitability (Shahrami *et al*., 2016:40). The stiff competition and complexity of the business environment have resulted in the adoption of relationship marketing by banks and implement defensive marketing strategies rather than aggressive marketing strategies (Rashed & Asil, 2015:81). In addition, the dynamic nature of technology has intensified the competition, and therefore it has become a challenge to obtain a competitive advantage. On the other hand, customers are more demanding in terms of the quality of goods and services they expect to receive for them to be loyal to banks (Rizan *et al*., 2014:2). As postulated by Veerasamy (2011:2357), it is an environment where customers can assess different business offers and can individually choose how to fulfil their desires. Banking customers are more knowledgeable and very selective, and thus banks cannot consider themselves as having an advantage over their customers (Domazet *et al*., 2010:3). According to Djajanto *et al*. (2014:39), existing customers will easily shun banks that do not counteract competition and understand changes in customer preferences.

Relationship marketing can result in a great change in the case of banking industry (Madan *et al*., 2015:2) which can mutually benefit the customers and the banks (Rootman *et al*., 2011:185). Among banks worldwide, relationship marketing is considered as the ultimate approach towards forming and maintaining long-term relationships with customers, because services provided in banks are almost identical and it is a challenge to differentiate services from a competitors' (Jesri *et al*., 2013:305). It is also difficult to increase market share and to get a competitive edge over competitors when businesses provide identical products and services (Ogungbade, 2015:3) thus making it is simple for customers to shift from one bank to another (Magasi, 2015:2). In the increasingly competitive global financial environment, relationship marketing has been suggested to be a perfect means for banks to create a distinctive long-term relationship with their customers (Taleghani *et al*., 2011:155). However, as noted by Rootman *et al*. (2011:185), it is essential for banks to have knowledge of the appropriate variables that have a bearing on their relationship marketing activities.

Widana *et al*. (2015:1) further state that for banks, relationship marketing is a tactical strategy for acquiring a desired position in the selected market, in order to acquire long-term and profitable customer-bank relationships. According to Anabila *et al*. (2012:51), the main reason for this move is that it is less costly to nurture and develop current customers than to attract new customers. Specifically for the banking industry, relationship marketing has a major role to play in increasing the level of customer retention; indeed, it has been empirically confirmed to be very influential on customer retention (Moenardy *et al*., 2016:60). When a bank claims to have adopted the relationship marketing approach, it implies that they have embarked on a business comprehensive strategy to manage and nurture their interface with customers and sales prospects (Keshvari & Zare, 2012:157).

Therefore, banks should identify to what extent they should implement relationship marketing. The key aspects in the successful implementation of relationship marketing include the choice of the appropriate customer, as well as their motivation and their commitment (Kromidha & Kristo, 2014:3). Furthermore, relationship marketing strategies should be appropriately and creatively conceived and applied by the business to encourage customers to remain active and committed in doing business with a particular bank in the long term (Udegbe *et al*., 2010:175).

2.14 CONCLUSION

This chapter examined the relationship marketing concept. The first sections of this chapter discussed the emergence of relationship marketing followed by definitions of the concept. A discussion of the evolution from transactional marketing to relationship marketing was also provided and succeeded by a brief examination of the fundamental aspects of relationship marketing. This chapter also discussed the development of relationships and implications of relationship marketing. Furthermore, a brief overview of the tools that can be implemented to achieve or realise relationship marketing was provided. Then, the benefits and pitfalls of relationship marketing to both the business and customers were highlighted. Lastly, a discussion of the relationship between the South African banking industry and relationship marketing was provided.

In overall conclusion, it is imperative to state that relationship marketing is an important marketing strategy that can be implemented by any business to be successful in retaining customers. In addition, the relationship marketing approach is a key to enable businesses to subdue competition in the current tense business environment. However, it is also important for any business to ascertain whether the benefits of implementing the approach will not be outweighed by the costs of using it. The subsequent chapter discusses relationship marketing variables.

CHAPTER 3

SERVICE QUALITY, TRUST, SWITCHING COST, SATISFACTION AND LOYALTY IN CONTEXT

3.1 INTRODUCTION

This chapter explores the constructs pertaining to this study from a comprehensive review of relevant literature in the field of marketing and relationship marketing. Therefore, the literature review provides an in-depth discussion of the key constructs under examination, namely service quality, switching costs, trust, satisfaction and loyalty. Since the main objective of this study is to determine customers' loyalty towards their retail banks, it is necessary to investigate those aspects that could influence their loyalty, namely their service quality perceptions, trust in the bank, switching costs, and finally satisfaction.

3.2 CONCEPTUALISATION OF CONSTRUCTS

The research problem statement in Chapter 1 (section 1.2) addressed certain issues with regard to service quality, trust, switching costs, satisfaction and loyalty. Furthermore, as briefly explained in Chapter 2 (section 2.7), service quality, trust, switching costs, satisfaction and loyalty are influential factors in the formation of customer relationships with the business (drivers of relationship marketing). Consequently, in light of the above sentiments and previous discussions, each of the related relationship marketing constructs, namely service quality, trust, switching cost, satisfaction and loyalty are subsequently discussed in greater detail.

3.3 SERVICE QUALITY

Izogo and Ogba (2015:250) posit that service quality and its end-results are among the few topics in services marketing literature that have received broad academic research for over three decades. Service quality is inevitably accepted as being of significant strategic value to a business (Adil *et al*., 2013:66). Lau *et al*. (2013:265) further state that service quality is a critical success factor for businesses to distinguish themselves from rivals. From a customer's point of view, service quality significantly affects their satisfaction with the service offering and service provider, as well as their trust and long-term behavioural intentions (Adil, 2013:44). Service providers should, therefore, continuously attempt to enhance their overall service quality with a view to improve customer satisfaction and loyalty, to ultimately establish a competitive advantage (Yarimoglu, 2014:80).

Since the business environment is generally highly competitive, the need for unique and high-quality service offerings is increasingly being regarded as critical towards establishing and maintaining a competitive advantage (Pina *et al*., 2014:4). According to Vennila (2014:44), in a competitive environment, customers are progressively knowledgeable of substitutes to services and service providers, and as a result, customers' expectations increase and they become more critical of the quality of services.

The intangible nature of services poses a challenge for customers in attempt to assess service quality (Hult *et al*., 2013:294). Therefore, it is important to distinguish between goods and services as discussed in the following section.

3.3.1 Goods versus services

Goods and services can be distinguished in numerous ways based on their features (Kumar, 2010:20). According to Madjid *et al*. (2013:55), a service is an action (or need) which is offered by one party to another, the results of which are intangible in nature. Siddiqi (2011:13) points out that there is a noticeable difference between physical goods and services in terms of the order of production and consumption. As indicated in Table 3-1, the difference between goods and services requires different marketing strategies (Rao, 2011:30).

Table 3-1: Goods marketing versus services marketing

Goods marketing	Services marketing
Tangible goods stand as evidence to persuade customers. The task of the marketer is relatively easy – to persuade customers.	The intangibility of services creates evidence problems. Creating tangible evidence in support of services is a critical challenge.
Limited customer connectivity. Customers connect only with output and the sales process.	Greater customer connectivity. Customers connect with production as well as the sales processes.
Only the marketing department deals with customers directly.	Several departments of the business deal with customers directly in different processes.
Specific standards can be formulated and communicated to customers.	Total standardisation is impossible in services.
The marketing mix consists of 4Ps, namely product, price, place and promotion.	Service characteristics demand the inclusion of additional elements to the mix. The marketing mix of services consists of 7Ps, namely product, price, place, promotion, physical evidence, people and process.
Multiple distribution channel options.	Limited distribution channel options.
Quality problems can be detected before products are delivered to customers.	Quality problems occur mostly in the presence of customers.

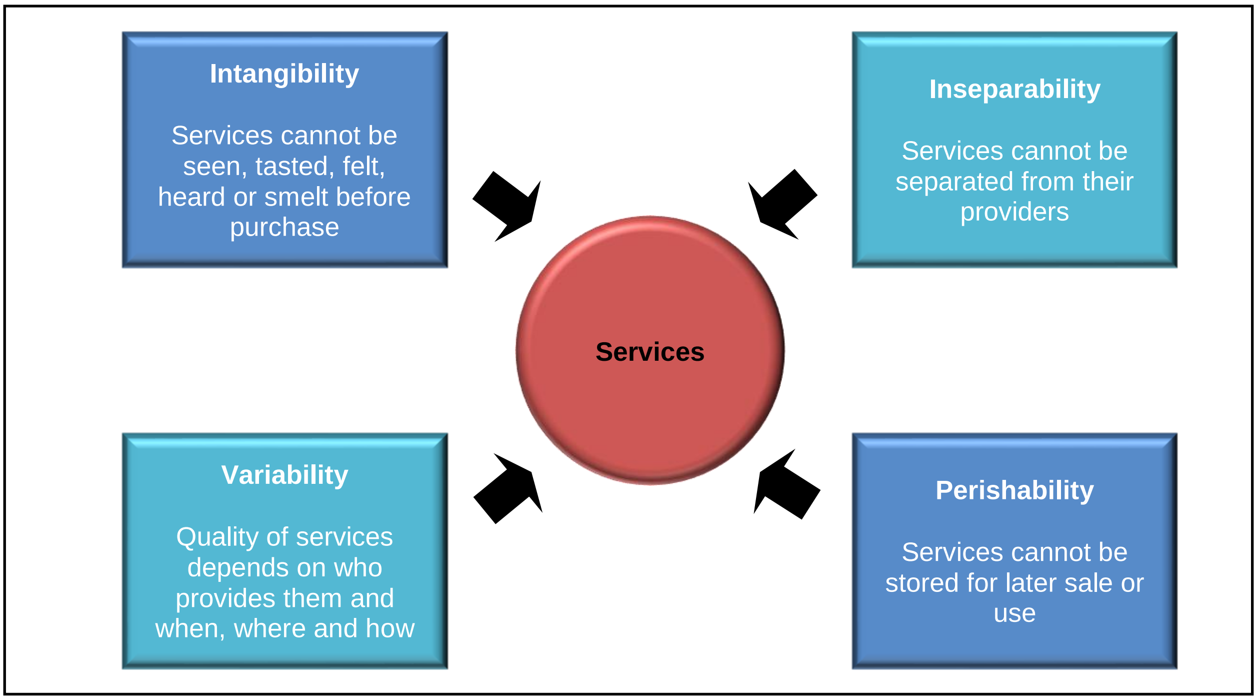
Table 3-1: Goods marketing versus services marketing (cont.)

Goods marketing	Services marketing
Quality is primarily measured on the technical features of the product.	Quality is primarily measured on the technical features of the product as well as functional performance of the service.
Customers can compare choices by examining them side by side.	Services cannot be compared, but is experienced simultaneously.
Employees of the business (other than marketing) play an indirect and supportive role. Internal marketing is, therefore, not prominently implemented.	Employees (of all departments) play an important role in services marketing. Internal marketing is, therefore, prominently implemented.

Source: Adapted from Rao (2011:30).

According to Armstrong and Kotler (2013:236), a business must take into consideration four special service features when designing marketing programs, which include intangibility, inseparability, variability and perishability, and these are shown in Figure 3-1 and discussed in the subsequent sections.

Figure 3-1: Service characteristics



Source: Adopted from Armstrong and Kotler (2013:236).

3.3.1.1 Intangibility

Intangibility refers to the absence of a product's physical presence and the ensuing inability of being seen, touched or showed before purchase (Omarini, 2011:81). Hult *et al*. (2014:384) state that the intangible nature of services provides customers with few factors to consider when deciding on which brand to choose, and therefore, a customer trying to choose an intangible product depends more on the brand to function as a cue to the nature and quality of the service. Thus, as posited by Armstrong and Kotler (2013:237), the service provider's duty is to present the service in a tangible way and ensure that it portrays the correct signals about quality. According to Hoffman *et al*. (2011:63), the intangible nature of services results in several marketing challenges, including:

- The absence of service inventories.
- The absence of patent protection.
- The challenges faced in exhibiting and communicating the features of services to the prospective target market.
- The difficulties in pricing of services.

3.3.1.2 Inseparability

Inseparability refers to the concurrent production and consumption of services (Hult *et al*., 2014:384). In comparison to tangible products (i.e., goods), the production and consumption of services occur concurrently in the presence of both the customer and the service provider (Ramseook-Munhurrun *et al*., 2010:38). Customer co-production makes business-customer contact a special feature of services marketing, as both the business and the customer have influence on the service outcome (Armstrong & Kotler, 2013:236). Due to the inseparability of services, customers not only want a particular type of service, but expect it to be provided in a particular manner and generally by a particular individual (Pride & Ferrell, 2010:359). According to Wilson *et al*. (2012:17), due to the inseparability of services, the following consequences are relevant in terms of marketing:

- It becomes difficult to do mass production.
- The service quality and customer satisfaction heavily rely on employees' activities and contact between employees and customers.
- Any customer can influence another customer's experience.
- Concurrent production and consumption also infer that it is generally difficult to obtain significant economies of scale through centralisation.
- The involvement of the customer in the production process can positively or negatively influence the result of the service transaction.

3.3.1.3 Perishability

The perishability of a product refers to the inability of service providers to create and keep inventory of the product (namely the service-offering) (Omarini, 2011:81). This feature results in considerable problems in planning and promotion in order to match supply and demand (Hollensen, 2010:394). According to Pride and Ferrell (2010:360), goods marketers can manage the supply-demand problem by means of production scheduling and inventory techniques, while service marketers do not enjoy the same benefits, and rather experience numerous challenges when attempting to balance supply and demand. Therefore, the marketer must make efforts to estimate demand levels in order to optimise the use of capacity (Hollensen, 2010:394). According to Wilson *et al*. (2012:18), the perishability of services implies the following:

- Lack of ability to keep stock.
- Considering that services cannot be returned or resold, strong recovery strategies are required in case of mistakes.

3.3.1.4 Heterogeneity

Heterogeneity refers to the dissimilarity in quality of the service emanating from the difference in customers' service needs and to the need for the one-to-one interface between the customer and provider (Omarini, 2011:81). A high level of customer involvement is present in the production of services, which poses the challenge of maintaining quality, specifically in international markets with diverse customer service attitudes (Hollensen, 2010:395). According to Pride and Ferrell (2010:360), the nature of human behaviour poses a challenge for service providers to sustain a consistent quality of service delivery. This difference in quality can happen from one business to another, one service person to another in the similar service setting, and one service setting to another within the same business (Hult *et al*., 2014:386). Heterogeneity generally increases as the extent of labour intensiveness increases (Pride & Ferrell, 2010:360). According to Wilson *et al*. (2012:17), due to the heterogeneity of services, consequences for marketing include:

- It is a challenge to guarantee consistent service quality.
- In certain instances, services may be offered by a third party, further increasing the possible heterogeneity of the offering.

3.3.2 Defining service quality

Saghier and Nathan (2013:3) mention that the expectations and perceptions of customers are the two core components of service quality. Any prior experience concerning services can have an influence on customer expectations, while services received are the outcome of customers' perceptions of the services themselves (Hanzaee & Rahpeima, 2012:2127). According to Radomir (2013:44), in the process of providing services, different perceptions of quality may emerge. Therefore, the quality of service delivered is essential to the customer (Ardakani *et al*., 2014:104). Aydin and Yildirim (2012:220) note that service quality is an assessment of how well the service level provided matches customers' prior expectations.

Verma (2012:424) propounds that the objective of meeting and surpassing customer expectations is difficult. The service provider and customer both intrinsically have an influence on service quality in all service encounters (Ramseook-Munhurrun *et al*., 2010:38). Lau *et al*. (2013:265) state that the practice of excellent service quality, combined with customer products, is a great means to fulfil customers' needs and interact with them. However, the intangibility, heterogeneity and inseparability of services make it difficult to define, measure or control service quality (Zhang *et al*., 2014:84).

Regardless of the difficulty of defining service quality as noted by (Zhang *et al*., 2014), Grönroos (1984:38) defines service quality as "a perceived judgment, resulting from an evaluation process where customers compare their expectations with the service they perceive to have received". Parasuraman *et al.* (1988:17) and Rahmani-Nejad (2014:264) further define service quality as the difference between what customers look forward to receive from a service and the view of the actual service quality received. According to Loke *et al*. (2011:24), service quality can be described as "a rationale of differences between expectation and competence along the important quality dimensions". Chitty *et al*. (2012:225) also define service quality as the total assessment that is centred on customers' general perceptions of the reliability, responsiveness, assurance, empathy and tangibles related with the performance of service.

For purposes of this study, service quality is defined as:

> *Customers' perceptions of the service actually received from a service provider or business.*

3.3.3 The importance of service quality

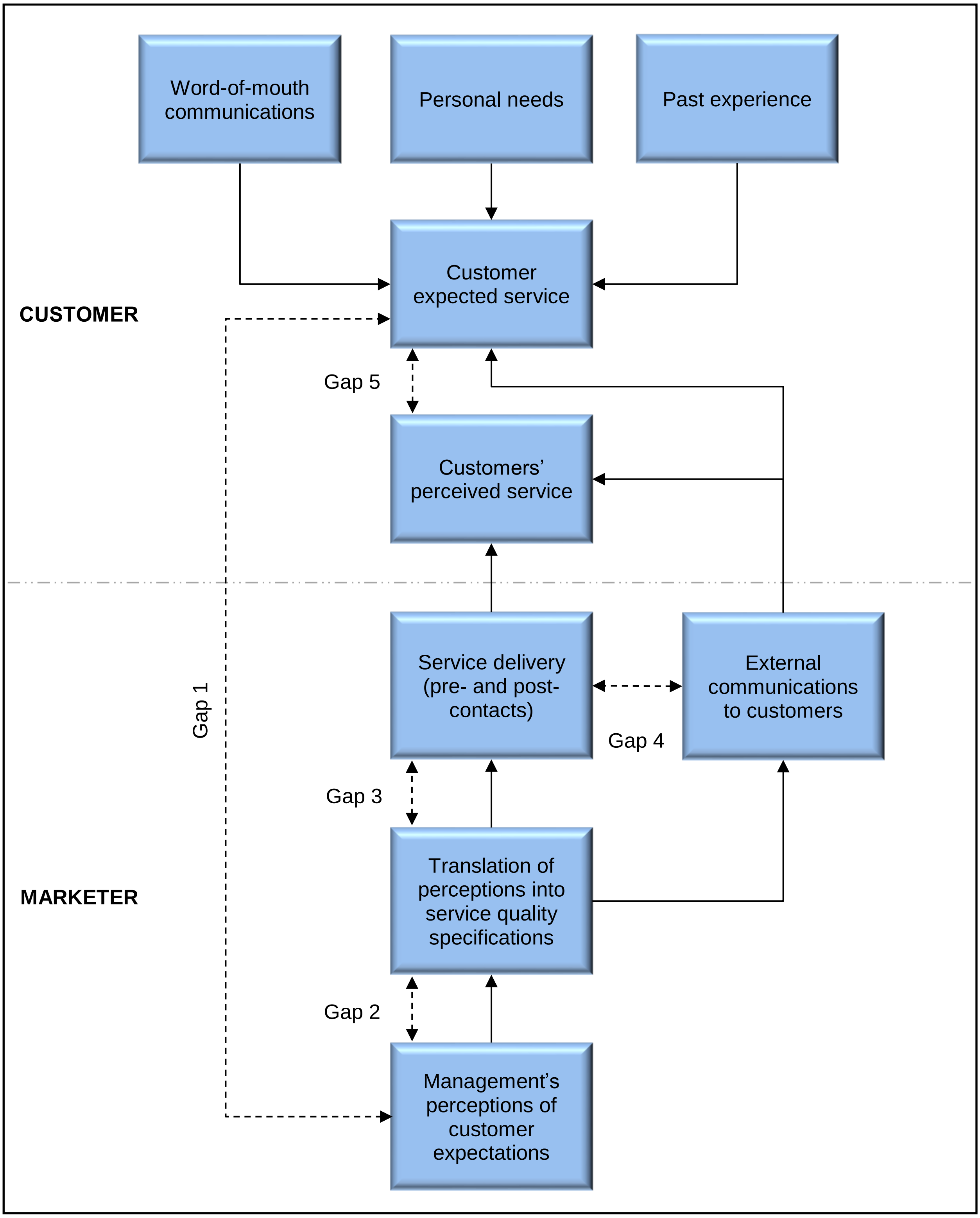
A service business can distinguish itself by delivering continuously higher levels of quality in comparison to rivals (Armstrong & Kotler, 2013:241). According to Pride and Ferrell (2010:367), high-quality service delivery is vital, yet among the most challenging tasks that any service business encounters. Service quality is important because:

- Customers' perceptions of high levels of service quality results in positive behavioural intentions (such as repurchasing), which in turn reinforces their relationship with the business - building on the relationship marketing strategy (Ravichandran *et al*., 2010:20).
- An increase in service quality results in an increase in customer satisfaction, which consequently leads to customer commitment and loyalty, enhanced customer retention, establishing an interactive relationship between the customer and the business, increasing customer tolerance (in terms of shortages and service failures), and finally positive word-of-mouth communication (Karimi *et al*., 2011:10).
- High levels of perceived service quality tend to encourage customers to purchase and repurchase a particular brand or the set of products and brands offered by a business (Fragata & Munoz-Gallego, 2010:154).
- Good service quality aids in forming and enhancing the service provider's image (Grubor *et al*., 2009:277). In other words, if a business becomes characterised by a certain level of service quality, this helps to build and improve the image or brand of the business. A positive brand image makes it easier for a business to express its brand value to customers and also produces favourable word-of-mouth amongst people (Koi-Akrofi *et al*., 2013:82).
- Service quality makes it possible for businesses to differentiate themselves from other businesses and to establish a competitive advantage. A sustainable competitive advantage is a good long-term business strategy and gives a business the chance to have a superior image as compared with competitors (Basera, 2013:236; Karimi *et al*., 2011:10).
- High levels of service quality improve the business' overall service value (Grubor *et al*., 2009:277). In other words, good service quality makes the service provided or received to be worth or valuable.

3.3.4 Gaps Model of Service Quality

Insufficient service quality emanates from differences between customer expectations from a particular service quality level and the actual level received (Praeg & Spath, 2011:112). Consequently, Hernon and Altman (2010:87) posit that the Gaps Model of Service Quality – developed by Parasuraman *et al*. (1985) – provides service providers with a framework to identify services in the form of gaps that surpass (or fail to meet) customer expectations. Praeg and Spath (2011:112) also refer to Parasuraman *et al*.'s (1985) having identified five gaps in the model: four gaps on the service provider's side (gaps 1 to 4) and one gap on the customer's side (gap 5) as depicted in Figure 3-2 and discussed in the subsequent sections.

Figure 3-2: Gaps Model of Service Quality



Source: Adapted from Parasuraman *et al.* (1985:44).

3.3.4.1 Gap 1: Difference between customer's expectations and marketer's perceptions

The first gap – known as the Knowledge Gap or the Listening Gap – emerges when managers are unable to identify customer expectations correctly (Pizam, 2010:278). According to Wilson *et al*. (2012:97), the main reason why many businesses fail to surpass customers' expectations is because the businesses do not have an accurate understanding of customers' exact expectations. In essence, service businesses may not understand what attributes signify high quality to customers in advance, what attributes a service should contain to surpass customer needs, and what levels of performance on those attributes are required to deliver high quality service (Parasuraman *et al.* (1985:44). Therefore, as posited by Mullins and Walker (2010:447), the initial step in offering good service is to gather information by means of customer surveys and assessing customer complaints to determine essential service attributes to customers.

3.3.4.2 Gap 2: Difference between management's perceptions and service quality specifications

The second gap is known as the Design Gap (Pizam, 2010:279). This refers to the distinction between management's perception of customer expectations and the interpretation of those perceptions into service quality perceptions (Krishundutt & Parumasur, 2009:43). Wilson *et al*. (2012:98) note that correct perceptions of customers' expectations are important, although inadequate for delivering superior quality services. According to Pena *et al*. (2013:1229), the difference in this gap results from the lack of specification of the offer, accustomed to the desires of the customer. In the same vein, Mauri *et al*. (2013:137) indicates that this gap emanates from managers' failures or indifference to implement information acquired from the study of customer expectations concerning satisfactory service standards.

3.3.4.3 Gap 3: Difference between quality specifications and service delivery

Gap 3, also referred to as the Performance Gap, deals with the discrepancy in service design and service delivery (Pizam, 2010:279). Verma (2012:419) propounds that this gap is about the inability to conform to set standards. According to Mauri *et al*. (2013:137), this gap emerges when there is a difference between service quality standards and business employees' performance in service delivery because of the lack of relevance of both technology and operating systems, which emanate from business problems or is associated to downward communication. Therefore, a business should put in place systems, mechanisms and people to ensure that service delivery actually matches (or is better than) the designs and standards set (Wilson *et al*., 2012:100).

3.3.4.4 Gap 4: Difference between service delivery and external communications

This gap is referred to as the Communication Gap (Pizam, 2010:279). Mauri *et al*. (2013:137) note that, often, a business promises a service that does not match up with what is really delivered. According to Wilson *et al*. (2012:101), promises made by a service provider by means of media advertising, employees and other communications may possibly increase customers' expectations, which form the standards against which customers measure service quality. Therefore, even a good service performance may still dissatisfy some customers if the business's external communications heighten customer's expectations to unrealistically high expectations (Mullins & Walker, 2010:448). Undeniably, as posited by Pizam (2010:279), the communication gap usually results from overpromising. A business can therefore minimise this gap by instituting strategic initiatives that limit the tendency of overpromising or making incorrect promises (Verma, 2012:419).

3.3.4.5 Gap 5: Difference between perceived service and expected service

Gap 5 represents the difference between customers' expectations regarding the service and their perceptions about the specific service (Blešić *et al*., 2011:42). According to Mullins and Walker (2010:448), this refers to the distinction between a customer's expectations and his or her actual experiences with the business, which could result in dissatisfaction. Therefore, fundamental to delivering good service quality is meeting or surpassing customer expectations (Verma, 2012:424). Blešić *et al*. (2011:46) ascertain that, if the aforementioned gaps (Gaps 1 to 4), or a combination of the gaps exists, certainly, Gap 5 will also exist. Thus, Grigoroudis and Siskos (2010:65) posit that the strategy to minimise Gap 5 is by closing Gaps 1 to 4.

3.3.5 Measuring service quality

Measuring service quality is essential and critical for marketing professionals and researchers, in order to obtain an improved perception of requirements and results, and also for generating techniques of quality improvement in realising a competitive edge and building loyalty among customers (Karimi *et al*., 2011:10). Kristian and Panjaitan (2014:143) indicate that service quality is determined by a customer's own point of view, and therefore a range of responses from the customer needs to be acknowledged as a valuable contribution for strategy development. According to Lakshmi and Santhi (2015:70), when evaluating service quality, it is the opinion of the customer that matters, not what the service provider thinks. Baker (2013:69) points out that various researchers have developed numerous conceptual models to measure service quality. SERVQUAL and SERVPERF are two of the most well-known and well-implemented models used to assess service quality (Radomir, 2013:43).

The SERVQUAL model, coined by Parasuraman *et al*. (1988), is based on the customer's expectations of the service levels and perceptions of the realised service performance level (Mohammad & Alhamadani, 2011:62). According to Aydin and Yildirim (2012:220), the model consists of five factors, namely tangibles, reliability, responsiveness, assurance and empathy, and comprise of a 22-item scale concerning expectations and performance. The initial SERVQUAL model of Parasuraman *et al*. (1985) recognised ten dimensions of service quality, including tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding/knowing the customer, and access (Parasuraman *et al*., 1988:17). Izogo and Ogba (2015:252), explored these dimensions through the disconfirmation approach whereby measures of service quality can be obtained easily by subtracting expectation scores from perception scores. Nguyen *et al*. (2011:199) ascertain that, even though the SERVQUAL instrument has been used in numerous studies to measure service quality, the reliability and validity of this measure have been questioned by numerous authors, mostly with regard to the expectation dimension.

The SERVPERF model was developed by Cronin and Taylor (1992), who amended the gap-based SERVQUAL model into a performance-only index (Adil *et al*., 2013:7). Adil *et al*. (2013:67) feel that the SERVPERF model (consisting of 22-items) is an improved technique for measuring service quality (Nguyen *et al*., 2011:199). According to Karimi *et al*. (2011:12), the key aspect differentiating the SERVQUAL and SERVPERF model is that there is a set of questions in SERVQUAL, unlike the SERVPERF model, that measures customers' preconceived outcomes and views of services. The SERVPERF model specifically measures the actual experiences of service quality instead of the expectations of customers (Coetzee *et al*., 2013:8).

In light of the above, there has been a series of arguments concerning the measurement of service quality and particularly to the issue of whether the SERVQUAL or SERVPERF model should be used (Culiberg & Rojsek, 2010:153). The arguments that have emerged with regards to measuring service quality are presented in Table 3-2.

Table 3-2: Measuring service quality: a summary of areas of disagreement

Area	Nature of disagreement
The purpose of the measurement instrument	Is the prime purpose diagnostic or predictive?
The definition of service quality	Does the nature of the attitude relate to performance, expectations and/or ideal standards?
Models for service quality measurement	To measure expectations or not? To measure importance or not?

Table 3-2: Measuring service quality: a summary of areas of disagreement (cont.)

Area	Nature of disagreement
The dimensionality of service quality	Are the 5 dimensions of service quality correct for its original context?
Issues relating to expectations	What is the definition of expectations? Is it necessary to identify which items are vector attributes and which are classic ideal point attributes? When to measure expectations, before or after the service encounter?
The format of the measurement instrument	Which measurement approach is best: difference score, non-difference score or semantic-differential scales? Should importance be measured by item or dimension, or inferred from performance and expectations scores?

Source: Adopted from Culiberg and Rojsek (2010:154).

The majority of research on service quality has been conducted using the well-known SERVQUAL model (Ravichandran *et al*., 2010:19). However, Cronin and Taylor (1994) also developed the SERVPERF model that uses the same five dimensions of the SERVQUAL but mainly concentrate on the service's actual performance, not customers' expectations (Al-Hawari, 2016:3). **For the purpose of this study**, the **SERVPERF** model developed by Cronin and Taylor (1992) is used.

Based on the SERVQUAL and SERVPERF models, service quality comprises five dimensions, namely reliability, tangibility, responsiveness, assurance, and empathy.

- **Reliability** refers to the capability to deliver the promised service dependably and perfectly. This dimension entails the ability of providing committed services in a complete and reliable way (Karimi *et al*., 2011:11).
- **Tangibles** can be referred to as the presentation of physical facilities, equipment, employees and communication materials in the service procedure (Yunus *et al*., 2013:334).
- **Responsiveness** refers to the enthusiasm of employees to assist customers, to provide speedy service as well as the capability of responding to individual customer needs. This also means providing services to the customer in the appropriate time (Grubor *et al*., 2009:278).
- **Assurance** refers to the competence and politeness of staff and their capacity to express trust and credibility. Culiberg and Rojsek (2010:152) further state that it is also the ability of a service provider to stimulate trust and confidence in the business through knowledge, politeness and honesty of the employees.
- **Empathy** comprises the contact with customers, communication with customers and understanding customers that give rise to personalised attention to customers. It involves

providing customers with personalised attention and requires employees who are aware of the needs of their customers and the appropriate business hours (Saghier & Nathan, 2013:4).

3.3.6 Service quality and the banking industry

Customers' increasing awareness and knowledge about their rights, their shifting demands, and intensifying competition in the industry require continuous improvement in service quality from banks as service providers, in order to ensure that their customers remain loyal (Auka *et al*., 2013:33). Furthermore, taking into consideration that banks mostly provide similar product or service offerings in a highly competitive environment, banks are concentrating more on service quality in order to remain sustainable and competitive (Lau *et al*., 2013:265). Therefore, as posited by Mittal *et al*. (2015:331), banks should identify and manage the service quality dimensions which would result in a competitive edge with their customers.

Service quality refers to the reliability dimension which can reflect the extent to which a service provider is trustworthy. Therefore, through providing quality services that are reliable and dependable, the service provider can establish trust among its customers. The following section discusses trust as a relationship marketing construct.

3.4 CUSTOMER TRUST

In the strenuous business environment, trust has evolved as an important aspect in customer-business relationships (Roberts-Lombard *et al*., 2015:28). As indicated by Utami (2015:640), trust between a business and a customer makes it simple to nurture interactive relationships. Customers' trust decreases the feelings of vulnerability (Al-Hersh *et al*., 2014:78). However, the absence of trust will stop exchange partners to commit their time, energy and resources required to develop a relationship (Graf *et al*., 2011:82). According to Paliszkiewicz and Klepacki (2013:1288), trust is key to building and maintaining successful long-term relationships. Nguyen *et al*. (2013:96) further note that trust affects customers' decisions on whether to pursue or terminate a relationship with a business. Therefore, trust demonstrates customer commitment and satisfaction with a certain brand (Akpan & Etuk, 2014:3).

According to Halliburton and Poenaru (2010:4), trust means an on-going process that is strengthened by positive assessments of earlier experiences and is shared between customers. In building trust, customers need to see things in the business such as the business' ability to deliver on promises, the business' equal handling of customers, and the trustworthiness and authenticity of business employees, and management of the business as a whole (Damtew & Pagidimarri, 2013:85). Damtew and Pagidimarri (2013:84) further state that trust in a relationship means non-opportunistic behaviour for both exchange partners. Therefore, trust reveals the magnitude of one party's assurance in another party's integrity (Al-Hamed & Amin, 2014:49), as no individual wants a long-term focused relationship with an untrustworthy partner (Damtew & Pagidimarri, 2013:84). Undeniably, trust is the cornerstone of a business (Utami, 2015:649).

3.4.1 Defining trust

Trust can be described as the willingness of one party to depend on another party in whom one has confidence within a transaction between the parties (Morgan & Hunt, 1994:23). According to Akpan and Etuk (2014:3), trust means "confidence on exchange partner's reliability and integrity". Al-Hersh *et al*. (2014:77) state that relationships have to be established on mutual trust. According to Rahmani-Nejad *et al*. (2014:263), trust has been defined as one party having confidence that the other party will satisfy his or her desires. Rezaei *et al*. (2015:353) further define trust as the level to which one party considers the other party as being honest. Based on the above definitions, trust is defined for the purpose of this study as:

> *The willingness of one exchange partner to depend on and believe in the ability of another partner to meet or fulfil his or her needs in a transaction.*

3.4.2 Types of trust

Customer trust comprises two basic forms of trust, namely affective and cognitive trust (INSEAD Knowledge, 2016:2). Hanzaee and Norouzi (2012:4998) define *affective trust* as the self-assurance that one places in a partner based on feelings created by the level of care and concern the partner shows. According to Trif (2013:114), affective trust is lodged in the ability of a party to depend on his or her partner based on emotions. According to Akpan and Etuk (2014:4), affective trust is "the emotion-driven form of trust that is based on immediate affective reactions on attractiveness, aesthetics, and signals of benevolence".

Cognitive trust, on the other hand, entails individuals who are looking for a rational motive to depend on the other party (Trif, 2013:113). Cognitive trust, therefore, provides a base for affective trust hence it is an antecedent for the development of affective trust (Hanzaee & Norouzi, 2012:4999). To attain a certain level of cognitive trust, it is essential to gather information about the partner, as accumulated knowledge enables a party to set expectations that have some level of confidence about the possibility that the other party will fulfil its obligations (Trif, 2013:113).

3.4.3 Trust in business and customer relationships

In the business context, trust is perceived as one of the most appropriate antecedents of firm and cooperative relationships (Kundu & Datta, 2015:27). According to Nguyen *et al*. (2013:99), customers who have trust in a business expect promises to be fulfilled as advertised. Therefore, if a business fails to fulfil the exchange as agreed upon, trust is negatively affected (Glass, 2011:118). Furthermore, a customer who trusts a business is more likely to continue with his or her interaction (Baharvand *et al*., 2015:254). It follows that the betrayal of trust results in the interruption of the relationship, which has a negative effect on the sustainability and profitability of the business (Lendel & Varmus, 2015:69). According to Chen *et al*. (2016:95), initial trust of the business that helps to diminish uncertainty in business interaction may cause customers to help shape new products with the business in a cooperative manner. Thus, as posited by Dahlstrom *et al*. (2014:269), trust is a catalytic managerial aspect that can help to diminish perceived risk.

Customers who are prepared to trust a business expect responsiveness and prompt delivery of service in exchange for their trust (Roberts-Lombard *et al*., 2015:28). According to Rehman *et al*. (2012:607), for a business to compete with other businesses, trust must be created in the customer's mind together with a high level of quality. Consequently, when a customer places trust in a business or brand, he or she is keen to create a positive purchasing intention towards the business (Van Vuuren *et al*., 2012:85). Trust is an exceptional psychological state that can only happen in specific relationships and when a customer trusts a business, and when he or she has confidence in the business' service quality and product quality (Rahmani-Nejad *et al*., 2014:263). According to Kotler and Keller (2012:203), a business is more likely to be perceived as trustworthy when it:

- provides complete and honest information;
- provides incentives to employees that are aligned to meet with customer desires;
- associates with customers to assist them to learn and assist themselves; and
- provides valid contrasts with competitive products.

3.4.4 Benefits of trust

According to Paliszkiewicz and Klepacki (2013:1288), building and maintaining trust are important for successfully attaining long-term relationships. Hult *et al*. (2013:713) add that trust must be established or restored in order to gain the customer's confidence. In light of the above sentiments on the need for establishing trust, the benefits of trust to a business and the customer include:

- From a long-term perspective, trust results in customer loyalty. Having loyal customers means that customers can contribute by means of suggestions on improvement, which is value co-creation, since they understand the business processes, which can in turn assist in research and development (Sarwar *et al*., 2012:34; West *et al*., 2015).

- Trust acts as a safety net. Trust is seen as an important driver to both relationships and relationship enhancement in that it would appear to reduce risk perception more effectively than anything. Trust essentially decreases the perception of risk, which further results in strong relationships (Egan, 2011:120; Halliburton & Poenaru, 2010:4; Rehman *et al*., 2012:606).
- Customers' trust towards a service provider can prevent them from switching to another provider. The consequence of customers' defection or switching could have great impact on profit and service continuity (Amin *et al*., 2012:285; Oyeniyi & Abiodun, 2010:112).
- Trust can trigger commitment to a relationship that emerges from an exchange partner putting all his or her efforts into keeping a significant relationship. A high level of commitment enables both parties to attain personal and mutual goals without fear of opportunistic behaviour (Dash & Rajshekhar, 2013:3; Van Vuuren *et al*., 2012:86).
- It is believed that trust permits less costly transactions and encourages long-term relationships. Trust is a core element in creating long-term relationships between the business and its customers (Al-Hawari, 2011:47; Fragata & Antunes, 2016:173).
- High levels of trust in an exchange partner lead to positive results such as satisfaction in a relationship. High customer satisfaction will have an effect on commitment, which influences customer loyalty (Hutchinson *et al*., 2011:194; Madjid *et al*., 2013:54).
- The presence of trust results in customers' understanding and positive handling of any negative communication from the business (Du Plessis & Roberts-Lombard, 2013:3). In other words, the presence of trust enables customers to be forgiving of poor experiences with the business.

3.4.5 Strategies to building customer trust

Customer attrition indicates the absence of trust in a business (Rehman *et al*., 2012:607). Therefore, as postulated by Roberts-Lombard *et al*. (2015:28), businesses must concentrate on simplicity to build trust in the long-term. In the same vein, Rehman *et al*. (2012:607) state that to build and continue with a relationship, trust building is a requirement. Consequently, according to Paliszkiewicz and Klepacki (2013:1291), strategies for building customer trust can include the following:

- **Share testimonials**. Testimonials assist prospects to make decisions about using a new business because they are going by the reference of a third party (Griffiths, 2010:116). Testimonials are beneficial because they make a business' visitors comfortable to do business with them and it brings new potential customers (Shaffstall, 2010:110).

- **Businesses should be honest and straightforward**. The main strategies for developing trust through marketing and advertising are honesty and straightforwardness. If a business is honest, it will also attract honest customers (Limbeck, 2015:53).
- **Secured transaction**. Businesses should show customers that they want to protect their information by using of secure communications.
- **Make it simple for customers to air their complaints**. Businesses should provide contact details or any other means for customers to notify them when there is a problem. Among the customers who air their complaints, 54% to 70% will do transactions with a business again if the customer's complaint is resolved (Kotler & Keller, 2012:131).
- **Provide customers with the appropriate advice**. In other words, a business should give customers relevant advice pertaining to their needs and should not issue wrong or misleading information.
- **Customer review sites**. A customer review site is a great means for building trust. Customer reviews also work as a valuable feedback tool, indicating to the business more preferred products and the reason for high purchase of certain products than others (Singh, 2010:161).
- **Customer contact**. In order to improve trust and commitment, businesses have to regularly cooperate with users, and manage the customer base through a direct approach and with high intensity of contacts (Moretti & Tuan, 2013:257).
- **Highlight professional achievements, certificates and awards on websites**. If a professional association has acknowledged a business, this information should be put on the website.
- **Business profile**. A business can build trust by introducing customers to the people behind the business. This can include historical information about the business, reasons for the existence of the business, and employee profiles.

Echoing similar sentiments, Halliburton and Poenaru (2010:14) further highlight some strategies on how businesses can build trust; these include:

- **Transparency and greater integrity in pricing**. Price transparency occurs when information pertaining to the trading goods and transaction procedure are made accessible such as quotations and transaction costs (Christou, 2016:137).
- **Make customers feel looked after**. Customer care is at the core of successful businesses, and it can assist in creating a loyal customer base and enhance relationships with customers (Marketing Donut, 2016).
- **Customise the customer experience** by dealing with one individual where it is possible and appropriate. Every relationship needs listening and talking, and this creates the

opportunity for customers to talk and be heard which is pleasurable and memorable, and defines their customer experience (Zwilling, 2014).

- **Ensure high standards in frontline employees**. In simple terms, there should be competent and expert employees to serve customers. Frontline employees who are unfriendly, unsupportive, uncooperative, or unconcerned in the customer will cause the customer to reciprocate with the same attitude (Peter & Donnelly, 2011:180).

3.4.6 Trust in banks

Sustaining long-term relationships appears to be difficult with the absence of trust, and if a customer has no trust in the bank, he or she will most likely switch to another bank, and if the bank has no trust in the customer, it will be inclined to reject the customer (Dalhstrom *et al*., 2014:269). As discussed by Madjid *et al*. (2013:54), if customers genuinely trust the bank they do transactions with, loyalty will be the result. Therefore, as posited by Magasi (2015:4), a bank should concentrate on ways to encourage customers develop trust in the bank, and once trust has been attained, this will result in customer satisfaction, and consequently in long-term customer loyalty. According to Dalhstrom *et al*. (2014:269), trust is therefore critical in the banking industry considering the financial transactions that implicate risk.

As highlighted above, trust can result in long-term relationships and loyalty. This can reduce customer switching from one business to another and avoid incurring switching costs associated with switching. The following section discusses switching costs.

3.5 SWITCHING COSTS

In various markets, customers experience switching costs when they switch from one product to another in the similar category, or when they change suppliers (Bhattacharya, 2013:102). Ningsih and Segoro (2014:1016) posit that, costs involved appear to be the significant reason for a customer not to switch to another service provider. Consequently, as discussed by Nagengast *et al*. (2014:411), the presence of high switching costs makes it difficult for customers to switch to another business, irrespective of satisfaction perceptions. According to Bhattacharya (2013:106), a business may pursue a number of strategies to obtain a competitive advantage such as low cost or differentiation strategies, but switching costs help a business to sustain the advantage. Unsurprisingly, it appears that management practice and strategies often intend to increase switching costs by presenting loyalty schemes or providing matchless customer solutions (Blut *et al*., 2015:82).

Managers make efforts in setting up measures that intensify switching cost with the perception that these activities will strengthen customer relationships (Blut *et al*., 2015:82). According to Lee and Neale (2012:267), considering the stiff competition in most customer markets, businesses frequently give benefits to customers in exchange for locking them in through switching costs. Haj-Salem and Chebat (2013:1108) state that previous benefits received may cause customers to feel somewhat indebted to the business and, consequently, uncomfortable, guilty, and embarrassed about their decision to leave. However, Yen (2015:148) argues that there are no switching costs experienced for leaving a business until the customer has reached the threshold of perceived risk to engage the provider. The literature suggests that higher levels of switching costs and barriers result in weak switching intentions, mainly due to the involvement of both financial and non-financial costs (Kaur *et al*., 2014:78).

Oyeniyi and Abiodun (2010:112) indicate that the result of customers' defection or switching could have a significant influence on revenues and service continuity. Thus, one of the serious problems for businesses is to understand why customers switch suppliers (Yen *et al*., 2011:250). El-Manstrly (2016:151) propound that customers perceive switching costs as relationship investments and therefore their choice to stay in a relationship is more likely to be a function of avoiding losses that may be greater than the benefits of supplier-imposed ethical codes of conduct. In other words, as soon as they change to other service providers, they would lose these benefits (Shi *et al*., 2015:648) but if they do not switch, customers do not have to incur these costs (Park & Lee, 2014:260).

3.5.1 Switching costs: a conceptualisation

According to Zhang *et al*. (2014:269), Porter (1980) was the first author to present the concept of switching costs into the field of marketing management. Porter (1980:10) defined switching costs as once-off costs incurred by a customer due to moving from one product provider to another. Burnham *et al*. (2003:110) also defined switching costs as "Onetime costs that customers associate with the process of switching from one provide to another". Switching costs refer to customers' costs from switching and are also known as switching barriers (Park & Lee, 2014:260). According to Oyeniyi and Abiodun (2009:112), switching costs are costs incurred by customers because of terminating a relationship and starting a new one. Ting (2014:214) further defines switching costs as the risk, investment and cost that are incurred by customers due to moving from one service provider to another. As such, switching costs turn into a barrier for customers to change from one provider to another (Matzler *et al*., 2015:121).

In this study, switching costs are defined as:

> *Costs that customers incur as a result of ending transactions with a certain business and switching to another business to begin new transactions and relationships.*

3.5.2 Categories of switching costs

Customers normally perceive switching costs due to a commitment to use specific product or business (Molina-Castillo *et al*., 2012:167). According to Matzler *et al*. (2015:122), customers are generally reluctant to switch providers if they are likely to incur significant expenses and effort (i.e. to become a part of the exchange relationship with the business). Switching costs can be categorised into financial costs, procedural switching costs and relational switching costs (Blut *et al*., 2015a:226; Burnham *et al*., 2003:112). These are subsequently discussed.

3.5.2.1 Financial costs

Financial costs are defined by Schulte (2015:56) as “the loss of financially quantifiable resources and add to the individual level lock-in mechanism including loss benefits gained due to ongoing relationship and sunk investment costs”. According to Ting (2014:314), financial switching costs include *benefit loss cost* and *monetary loss cost*. These costs may be regarded as coercive or penal to the customer and are perceived negatively (Bhattacharya, 2013:107). Ting (2014:314) defines benefit loss cost as the loss of financial benefits given by the original business after switching took place, such as the collected points or discounts. Monetary loss costs refer to the costs once promised or given prior to getting the services of the original businesses, such as fees incurred for signing the contract or penalty for breaking of contract (Ting, 2014:314).

3.5.2.2 Procedural costs

Procedural costs refer to the time and effort involved for the customer to switch from one business to another (Haj-Salem & Chebat, 2013:1107). Procedural costs are generally exogenous to the business, although the business may have some influence on them (Bhattacharya, 2013:107). Procedural switching cost comprise of the expenses of time and efforts (Ting, 2014:314) and are divided into *risk cost*, *evaluation cost*, *learning cost* and *setup cost* (Schutle, 2015:55). According to Ting (2014:314), risk cost is the cost of probable negative outcomes when customers switch to a new service provider about which the customer has insufficient information. Evaluation cost entails the cost of time and effort to gather and analyse information for switching decision-making (Shi *et al*., 2015:649). Learning cost entails the cost of time and effort necessary to obtain expertise and knowledge to enable the effective utilisation of the services offered by new service providers (Shamsudin *et al*., 2015:29). According to Shi *et al*. (2015:649), setup cost involves the expenditure of time and effort when starting to utilise the services of new service providers.

3.5.2.3 Relational costs

Relational switching costs involve the loss of identification and emotional ties with both the previous service provider and any employees with whom the customer cooperates (Blut *et al*., 2015b:83). Bhattacharya (2013:107) posits that if customers trust that they are taken care of, that they are properly attended to and are familiar with the brand, the business or employees of the business, they would opt to stay in the relationship. According to Schulte (2015:56), relational costs include *personal relationship* and *relationship* facets. Personal relationship loss cost refers to the loss acquired by losing customers' personal relationship with the past service employees after switching the business. These costs are predominant in services with a high relational element where they play a significant role (Schulte, 2015:56). Brand relationship loss entails the loss of customers' benefits, which emanate from the positive image of the past businesses, after switching from the business (Ting, 2014:315).

3.5.3 The consequences of switching costs

An increase in switching costs may lead to a competitive outcome for the business (Belleflamme & Peitz, 2015:181). According to Bhattacharya (2013:106), although a business may implement recognised strategies to obtain a competitive advantage – such as low cost or differentiation strategies – switching costs enable a business to sustain the advantage. Zhang *et al*. (2014:268) state that, because competition in the marketplace is intensifying, improving customer switching tendencies has already become a significant tactical choice for businesses. However, it is worthwhile to mention that although switching costs can prevent existing customers from changing to other businesses, they typically have less impact on new customers who have no switching costs to be concerned about (Afuah, 2009:153).

A less satisfied customer might choose not to switch due to the perceived costs being higher than the benefits of switching (Matzler *et al*., 2015:120), and this may cause customers to tolerate poor or unsatisfactory service (Li, 2015:374). According to Chebat *et al*. (2010:79), switching costs create barriers that prevent customers from switching to other businesses. However, dissatisfied customers are more probable to inform ten people about their experience with the product or service (Angelova & Zekiri, 2011:233). Clearly, as posited by Bhattacharya (2013:105), a customer who chooses to leave the business and is forced to stay, is less beneficial to the business.

Switching to another business includes effort, time and money, which may compel the customers to remain loyal (Chebat *et al*., 2010:78). According to Eid (2013:283), switching costs are a powerful instrument to avoid customer defection. Therefore, Sahin and Kitapci (2013:910) note that high switching costs keep customers from changing brand relationships and as a result, an increase in switching costs will result in an increase in commitment to a brand.

3.5.4 Switching costs in banks

Switching costs in banking symbolise a source of rent that decreases the market competition (Yin & Matthews, 2016:4156). It is important to note that banks have a measure of uncertainty in their attitude towards the problem of switching costs, just as other businesses in other markets do (Matthews, 2013:25). Vyas and Raitani (2014:324) posit that switching from a bank is often the result of several incidents, in contrast to other service industries, because bank customers are locked to a degree into a relationship with their service providers. According to Matthews (2013:25), banks need lower switching costs to allow customers to easily switch to them, but simultaneously they benefit from switching costs, discouraging customers from changing to another bank. According to Tong *et al*. (2012:107), customers with several bank accounts at different banks usually perceived themselves as having fewer problems with switching costs as they can easily change from one bank to another.

As indicated from the above discussions on the existing research supporting the conceptual model (Figure 1-3), it is evident that service quality, trust and switching costs significantly influence customers' levels of satisfaction towards a business. Therefore, the following section discusses the concept of satisfaction.

3.6 SATISFACTION

Satisfying customers is a challenge faced by many businesses in a competitive environment (Yap *et al*., 2012:154). Amin *et al*. (2013:81) note that if the perceived performance is equal to or more than customers' expectations, it means customers are satisfied and if it does not, it means that customers are dissatisfied. According to Arokiasamy (2013:15), businesses have to acquire knowledge on how to retain customers even if they seem to be satisfied. Acquiring information on the satisfaction levels and specifically the antecedents of satisfaction will benefit industries, thus enabling them to concentrate and build upon main areas that lead to highly satisfied customers (Alhemoud, 2010:334). Arokiasamy (2013:14) states that the significance of customer satisfaction in the current dynamic business environment is clear, as it highly influences customers' repurchase intentions, while dissatisfaction has been identified as the main reason for customers' plans to switch. In the same vein, Alhemoud (2010:333) postulates that customer satisfaction is broadly accepted as a main force in the creation of customers' future purchase intentions.

The absence of customer satisfaction reduces customers' spending as well as their referrals to other people (Kishada & Wahab, 2013:266). One unsatisfied customer can lead away more customers from a business compared to the number of customers that can be referred to the business by ten highly satisfied customers. Therefore, the more a business concentrates on customer satisfaction and retention, the better the outcome will be for long-term relationships with the customer (Mohsan, 2011:264). According to Qadri and Khan (2014:3), businesses are increasingly focused on optimising customer satisfaction, as it is believed that customer satisfaction yields superior economic returns. Kotler and Keller (2010:160) note that marketers can take the following steps to ensure post-purchase satisfaction:

- Establish realistic expectations, not too high and not too low.
- Show appropriate use of products, as inappropriate usage can result in dissatisfaction.
- Support the product or service by offering money-back guarantees and warranties.
- Encourage customer response, which reduces negative word-of-mouth and will assist marketers to modify their offering.
- Occasionally interact with customers and show appreciation to them for patronising your business. This interaction reminds customers that marketers care about their business and want them to be satisfied.

According to Khedkar (2015:2), upholding relationships with customers and giving them complete customer satisfaction appear to be a central focus for many industries. Besides creating relationships with customers, it is also crucial to manage them effectively (Juscius & Grigaite, 2011:71). Certainly, as posited by Arokiasamy (2013:15), customer satisfaction has for numerous years been observed as a fundamental aspect in determining the reasons for customers leaving or staying with a business.

3.6.1 Defining satisfaction

There are numerous definitions of customer satisfaction, depending on the actual purpose of every study (Lin, 2012:33). According to Oliver (1981), customer satisfaction is the assessment that a customer makes of a certain transaction, which shows the relation of customers' expectations and the actual perceptions customers have of the product or service provided by the business. Consequently, a contrast between expectations and perceptions will result in either confirmation or disconfirmation, where confirmation occurs when product or service perceptions precisely meet expectations, and disconfirmation will occur due to perceptions being lower than expectations (Siddiqui, 2012:4135). According to Zeithaml and Bitner (2000), satisfaction is "the customer's evaluation of a product or service in terms of whether that product or service has met their needs and expectations". Harris (2010:2) further defines customer satisfaction as the customer's total feeling of fulfilment with a customer interface. Satisfaction refers to a customer's emotional response when assessing the difference between expectations concerning the service and the perception of real performance (Van Vuuren *et al*., 2012:84).

From the above definitions, in this study, satisfaction is defined as:

The customer's sense of fulfilment from a product or service received.

3.6.2 Types of customer satisfaction

Among the more popular measures of customer satisfaction, two widely employed approaches are transaction-specific and cumulative or overall satisfaction (Ganiyu *et al*., 2012:16; Matos *et al*., 2013:527). Transaction-specific satisfaction is likely to differ from experience to experience, while overall satisfaction is a moving average that is somewhat stable and identical to a complete attitude towards buying a brand (Eid, 2015:252). The following sections provide more detail on the two respective types of customer satisfaction.

3.6.2.1 Transaction-specific satisfaction

Transaction-specific satisfaction is the satisfaction that emerges from a one-time transaction (Sunder, 2009:43). Merchant and Chen (2010:7) state that the transaction-specific concept concerns customer satisfaction as a post-purchase evaluation made after a particular occasion. Bello (2012:25) explains that transaction-specific satisfaction depends on an individual level; in other words, customers make their judgement of customer satisfaction on a particular purchase event (Bello, 2012:25). According to Abdullah and Rozario (2009:347), transaction-specific satisfaction has a significant influence on overall customer satisfaction. Baran and Galka (2013:218) posit that it is probable for a customer to have low transaction-specific satisfaction yet have high overall satisfaction with a business. Transaction-specific views of customer satisfaction are very valuable in pointing out issues associated with a particular customer experience, with a product or service (Davis & Farrell, 2016:60).

3.6.2.2 Overall satisfaction

Fornell (1992) defines overall (cumulative) satisfaction as a customer's consumption experience over a time with respect to a specific product or service. Overall satisfaction also refers to the customer's total subjective after-consumption evaluative judgement based on all interactions and experiences with a business (Bello, 2012:25). Overall customer satisfaction implies more profits for businesses and market share growth (Angelova & Zekiri, 2011:236). According to Davis and Farrell (2016:60), overall satisfaction is a better indicator of a business' past, current and future performance, as it includes customers' overall assessment of a product, service or provider.

3.6.3 Importance of satisfaction

Several scholars emphasise the importance of customer satisfaction (Angelova & Zekiri, 2011:233). The ability of a business to satisfy customers is important for several reasons (Ganiyu *et al*., 2012:14), including:

- High customer satisfaction encourages customer loyalty. Customers remain loyal to a business if they feel that the business offers them better services or products than another business (Bose & Rao, 2011:545; Madjid, 2013:49).
- Improved reputation arises from satisfaction. Highly satisfied customers are more likely to communicate positive things about the business and its products and are less likely to make negative remarks (Davis & Farrell, 2016:61).
- Customer satisfaction stimulates future repurchase intentions and increases purchasing rate (Sharifi & Esfidani, 2014:561). In other words, when customers are satisfied, they have the desire to purchase again.
- Customer satisfaction has a positive influence on a business' profitability. Customers are the ultimate source of income for businesses and it is important to understand customers in order to have a competitive edge in the market (Angelova & Zekiri, 2011:239; Karakaya *et al*., 2011:1).
- Lastly, having highly satisfied customers will cause customers to ignore other competitive offerings, which subsequently decreases marketing activities required to convince customers to remain with the business (Davis & Farrell, 2016:61).

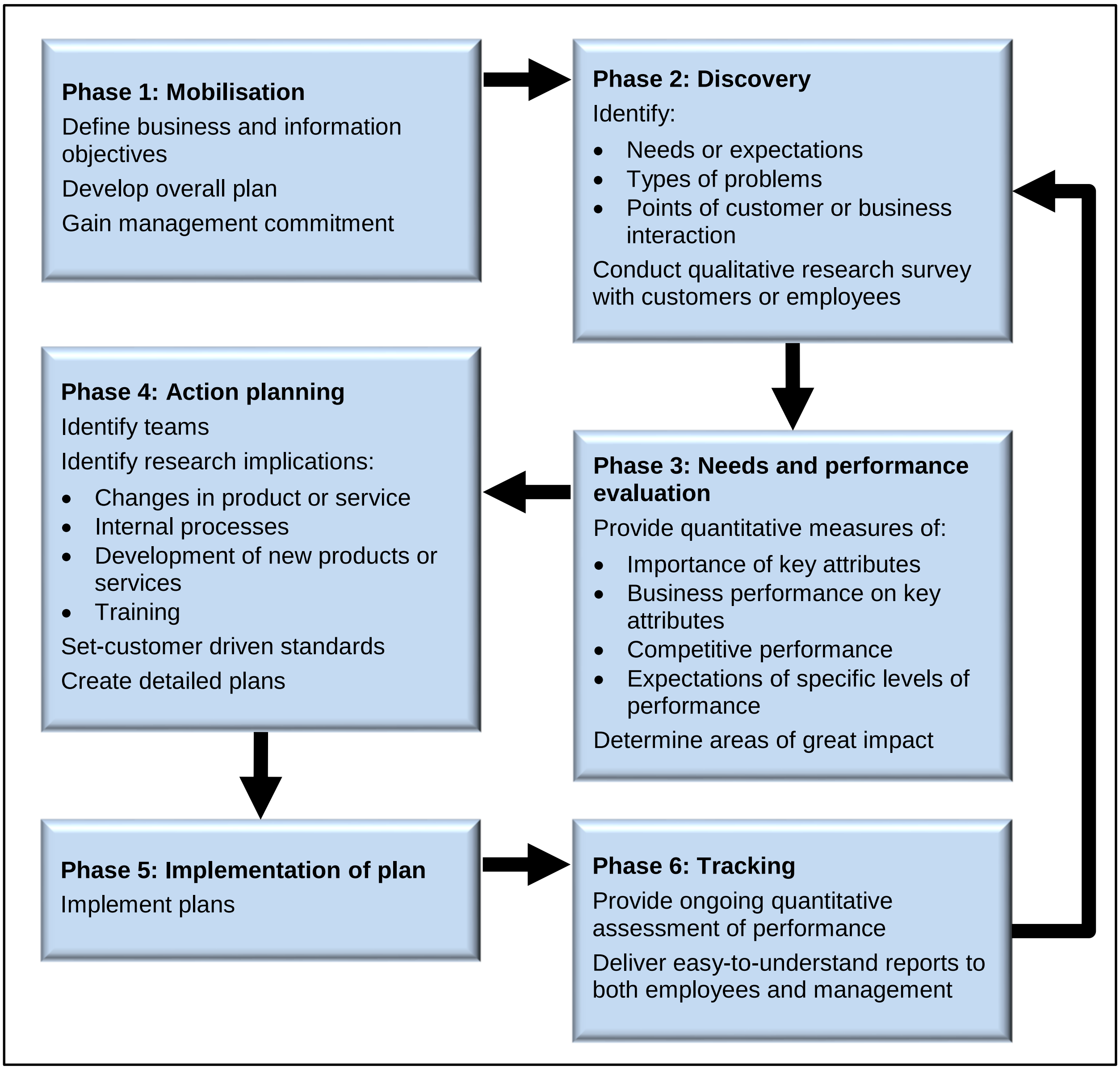
3.6.4 Measuring customer satisfaction

Measuring and enhancing customer satisfaction are evidently vital in building and maintaining long-term relationships with customers (Lariviere *et al*., 2011:40). Arokiasamy (2013:15) believes that customer satisfaction is a critical aspect relating to all business types, and is justified by the customer-oriented philosophy and the ideologies of continuous enhancement in modern enterprise. Accordingly, Grigoroudis and Siskos (2009:1) note that customer satisfaction should be measured and translated into various quantifiable parameters. Dehghan and Shahin (2011:3) further argue that it is somewhat difficult to assess customer satisfaction using an objective measure. Customer satisfaction measures enable the business to have knowledge of business process performance, to identify where change is required to make necessary improvements, and to determine the results of any changes that have been initiated (Cengiz, 2010:83).

Customer satisfaction measurement may be regarded as the most dependable response, giving customers choices and experiences in an effective, direct, significant and objective manner

(Arokiasamy, 2013:15). Cengiz (2010:83) holds that customer satisfaction measurement provides deep insights into the customer's pre- and post-purchase behaviour. According to Pokalsky (2014:2), all businesses are different and thus, a single approach to satisfaction measurement is hardly very effective; rather a particular approach is needed to meet the needs of specific businesses. Nevertheless, Pokalsky (2014:2) further states that the whole process can be divided into six interactive phases as shown in Figure 3-3.

Figure 3-3: Customer satisfaction measurement process



Source: Adapted from Pokalsky (2014:2).

3.6.5 Satisfied customers and the business

Researchers have debated whether there is a discrepancy between customer satisfaction concerning tangible products and concerning service experiences (Arokiasamy, 2013:16). Arokiasamy (2013:16) argues that this possible discrepancy emanates from the inherent intangibility and perishability of services, as well as the failure to distinguish between production and consumption.

According to Angelova and Zekiri (2011:233), satisfied customers are the cornerstone of any successful business because customer satisfaction results in repeat buying, brand loyalty, and positive word-of-mouth. Pokalsky (2014:1) adds that satisfied customers spend more money, recommend more customers and patronise businesses longer than unsatisfied customers patronise – all these result in more revenue for businesses if they can keep their customers satisfied.

Many scholars highlight the fact that satisfied customers share their experiences with five to six other people (Angelova & Zekiri, 2011:233). According to Arokiasamy (2013), the fulfilment of a customer's expectations will assist in improving customer satisfaction and may result in a highly satisfied customer, and therefore the customer will:

- patronise for a long time;
- purchase more, given that the business produces new products and the current products are improved;
- talk about the business and its products with praise;
- stay indifferent to other brands competing with the products of the business and are price insensitive; and
- form part of value co-creation of a business' products.

From the above discussion it is clear that satisfied customers are good for the business. However, considering the fact that an increase in customer satisfaction means costs incurred to the business, it is important to have empirical evidence concerning the benefits of customer satisfaction to determine if the rise in costs outweighs the perceived benefits (Davis & Farrell, 2016:61).

3.6.6 Satisfaction in the banking industry

Mohsan *et al*. (2011:264) postulate that the type of relationship between the customer and the bank is a central aspect of customer satisfaction in the banking industry. Taking into consideration that the banking industry relies on customers for the banking industry to sustain itself, sustainability can be accomplished through customer satisfaction by means of long-term relationships (Ujakpa *et al*., 2015:44). According to Hanzaee and Nasimi (2012:1353), from the bank manager's perspective, satisfaction has a major effect on profitability. To this end, measuring customer satisfaction can be a great source of information for retail bank managers about their actual performance and the expectations of their customers (Adil, 2013:47).

In light of the above discussion, satisfaction encourages loyalty. Consequently, the next section discusses loyalty.

3.7 LOYALTY

Loyalty has long been a significant topic in the field of marketing (Hsu *et al*., 2014:80). Jaiswal and Niraj (2011:165) emphasise that cultivating loyalty and keeping customers are vital for every business. Hence, customer loyalty has been incorporated in the strategic goals of numerous businesses because of the competitive strength it provides (Rai & Srivastava, 2012:50). According to Roberts-Lombard *et al*. (2014:28), to obtain loyal customers, businesses are required to invest in relationship-building and customer intimacy, because establishing such relationships and intimacy will end up in stronger loyalty. Kocoglu and Kirmaci (2012:283) indicate that the ability of businesses to improve their existing customers' loyalty is based on whether they can manage the customer relationships in a satisfactory manner. According to Amoaka *et al*. (2012:17), businesses have opted to satisfy customer needs by being reactive and proactive to ensure that they gain customers and encourage them to remain loyal. The aspects that contribute to loyalty have to be examined and understood before planning and executing the tactics for customer retention and loyalty (Rai & Srivastava, 2012:50).

3.7.1 Defining loyalty

Customer loyalty has traditionally been defined as the continual purchasing of a brand of interest (Hsu *et al*., 2014:80). Oliver (1999:34) defines loyalty as a customer's deep-held commitment to repurchase a desired product or service in the future, regardless of situational influences and marketing efforts that may have the potential to result in switching behaviour and recommending the product or service to other people. Moorman *et al*. (1992) describe customer loyalty as "an intention to keep a valued relationship". Loyalty is further defined by Bose and Rao (2011:545) as the customer's commitment to conduct business with a specific business, which results in the repeat purchases of goods and services provided by that business. According to Rai and Srivastava (2014:56), in practical terms, businesses need repeat purchases because such behaviour in customers can indicate the customer's preference for a product, reveal the customer's buying intentions, and secure long-term profitability.

In this study, loyalty is defined as:

> *A customer's desire to continue patronising a specific business regardless of other offerings available from competing businesses; in other words, repeat purchases over time from that specific business.*

3.7.2 Types of loyalty

According to Dehghan and Shahin (2011:3), the concept of loyalty first emerged in the 1940s. Two distinct loyalty notions developed namely, "brand preference" which was later referred to as *attitudinal loyalty*, and "share of market" which was later referred to as *behavioural loyalty* (Dehghan & Shahin, 2011:3). Cheng (2011:150) notes that behavioural loyalty aims to change customer loyalty into actual purchase behaviours, while attitudinal loyalty entails customers communicating positively about the business (word-of-mouth) and establishing a positive business image. Dehghan and Shahin (2011:6) add that customers may be loyal because of high switching barriers or due to the limited availability of real alternatives. Customers may also be loyal due to satisfaction attained and consequently, they want to remain in the relationship with the related business. However, according to Rai (2012:139), certain factors can disrupt customer loyalty, namely:

- if the customer is moving away from the service area;
- when changes occur in the customer's needs and choices;
- the availability of superior alternatives, emerging from substitute products or competition; or
- if a critical episode is handled unsatisfactory.

According to Kharouf *et al*. (2014:365), this composite view of loyalty enables researchers to conceptually and empirically make distinctions of the customer's feelings of loyalty towards a business from their genuine behaviours. Additionally, the two concepts of behavioural and attitudinal loyalty are significant when trying to understand long-term customer relationships, particularly when it is essential to forecast future customer support (Marshall, 2010:71). In the following sections, the aforementioned types of loyalty are discussed.

3.7.2.1 Attitudinal loyalty

Attitudinal loyalty emerges from emotional bonds with a brand and encourages behavioural loyalty (Sharifi & Esfidani, 2014:560). Balakrishnan (2011:222) states that attitudinal loyalty tends to be longer lasting and is a condition of the mind. Customers with attitudinal loyalty contribute to both the business' revenue (by repurchasing often) and spreading positive word-of-mouth concerning the business to others (Mubarik *et al*., 2016:47). Balakrishnan (2011:222) further states that attitudinal loyalty is particularly important when the functional benefits of products are difficult to assess. According to Rai and Srivastava (2014:56), a customer's attitudinal preference can be conveyed by:

- Repurchase intention or buying more products or services from the same business. The percentage of customers who surpass a number of repeat purchases within a certain timeframe shows customer retention (Utami, 2015:647).
- The desire to recommend the business to others. Once a customer is satisfied and pleased, recommending a business's products or services will be transformed to his or her unconscious objective (Tarokh & Sheykhan, 2015:69).
- The desire to suggest the business to others and demonstrating a level of commitment towards the business by resisting profitable offers from competitors. Loyal customers are less likely to turn to the competitors with price incentives; they also buy more than less loyal customers. Customers who are committed to a business will hold the relationship in high regard, believing that the relationship deserves effort and devotion (Dagger *et al*., 2011:276; Hanzaee & Rahpeima, 2012:2129).
- The preparedness to pay a premium price. A premium pricing entails setting the price of a product above the same competing products. However, premium pricing will only be effective over time if a business provides superior value to the customers (Magloff, 2016; Simon, 2015:70).

3.7.2.2 Behavioural loyalty

Behavioural loyalty refers to the 'ordinary' loyalty of the customer. In other words, customers with high levels of behavioural loyalty tend to stay loyal to a business as long as there are no alternatives existing to them, or if there is a lack of existing product substitutes (Mubarik *et al*., 2016:47). Kaur and Soch (2012:49) state that the behavioural approach postulates that the repeat buying of a brand over time by a customer reveals his or her loyalty. With behavioural loyalty, repurchase action is the only indicator of loyalty, and any internally held attitudes or inclinations are disregarded (Rai & Srivastava, 2014:134). As posited by Watson *et al*. (2015:794), behavioural loyalty directly upsurges business revenues through repeated purchasing and shows the customer's capability and chance to patronise the business. According to Rahmani-Nejad *et al*. (2014:263), behavioural loyalty refers to a customer's frequent transactions, and researchers commonly assess this aspect by observational methods. Two behavioural dimensions to loyalty exist; firstly, an enquiry should be made if the customer is still active and secondly, the business needs to know if it has sustained its share of the customer's expenditure (Roberts-Lombard, 2011:3490).

3.7.3 The significance of customer loyalty

Customers remain loyal to a business if they feel that the business offers them better services or products than another business (Bose & Rao, 2011:545). Consequently, Petzer *et al*. (2009:32) note that businesses are constantly searching for innovative methods to obtain, increase and retain customers due to the increasing cost of losing customers. Hundre *et al*. (2013:703) mention the following statistics to emphasise the need for establishing loyal customer relationships:

- Getting new customers can be five times more costly as compared to satisfying and retaining current customers.
- A 2% increase in customer retention has the same effect on profits as cutting costs by 10%.
- Worldwide, on average, a business loses 10% of its customers each year.
- A 5% reduction in customer defection rate can increase profits by 25-125%, depending on the industry.
- Customer profitability rate tends to increase over the lifetime of a retained customer.
- Only 1 out of 25 dissatisfied customers will express dissatisfaction.
- Two-thirds of customers do not feel valued by those serving them.

It is, therefore, crucial for businesses to understand why their customers stay with them. Businesses should not make assumptions that when customers stay, that it is a positive and mindful choice on their part (Petzer *et al*., 2009:34). Retaining a customer has emerged to be equally as or if not more significant than getting a new customer (Alnsour, 2013:124). Harris (2010:139) suggests that the ability to retain customers constantly show customers that they are important. The significance of loyalty in this regard has been broadly accepted in the marketing literature (Kaur & Soch, 2012:48). According to Rai and Srivastava (2012:65), the success of a business is based on its ability to create loyal customers and retaining them. Therefore, it can be argued that loyalty is significant or beneficial because:

- The record of customer retention is a good reflection of the quality of the products and the services provided by a business (Singh & Khan, 2012:1). In other words, when a business has a high customer retention rate, it proves that the business is offering good services and it will have a large customer base. According to Ocloo and Tsetse (2013:139), a good loyal customer base that exists for a long period is one of the great advertising strategies for a business, and portrays an image of high quality. This image assists the business in attracting other customers who desire long-term relationships with a business that offers high quality products and services.
- Loyal customers assist with customer retention. Customer retention is the activity a business gets involved in to decrease customer defections. Mostly, businesses gain

benefits from retention in the form of profit, lower cost and long lasting benefits (Rai & Srivastava, 2012:67; Singh & Khan, 2012:1; Danish *et al*., 2015:29).

- Having loyal customers means that customers can contribute by means of suggestions on improvement. These contribute to value co-creation, since such customers understand the businesses' processes – such activity can also assist in research and development (West *et al*., 2015).
- Loyalty makes employees' jobs easier and more fulfilling; the outcome is happy employees' feedback into better customer satisfaction (Hundre *et al*., 2013:705).
- Loyal customers tend to insulate a business from competitors, because loyal customers will remain with a brand because they have trust in the brand. Such businesses are safe both in terms of market opposition from other businesses and economic changes. These, in turn, assist to protect the bottom line (First Perspective, 2015).
- A loyal customer is unlikely to be very price-sensitive and will be prepared to pay a premium for products to avoid taking risk with a new business (Rai & Srivastava, 2012:67).
- Current customers are relatively easier and less costly to retain than to obtain new customers. Less marketing effort and financial input are needed to satisfy existing customers. As noted above, research has indicated that it is five times more costly to attract new customers as compared to keeping existing customers (Rahmaan & Masoom 2012:98; Masoudi & Ansary, 2015:198).
- Sales records of a business can improve positively if customers remain loyal to the business (Bagram & Khan, 2012:2). In other words, loyal customers can improve the sales of a business through their purchases.
- The continuity of a relationship between a business and a customer gives a business a platform to cross-sell and up-sell and thus contribute to the business's revenues (Rai & Srivastava, 2012:67).
- A loyal customer tends to use positive word-of-mouth. Word of mouth advertisement is one of the key aspects in buying decisions (Mubarik *et al*., 2016:48; Rashed & Asil, 2015:82).
- Lastly, customer loyalty also results in brand advocacy, which means that customers become promoters of a brand without having to be paid. The tendency of loyal customers to get new customers to the business without having to be paid is helpful as a business grows, specifically if it functions in a mature industry (Gamble, 2013; Gaurav & Khan, 2013:46).

3.7.4 Loyalty programmes

Businesses make efforts to overcome their competitors through a range of marketing strategies and tactics. A typical tactic that is used is the universal loyalty programme (Bose & Rao, 2011:544). According to Estanesti and Abad (2015:534), customers hold different opinions and therefore strategies should be planned to match with the level of loyalty of existing customers and the attraction of new customers. Kocher (2015:7) defines loyalty programmes as long-term focused techniques meant to develop and improve customer loyalty by rewarding and encouraging programme members' loyal buying patterns according to a well-defined programme structure. In order to build customer loyalty, the programme should be regarded as valuable to customers (Strahle, 2015:239). Sezgin (2015:43) states that the most critical part of a loyalty programme is the type of benefits that are presented by the business.

According to Dehghan and Shahin (2011:2), there are two objectives of customer loyalty programmes: lifting sales revenues by increasing purchase or usage levels, and increasing the variety of products purchased from the supplier. The second objective is more defensive and by building an intimate bond between the brand and existing customers, it is hoped to sustain the existing clientele (Dehghan & Shahin, 2011:2). Bose and Rao (2011:544) further hold that the main objective of a loyalty programme is to reward customers for their repeat purchase behaviour, and to encourage, uphold and improve the level of loyalty by setting targets at which customers can acquire various benefits. Onditi *et al*. (2012:225) add that the actual aim of customer loyalty programmes is happy customers who will return to buy again and convince others to use that business' products or services.

Through the use of effective loyalty programmes, marketers keep their existing customers to earn their loyalty (Bose & Rao, 2011:544). Mokoena and Govender (2015:23) posit that, by giving more incentives, loyalty programmes stimulate customers to purchase more from a business and less from competitors. Loyal customers usually create stable relationships with a business in comparison to non-loyal customers (Chakiso, 2015:58) and as a member of a loyalty programme, customers tend to buy from a specific business in order to acquire rewards rapidly (Bose & Rao, 2011:546). Myftaraj and Nexhipi (2014:3) add that a loyalty programme helps to create intimate customer-business relationships and to establish an interactive environment. However, according to Bose and Rao (2011:546), such a programme is not valuable to the customer for a single transaction, as it has the objective of attaining loyalty over time.

3.7.5 Differentiating customer loyalty from customer retention

It is essential to understand the difference between loyalty and retention due to the underlying assumptions associated with business success (i.e., more revenue or profits or both) (Klein, 2013). Ocloo and Tsetse (2013:139) note that retention should not be regarded as similar to loyalty, since loyalty refers to a situation when alternatives exist for customers to select. According to Rai (2012:162), the meaning of the two concepts indicates the dissimilarities between them.

Ocloo and Tsetse (2013:139) define customer retention as an effort made by businesses to ensure that its customers do not change to other business. In contrast to customer retention, Bagram and Khan (2012:2) define customer loyalty as the behaviour of a customer in which he or she shows the desire to repurchase from a business and continue relationships with the same business in his or her forthcoming purchases. According to Rai (2012:162), customer loyalty is an antecedent of customer retention, but customer retention does not necessarily result in customer loyalty.

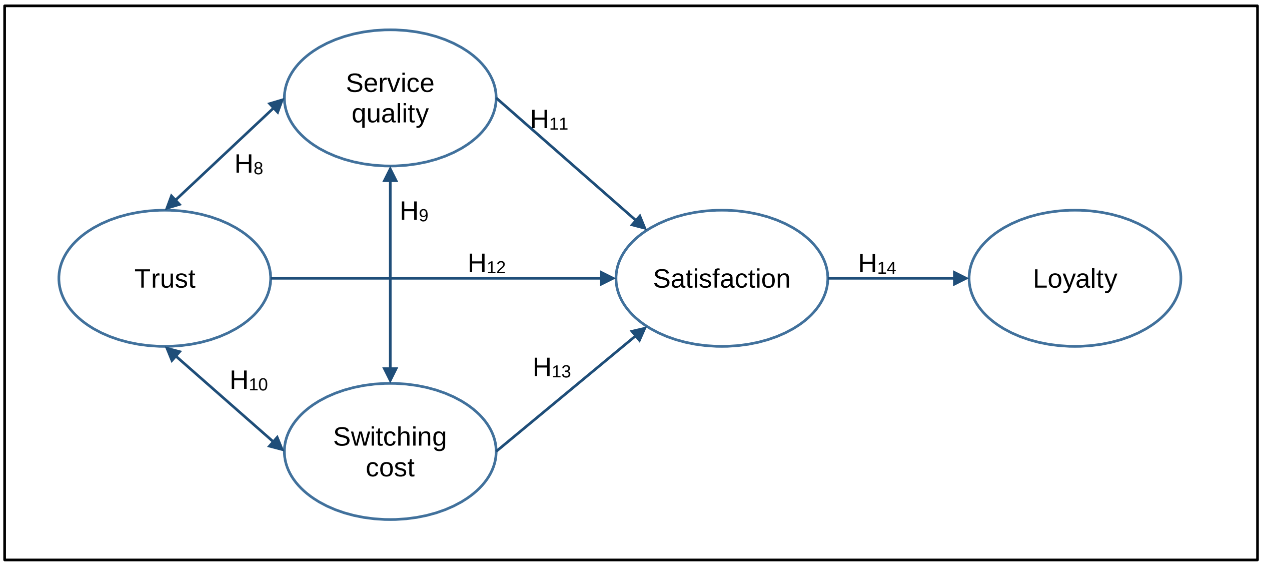
3.7.6 Loyalty in banks

Loyalty to a bank can be considered as on-going support over time (Asfar *et al*., 2010:1040). Hundre *et al*. (2013:704) posit that the longer a customer remains with a bank, the better the chance for a relationship developing between the customer and the bank. This allows the bank to provide personalised services, making it hard for customers to defect. Therefore, acquiring knowledge on the aspects that improve the level of customer loyalty is a prerequisite for banks that want to establish a sustainable competitive edge (Trif, 2013:110). According to Bain and Company (2013:5), banks with firm customer loyalty can gain additional business from their customers. Thus, banks should continue to move customers up the loyalty pyramid and in so doing, converting them from mere customers into devoted supporters and partners (KPMG, 2013:26).

3.8 SERVICE QUALITY, TRUST, SWITCHING COSTS, SATISFACTION AND LOYALTY

According to Karimi *et al*. (2011:10), an increase in service quality will increase satisfaction. Fatima and Razzaque (2014:566) found that there is a positive relationship between trust and satisfaction. Furthermore, Baksi (2015:28) also found a positive and significant relationship between switching costs and satisfaction. Ultimately, satisfaction predicts loyalty (Kishada & Wahab, 2013:266,271). Therefore, the above sentiments indicate that service quality, trust and switching costs are predictors of satisfaction, and satisfaction as the ultimate predictor of loyalty as summarised in Figure 3-4.

Figure 3-4: Conceptual model



3.9 CONCLUSION

This chapter provided a comprehensive discussion of the constructs under investigation in this study, namely service quality, trust, switching costs, satisfaction and loyalty. From existing literature, definitions were provided on each of the constructs, the importance of each of the constructs was highlighted, and strategies to implement these constructs were explored. In addition, the role of each of the constructs within the banking industry was discussed. In light of the above discussion, it is noteworthy to mention that service quality, trust, switching costs, satisfaction and loyalty are important concepts that should not be underestimated by any business, as they contribute significantly to the success and sustainability of the business. Failing to manage or address these constructs can severely compromise a business' competitive advantage, and most importantly its business-customer relationships. The research methodology chapter follows below.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The main objective of this chapter is to present the research methodology used in this study. This includes a discussion of the marketing research process and the steps taken to address the research problem and to accomplish the research objectives.

4.2 MARKETING RESEARCH

The existence of a business is the reason for the development of marketing research (Babin & Zikmund, 2016a:4). Feinberg *et al*. (2013:49) indicate that the main objective of marketing research is to provide information to facilitate all phases of the decision-making process, from identifying a decision to choosing a course of action. Therefore, marketing research encompasses idea inception and theory development, problem description, information gathering, data analysis and communicating the research outcomes (Babin & Zikmund, 2016b:5).

4.2.1 Marketing research defined

Numerous definitions of marketing research exist in the marketing literature (Mackay, 2012:104). Below are some of these definitions of marketing research:

- The American Marketing Association (2004) defines marketing research as "the function that links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve the understanding of marketing as a process".
- According to Malhotra *et al*. (2013:39), marketing research is "the systematic and objective identification, collection, analysis, dissemination and use of information for the purpose of improving decision-making related to the identification and solution of problems and opportunities in marketing".
- McDaniel and Gates (2013:4) define marketing research as the planning, gathering and analysis of data pertinent to marketing decision-making and the communication of the findings of this analysis to management.

- "Marketing research is the process of designing, collecting, analysing and reporting information that may be used to solve a specific marketing problem" (Burns & Bush, 2014:34).
- Babin and Zikmund (2016b:5) define marketing research as the use of scientific methods in seeking the truth concerning market and marketing events.

In light of the various marketing research definitions above, the following definition can be formulated for purposes of the present study:

> *Marketing research is a process designed to gather, analyse, interpret and communicate the research findings pertinent to a specific marketing problem recognised with the aim of providing a solution to the identified problem.*

4.2.2 Determinants for conducting marketing research

Conducting marketing research is driven by the need to make intelligent and informed decisions (Babin & Zikmund, 2016a:18). However, according to Burns and Bush (2014:70), only certain decisions will require marketing research. Therefore, Zikmund and Babin (2010:19) note that when facing an important decision, a marketing manager has to choose whether to proceed with the marketing research or not. The aspects discussed below and shown in Table 4-1 therefore necessitate marketing research.

Table 4-1: Factors that determine when to conduct marketing research

Factor	Conduct marketing research	Do not conduct marketing research
Time	Enough time is available before a decision can be made.	Time pressure requires a decision before adequate research can be completed.
Data availability	Business does not have access to data but data can be obtained.	Business already has relevant data or data cannot be obtained.
Nature of decision	Decision is of significant strategic or tactical importance.	Decision is not of significant strategic or tactical importance.
Benefits versus costs	Potential value of research exceeds costs of conducting research.	Costs of research exceed potential value of project

Source: Adapted from Babin and Zikmund (2016a:20).

4.2.2.1 Time constraints

Conducting proper research requires time (Wiid & Diggines, 2015:10). Time often plays a significant role in the market research decision-making process (Burns & Bush, 2014:71). According to Babin and Zikmund (2016a:18), in many circumstances, managers feel that a decision must be promptly made so that there is no time for research. Echoing the same sentiments, Aaker *et al.* (2011:19) state that, usually, decisions have a specific timeframe and must be taken according to a particular schedule, by means of any information that exists. Even though making decisions without conducting research on a particular aspect are not perfect, sometimes the urgency of a situation eliminates the use of research (Zikmund & Babin, 2010:19).

4.2.2.2 Data availability

Before research can be done, it is essential to determine if sufficient information exists for the particular decision that has to be made (Wiid & Diggines, 2015:10), because managers often have sufficient information to make good decisions without conducting additional marketing research (Zikmund & Babin, 2010:20). Therefore, Burns and Bush (2014:71) note that a researcher should consider doing marketing research when the information required is unavailable. This implies that data has to be gathered from the right sources (Babin & Zikmund, 2016a:18). However, Babin and Zikmund (2016b:19) argue that if data cannot be accessed or accessed within a short space of time, the project should not be undertaken.

4.2.2.3 The nature of the decision

Decisions that will have a great impact on business operations will attract more attention than less significant decisions (Wiid & Diggines, 2015:10). Zikmund and Babin (2010:20) state that the significance of marketing research is based on the nature of the managerial decision to be made. A routine strategic decision that does not need an extensive investment does not warrant extensive expenditure for research (Zikmund *et al*., 2013:11). According to Wiid and Diggines (2015:10), it would not be economical to conduct research for every decision that has to be made.

4.2.2.4 Benefits versus costs

Wiid and Diggines (2015:11) posit that it is costly to do research and it must be of value to the business to conduct research. Thus, McDaniel and Gates (2013:10) suggest that research should be conducted only when the expected value of information outweighs the cost of obtaining it. When considering to make a decision with or without marketing research, managers should ask whether the payoff will be of value to the investment, whether the marketing research is likely to enhance the quality of marketing adequately to permit the expenditure, and if the suggested research spending represents the best use of financial resources (Babin & Zikmund, 2016b:19).

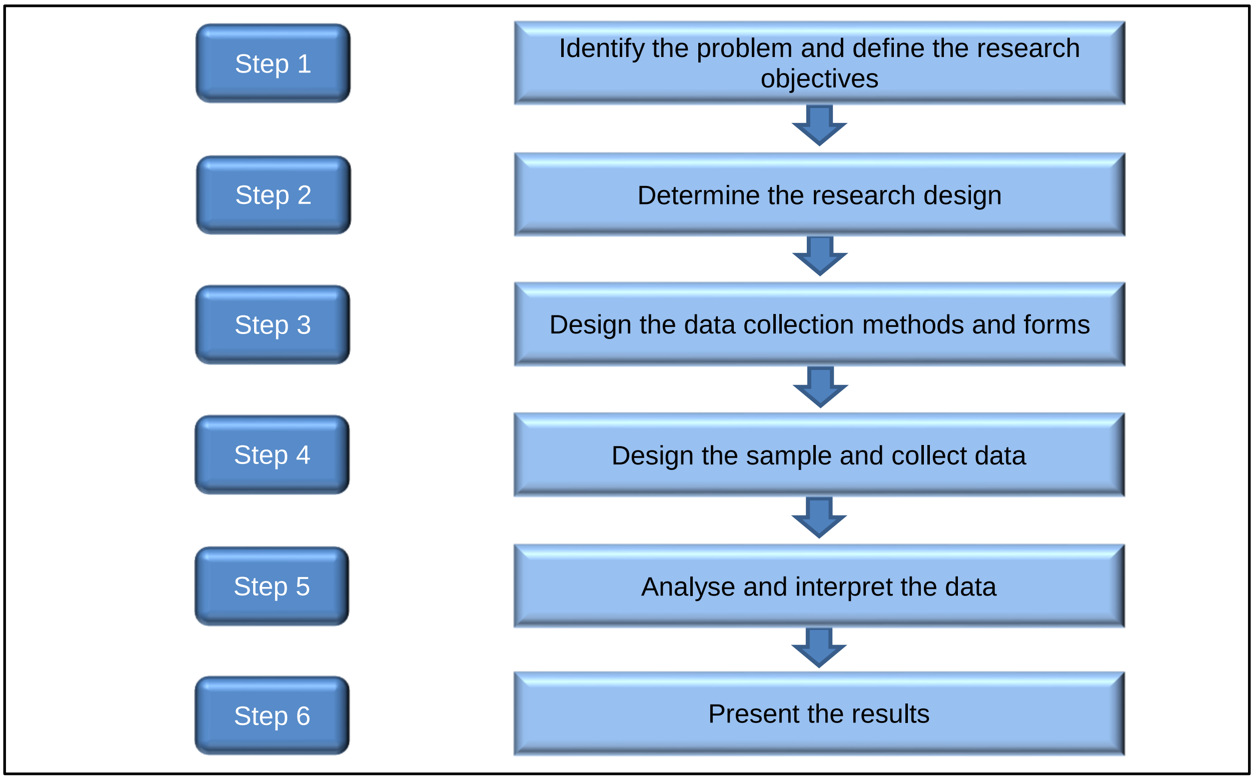
4.3 THE MARKETING RESEARCH PROCESS

The marketing research process consists of numerous interconnected activities that overlap and that do not strictly follow a specific order (Beri, 2013:54). Feinberg *et al*. (2013:50) define the marketing research process as “the systematic assemblage, processing and interpretation of market-related information to enhance managerial decision-making". The orientation of the marketing research process is determined by the marketing problem (Wiid & Diggines, 2015:36). The following marketing research processes are suggested by different researchers:

- McDaniel and Gates (2013:67) identify the following eight steps for the marketing research process: (1) identification of the problem and statement of the research objectives; (2) creation of the research design; (3) choice of method of research; (4) selection of the sampling procedure; (5) collection of data; (6) analysis of data; (7) writing and presentation of the report; and (8) follow-up.
- Churchill *et al*. (2010:51) suggest seven steps for the marketing research process: (1) formulate the problem; (2) determine the research design; (3) determine the data collection method; (4) design the data collection forms; (5) design the sample and the data; (6) analyse and interpret the data; and (7) prepare the research report.
- Malhotra *et al*. (2010:42) propose six steps for the marketing research process: (1) problem definition; (2) development of an approach to the problem; (3) research design formulation; (4) fieldwork and data collection; (5) data analysis; and (6) report presentation.

For the purpose of this study, the marketing research process depicted in Figure 4-1 is used.

Figure 4-1: Marketing research process for this study



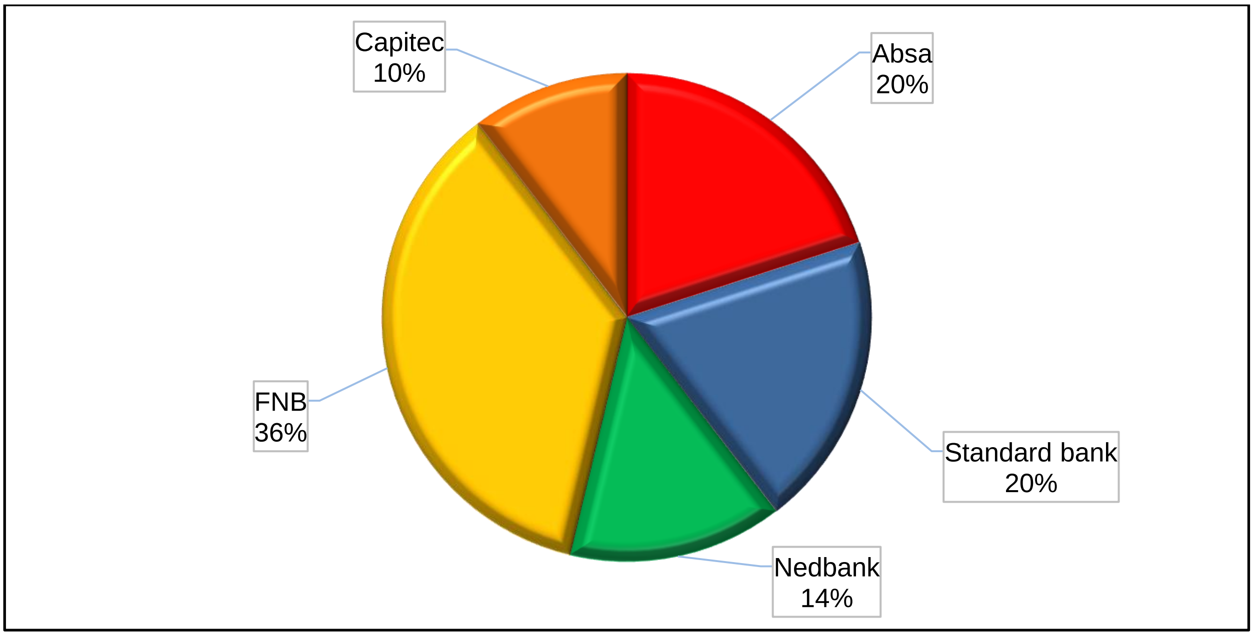
Source: Adapted from Feinberg *et al*. (2013:30), Iacobucci and Churchill (2010), and McDaniel and Gates (2013:67).

4.3.1 STEP 1: Identify the problem and define the research objectives

The research process should start with defining the research problem and developing particular research objectives (Ghauri & Cateora, 2010:153). According to Hair *et al*. (2013:32), appropriately defining the problem is an essential first step in determining if there is a need for research. Churchill *et al*. (2010:37) add that the research process should not proceed unless the research problem and objectives can be clearly identified. McDaniel and Gates (2013:66) highlight that properly formulated objectives work as a guideline in pursuing the research project. However, Wiid and Diggines (2015:51) feel that defining the research problem is the most challenging phase in the marketing research process. Accordingly, **for the purpose of this study**, the **research problem** is presented below (see also section 1.2):

In order to address the issue of customer switching, South African banks have put more emphasis on the use of loyalty or reward programmes to ensure that current customers are not easily tempted to switch banks (Mather, 2013). Ernst and Young (2012) indicate that customer attrition in South African banks had risen from 34% to 39%, and 13% of customers were considering moving to other banks. As indicated in Figure 4-2, BusinessTech (2015b) also provided statistical proportions of customers who were intending to leave South African retail banks in 2015.

Figure 4-2: Customer intentions to leave South African retail banks



Source: Adopted from BusinessTech (2015b).

Acquiring loyal customers in service industries such as banks is difficult, because regardless of the customers being satisfied or not, they may still switch to other service providers in search of variety (Kashif *et al*., 2015:24). According to SAcsi (the South African customer satisfaction index)

(2015), customers are more likely to switch from one bank to another if they are dissatisfied with products or services – evident from the latest popular South African advertising campaigns encouraging customers to change banks if they were unhappy. This form of behaviour poses customer retention challenges that banks should not underestimate (News24.com, 2015).

Considering that the banking industry relies on customers, the sustainability of banks is essential, and is something that can be accomplished through customer satisfaction over the longer term (Ujakpa *et al*., 2015:44). According to Dalhstrom *et al*. (2014:269), the aspect of trust is critical in the banking industry considering the financial transactions that implicate risk. Chigamba and Fatoki (2011:72) and Rootman and Cupp (2016:283) concur that it is not difficult for customers to switch due to the high concentration of banks in South Africa and consequently, customers experience switching costs when they switch (Bhattacharya, 2013:102). Therefore Coetzee *et al*. (2013:2) note that over the past years, South African banks have regarded service quality to be of strategic importance and the main driver for gaining a competitive edge. Rasheed *et al*. (2015:240) further posit that customer loyalty has been a key issue in banking due to the intense competition and increased customer expectations. Consequently, each year, bank marketers spend billions of Rands on loyalty programmes with a view to obtain and keep profitable customers, although the question remains whether the money spent provides the best results (Mokoena & Govender, 2015:22).

Given the tendency of customers to switch between banks and increasing customer attrition, it is important to study and observe those aspects (from a relationship marketing perspective) that might predict customer loyalty in South African retail banks, since relationship marketing is regarded as the foundation for reinforcing relationships and maintaining customer loyalty (Lo, 2012:92).

Therefore, in light of the above research problem identified, the **primary objective** of this study is to determine the predictors of customer loyalty, including service quality, trust, switching costs, and satisfaction, in South African retail banks. Consequently, the following **secondary objectives** have been formulated to support the primary objective:

1) Compile a demographic profile of respondents.
2) Determine the retail banking habits of respondents.
3) Determine respondents' perceptions of the service quality of their banks.
4) Determine respondents' trust towards their banks.
5) Determine respondents' perceived switching costs among banks.
6) Determine respondents' levels of satisfaction towards their banks.
7) Determine respondents' loyalty towards their banks.

8) Determine whether significant differences exist between different groups of retail banking customers in terms of each of the constructs.
9) Determine the interrelationship between service quality, trust, switching costs, satisfaction and loyalty in South African retail banks (as presented in the conceptual model).

4.3.2 STEP 2: Determine the research design

A research design is a blueprint that specifies the methods and processes for collecting and analysing the required information (Zikmund & Babin, 2010:64). Cooper and Schindler (2014:82) state that choosing a research design may be difficult due to the availability of a large range of methods, techniques, processes, protocols and sampling plans. Establishing the suitable research design is mainly based on the research objectives and information requirements (Hair *et al*., 2010:36). According to Churchill *et al*. (2010:79), research designs can be categorised into three types, namely exploratory, descriptive and causal. These research designs are summarised in Table 4-2 and accordingly discussed in the following sections.

Table 4-2: Research designs

	Exploratory research	Descriptive research	Causal research
Objective	Discovery of ideas and insights	Describe market characteristics	Determine cause-and-effect relationships
Characteristics	Flexible versatile Often the front-end of total research design	Marked by prior formulation of specific hypotheses Pre-planned and structured design	Manipulation of one or more independent variables Control of other mediating variables
Methods	Literature search Experience surveys Focus groups Pilot surveys Case studies	Literature search Quantitative in nature Surveys Panels Observations	Experiments

Source: Adopted from Malhotra (2009:98).

4.3.2.1 Exploratory research

Exploratory research has various uses, including gaining background information, defining terms precisely, illuminating problems and hypotheses, and establishing research priorities (Burns & Bush, 2014:101). Iacobucci and Churchill (2010:58) propound that the main emphasis of exploratory research is to find of ideas and insights. In general, exploratory research is suitable for any problem where there is little existing knowledge (Iacobucci & Churchill, 2010:61).

According to Feinberg *et al*. (2013:54), it is suitable to use exploratory research when the research objectives include:

- Identifying or developing a more specific formulation of problems or opportunities.
- Obtaining a perspective about the breadth of variables operating in a situation.
- Establishing priorities about the potential impact of different problems or opportunities.
- Gaining management's and the researcher's viewpoints about the character of the problem.
- Developing possible courses of action.
- Collecting information on the possible consequences of conducting conclusive research.

4.3.2.2 Descriptive research

Descriptive research is conducted in order to answer who, what, when, where, why and how questions (Burns & Bush, 2014:103). According to Babin and Zikmund (2016a:54), accuracy is vital in descriptive research. Malhotra (2009:100) postulates that with descriptive research, data is gathered in a structured manner, typically by means of large representative samples. Hair *et al*. (2010:104) add that the decision to use a descriptive research design is based on three factors, namely (1) the kind of the preliminary problem or opportunity, (2) the research questions, and (3) the research objectives. A statement of the problem, particular research objectives and full information requirements results in effective descriptive research (Feinberg *et al*., 2013:58).

4.3.2.3 Causal research

The main focus of causal research is to gather data that allows researchers to measure cause-and-effect relationships between two or more variables (Hair *et al*., 2010:118). In the same vein, McDaniel and Gates (2010:50) state that in causal studies, the researcher examines if the value of a single variable is responsible for a change in another in an effort to create a relationship between them. The key causal research method is experimenting (in either a laboratory or field setting) (Malhotra, 2009:104). Feinberg *et al*. (2013:59) further note that causal research needs a planned and structured design that will reduce systematic errors and maximise reliability as well as allowing reasonably unambiguous conclusions about causality with a view to select among possible courses of action. According to Babin and Zikmund (2016a:57), causal research enables decision-makers to make causal inferences.

For the purpose of this study, a descriptive research design was selected, because the research problem was clear, and research objectives have been formulated. Therefore, the descriptive research questions are covered by surveying retail bank (what) customers (who) in the Gauteng province (where) on what influences them to be loyal (why). Furthermore, the use of hypotheses support the use of descriptive research in this study (Aaker *et al*., 2011:73).

4.3.3 STEP 3: Design the data collection methods and forms

The type of research design determines the type of data to be collected as well as the method of data collection (Hult *et al*., 2014:115). Accordingly, Sarstedt and Mooi (2014:28) identify two types of data, namely primary data and secondary data. Research projects frequently begin with secondary data which was collected and recorded by a different researcher before and for the purpose of another project other than the research at hand (Zikmund & Babin, 2010:163). The subsequent sections therefore expound on the types of data noted above.

4.3.3.1 Secondary data

After the research objectives have been stated and related information has been gathered, the researcher must formulate the research design and choose suitable sources of marketing data (Feinberg *et al*., 2013:78). According to Bradley (2010:76), secondary data is already available, and therefore it is less costly than collecting data for the first time. Malhotra *et al*. (2010:134) provide criteria for evaluating secondary data as shown in Table 4-3. Silver *et al*. (2013:41) identify the following most common uses of secondary data:

- In certain instances, the information and insights obtained from secondary data are sufficient to answer the research question.
- Secondary data can provide the prior knowledge needed to understand the context of the problem and can give an indication of the market dynamics.
- It can offer exploratory information that can help in the planning and design of the instruments used to collect primary data.
- It can function as a check and standard for assessing primary data.
- It can provide insight into sample selection.
- It can assist in formulating the research hypotheses or ideas that can be studied during the primary data collection stage of the research process.

Table 4-3: Criteria for evaluating secondary data

Criteria	Issues	Remarks
Specifications/ Methodology	Data collection method Response rate Quality of data Sampling technique Questionnaire design Fieldwork Data analysis	Data should be reliable, valid and generalisable to the current problem.

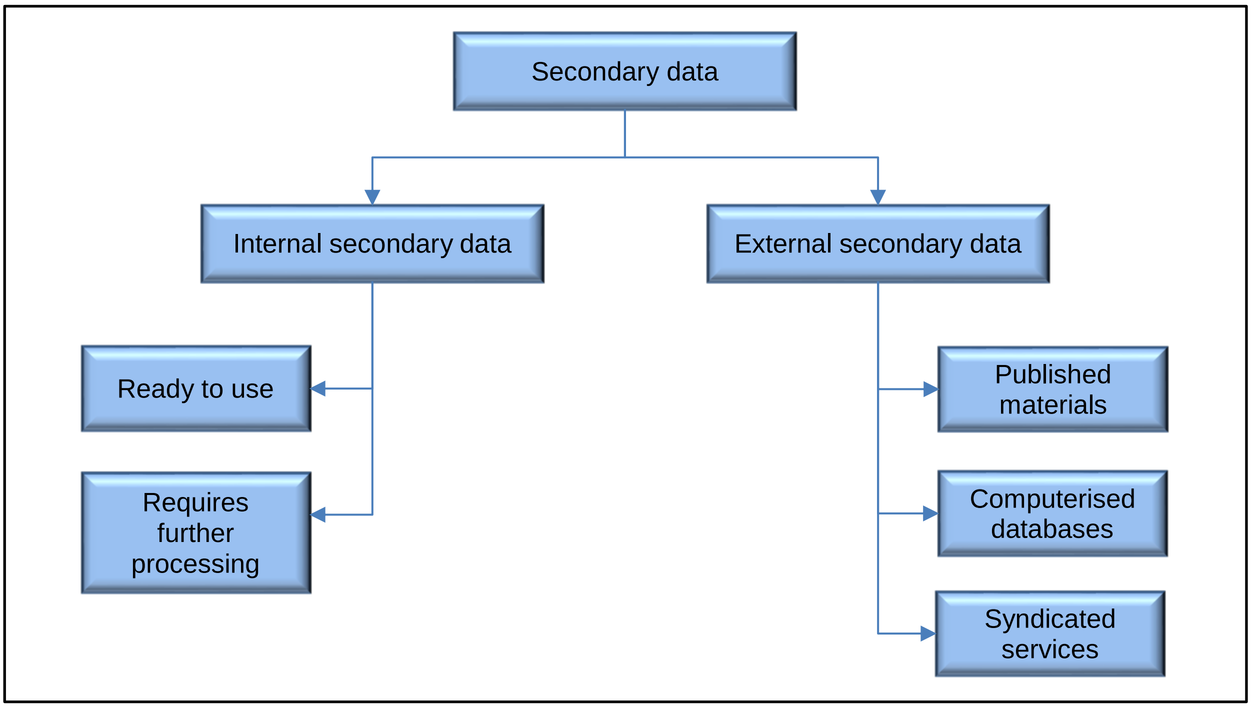
Table 4-3: Criteria for evaluating secondary data (cont.)

Criteria	Issues	Remarks
Error/Accuracy	Examine errors in approach, research design, sampling, data collection, data analysis, reporting	Assess accuracy by comparing data from different sources.
Currency	Time lag between collection and publication Frequency of updates	Census data is periodically updated by syndicated businesses.
Objective	Why was the data collected?	The objective will determine the relevance of the data
Nature	Definition of key variables Units of measurement Categories used Relationships examined	Reconfigure the data to increase its usefulness, if possible.
Dependability	Expertise, credibility, reputation and trustworthiness of the source	Data should be obtained from an original rather than an acquired source.

Source: Adapted from Malhotra *et al*. (2010:134).

Secondary data sources can further be categorised into internal and external secondary data sources (Bradley, 2010:77) as depicted in Figure 4-3. Internal data is data obtained from within the business and external data is data acquired from sources outside of the business (Malhotra, 2009:128).

Figure 4-3: Categories of secondary data



Source: Adapted from Malhotra (2009:129).

4.3.3.1.1 Advantages of secondary data

Although secondary data cannot provide all the information needed for a research project, it can assist in establishing the research problem, and can be used to propose methods and suggest the kinds of data necessary to meet information needs, and it can function as a source of comparative data through which primary data can be interpreted and evaluated (Feinberg *et al*., 2013:79). Malhotra (2009:124) notes that the main advantages of secondary data are the time and costs savings. In the same vein, Silver *et al*. (2013:42) state that secondary data has the following advantages:

- The cost of acquiring secondary data is low, as it can be obtained from published sources (for which primary data collection was already done).
- Secondary data can be obtained within a short period of time, in contrast to primary data that needs design and execution of primary data-collection instruments.
- Secondary data may be everything that is needed to accomplish the research objective (Burns & Bush, 2013:126). In other words, secondary data may provide enough information thus eliminating the need for obtaining primary data.

4.3.3.1.2 Disadvantages of secondary data

Considering that secondary data was generated for other uses not pertaining to provide answers to the present research question, care must be taken when using this data. In addition, the limitations of secondary data must be taken into account (Silver *et al*., 2013:42). Iacobucci and Churchill (2010:144-147) provide the following disadvantages of secondary data:

- **Problems of fit:** Due to the fact that secondary data was meant to address a specific problem and not the problem at hand, it is unusual for it to fit to the current problem perfectly. It is common for a researcher to find that secondary data was expressed in units which differ from those needed for the current project (Feinberg *et al*., 2013:79). Echoing the same sentiments, Malhotra (2009:125) mentions that the significance of secondary data is typically limited to the scope of its fit with the existing research problem and by concerns about data accuracy.
- **Problems of accuracy:** The accuracy of many secondary sources may be questionable. Several errors are possible during the collection, analysis and reporting of marketing information. According to Feinberg *et al*. (2013:80), evaluating the accuracy of secondary data is challenging. Therefore, users of secondary data should constantly evaluate and verify the accuracy of the data obtained (McDaniel & Gates, 2010:74). This can be done by using the criteria shown above in Table 4-3. Feinberg *et al*. (2013:80) posit that it is

imperative to obtain secondary data from its original source instead of using acquired sources at any time possible.

For the purpose of this study, secondary data was used in Chapters 1 to 4. Chapter 1 focused on the literature to provide background on the use of relationship marketing, as well as information on the South African retail banking industry. Chapter 2 provided more detail on the discipline of relationship marketing, and Chapter 3 focused on the theoretical constructs (i.e. service quality, trust, switching costs, customer satisfaction and loyalty). Chapter 4 presented a literature overview of the available marketing research methods. Relevant secondary data was obtained from published academic journals, theses, textbooks and credible internet sources.

4.3.3.2 Primary data

Primary data is gathered for a particular purpose (Sarstedt & Mooi, 2014:38). Lamb *et al*. (2012:299) further describe primary data as data that is collected for the very first time and is used to solve a specific problem. When the problem under investigation is unique to a particular business, the use of primary data might be the only source of viable information (Kuiper, 2009:275). According to Wiid and Diggines (2015:94), primary data can be collected by using qualitative research or quantitative research. Table 4-4 provides a distinction between the two primary data collection methods which are subsequently discussed.

Table 4-4: Differentiating qualitative from quantitative research

Qualitative research	Differentiating dimension	Quantitative research
Probing	**Types of questions**	Limited probing
Small	**Sample size**	Large
Substantial	**Amount of information from each respondent**	Varies
Interviewer with special skills	**Requirements for administration**	Interviewer with fewer special skills or no interviewer
Subjective, interpretive	**Type of analysis**	Statistical, summation
Sound recorders, projection devices, video recorders, pictures, discussion guides	**Hardware**	Questionnaires, computers, printouts, mobile devices
Low	**Degree of replicability**	High
Psychology, sociology, social psychology, consumer behaviour, marketing, marketing research	**Researcher training**	Statistical, decision models, decision support systems, computer programming, marketing, marketing research
Exploratory	**Type of research**	Descriptive or causal

Source: Adapted from McDaniel and Gates (2013:80).

4.3.3.2.1 Qualitative research

Qualitative research methods are relatively unstructured; in other words, these are methods that do not require a format. Instead, the respondent is openly questioned about the key issue and permitted to provide long answers (Feinberg *et al*., 2013:218). Babin and Zikmund (2016a:113) state that qualitative research does not concentrate on numeric values but on stories, visual displays, meaningful characterisations, interpretations and other expressive descriptions. According to Wiid and Diggines (2015:98), the three most common qualitative research methods are:

- **Focus group interviews:** A focus group is a research method whereby a topic is introduced to a panel of respondents. A moderator leads the panel and guides the discussion of the topic in an unstructured and natural manner. Six to ten respondents normally participate in focus groups. The moderator uses group dynamics principles to lead the group to exchange ideas, feelings and experiences on a particular topic (Cooper & Schindler, 2014:160). Iacobucci and Churchill (2010:63) identify the following aims of focus groups: to formulate hypotheses that can be further confirmed quantitatively, to formulate information that can be used to design customer questionnaires, and to give insight on a product category and acquire customer impressions on new product concepts or ad copy.
- **In-depth interviews:** The aim of an in-depth interview is to obtain a deeper understanding of a topic that the respondent is able to speak about (Belk *et al*., 2013:31). McDaniel and Gates (2013:93) note that the interviewer has to be properly trained in order to probe and elicit detailed responses to every question. Considering that a great deal of information is gathered from in-depth interviews, it is advisable to have two interviewers with one interviewer asking questions and the other observing and making notes, as well participating from time to time (Churchill *et al*., 2010:84). According to McDaniel and Gates (2013:93), some of the benefits of using in-depth interviews are that the more time spent on individual respondents encourages them to review new information, and each respondent’s perspective can be acquired without influence from others.
- **Projective techniques:** Researchers are frequently searching for concealed or suppressed feelings. To this end, they can use projective techniques in the interview (Cooper & Schindler, 2014:155). Churchill *et al*. (2010:97) posit that projective techniques stimulate respondents to disclose their own feelings, thoughts and behaviours by moving the focus away from the individual by means of indirect tasks. Furthermore, Churchill *et al*. (2010:97) state that the basic idea with projective techniques is that an individual’s responses to an ambiguous stimulus shows the person’s elementary view of the phenomenon. The most often used projective techniques include association, completion, construction and

expressive techniques (Wiid & Diggines, 2015:106). According to Babin and Zikmund (2016a:130), projective techniques are particularly effective when studying sensitive matters. However, using projective techniques is very costly due to fact that expert interviewers are needed (Wiid & Diggines, 2015:110).

4.3.3.2.2 Quantitative research

According to Wiid and Diggines (2015:95), “quantitative research is the collection of data that involves larger, more representative respondent samples and the numerical calculation of results”. Saunders *et al*. (2012:162) indicate that quantitative research investigates the relationships between variables, which are measured mathematically and analysed using various statistical methods. With quantitative research, formal and structured questions are administered to a large numbers of respondents (Hair *et al*. 2013:77). As discussed by Wiid and Diggines (2015:95), quantitative research methods include:

- **Surveys:** A survey comprises interview a large number of respondents by means of a structured questionnaire (Burns & Bush, 2014:172). Cooper and Schindler (2014:219) postulate that survey questions are carefully selected, arranged and precisely asked of each respondent. Therefore, as indicated in Table 4-5, certain aspects need to be considered when selecting a research method (McDaniel & Gates, 2013:120). Surveys provide a fast, less costly, efficient and accurate means of obtaining information about a population (Babin & Zikmund, 2016a:168). McDaniel and Gates (2013:119) recommend that a researcher should select a survey method that can provide required data types, quality and quantity at low cost possible. Surveys can be done by means of telephone interviews, personal interviews, mail interviews and electronic interviews (Malhotra *et al*., 2010:210).

Table 4-5: Determinants of surveys

Factor	Comment
Sampling precision	If the need of accuracy in the study results is not great, less rigorous and less expensive sampling procedures may be appropriate.
Budget	It is important to determine how much money is available for the survey portion of the study.
Need to expose respondent to various stimuli and have respondent perform specialised tasks	Taste tests and prototype usage tests usually require face-to-face contact. Card sorts, certain visual scaling methods and the like require either face-to-face contact of the internet.
Quality of data required	It is important to determine how accurate the results of the study need to be.
Length of questionnaire	Long questionnaires are difficult to do by mail, over the phone, or in a mall.

Table 4-5: Determinants of surveys (cont.)

Factor	Comment
Incidence rate	Are you looking for people who make up 1 percent of the total population or 50 percent of the population? If you are looking for a needle in haystack, you need an inexpensive way to find it. The internet is probably the best source.
Degree of structure of questionnaire	Highly structured questionnaires may require data collection by personal interview.
Time available to complete survey	There may not be time to wait for responsive vial snail mail. The internet is the fastest way to go.

Source: Adapted from McDaniel and Gates (2013:120).

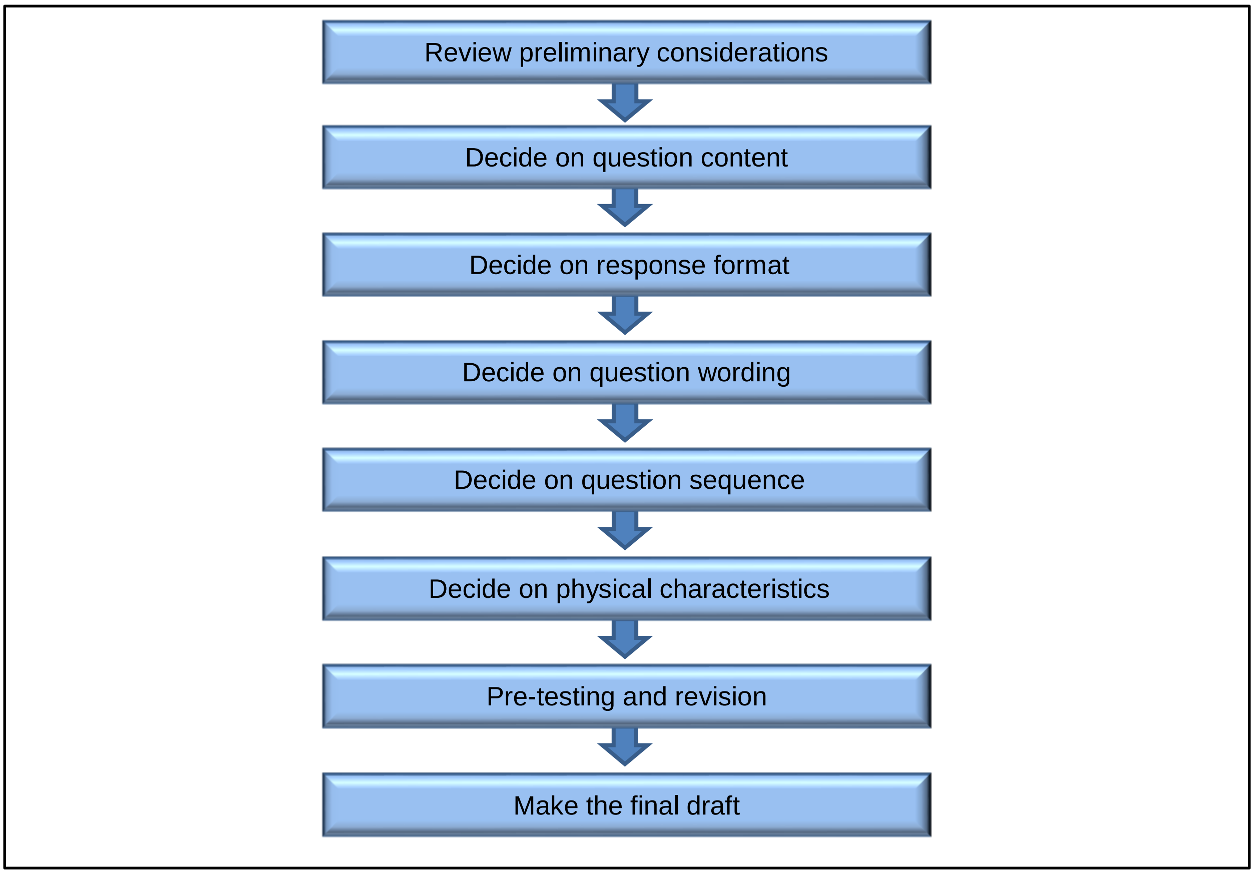
- **Observations:** An observation encompasses the collection of primary data by means of observing relevant scenarios, people, and their actions (Kotler & Armstrong, 2010:133). Silver *et al*. (2013:137) note that observation is more effective for assessing particular behavioural variables than for assessing attitudinal variables. According to Bradley (2010:130), observations can be conducted by humans or by machines. Kotler and Armstrong (2010:133) state that researchers often record customer behaviour to gather customer insights that they are unable to acquire through questioning customers. Therefore, observational techniques are effective when investigating unconscious behaviour patterns or behaviours that individuals may not want to share honestly (Malhotra, 2009:231). According to Ghauri and Grønhaug (2010:117), the selection of an observation technique is greatly influenced by the problem at hand, the research design, the expertise of the researcher as well as the nature and characteristics of the subject to be observed.
- **Experiments:** An experiment is a research method whereby a single variable is manipulated to determine its effect on another variable (McDaniel & Gates, 2010:215). As mentioned earlier (section 4.3.2.3.), an experiment is a research technique generally used in causal research. According to Malhotra (2009:261), the constraints to experiments include the time, cost and administration of an experiment. Cooper and Schindler (2014:195) recommend that, to conduct a successful experiment, the researcher must: (1) select appropriate variables, (2) clearly state the treatment levels, (3) control the experimental environment, (4) select the experimental design, (5) choose and assign the subjects, (6) pilot test, revise and test, and (7) analyse the data. Experiments can be done in a laboratory or in a natural (field) setting (McDaniel & Gates, 2010:217). In a laboratory experiment, the researcher sets the desired conditions (Wiid & Diggines, 2015:142) while a field experiment involves assessing behaviour, attitudes or perceptions in the environment in which they occur (Malhotra, 2009:260).

For the purpose of this study, a survey was done by administering questionnaires to respondents. Fieldworkers approached potential respondents at shopping malls to ask for participation in the requested survey.

4.3.3.2.3 Questionnaire design and content

The aim of this study is to gather quantitative data. Therefore, data was collected by means of structured, self-administered questionnaires. According to Neelankavil (2015:184), a questionnaire is a collection of questions that is used to obtain the necessary information from a sample. To design a good questionnaire, researchers need to take into account whether the questionnaire provide the essential decision-making information for managers, whether it considers the respondent, and whether it complies with all the standards for editing, coding and data processing (McDaniel & Gates, 2010:288). According to Feinberg *et al*. (2013:267-287), when designing a questionnaire, researchers follow certain guidelines as shown in Figure 4-4. These are further discussed in the following sections.

Figure 4-4: Guidelines for designing a questionnaire



Source: Adopted from Feinberg *et al*. (2013:268).

(i) Preliminary considerations

Researchers want sufficient coverage of the subject and wish to obtain information in its most usable form (Cooper & Schindler, 2014:300). Feinberg *et al*. (2013:267) note that central to this procedure is the development of research objectives and the listing of information requirements. Furthermore, the research design has to be designed, the phases in the research process must be visualised and planned, and several decisions should be made before the questionnaire can be designed (Feinberg *et al*., 2013:267).

(ii) Question content

Question content is influenced by the objectives of the study (Cooper & Schindler, 2014:302). According to Malhotra (2009:333), the researcher has to identify what should be included in every question. The respondent's ability and willingness to answer correctly influence the question content (Feinberg *et al*., 2013:269). Wiid and Diggines (2015:166) recommend that, when deciding on the content of each question, the researcher must answer the following questions:

- Is there need for the question?
- Are numerous questions required instead of only one?
- Does the respondent possess the information that is required?
- Does the question fit within the respondent's field of expertise?
- Will the respondent find it challenging to respond to the question?
- Will the respondent be ready to provide the requested information?

To ensure that all the required information is obtained from respondents (and no unnecessary information is gathered), the research objectives of the study must be considered in compiling the questionnaire. **In this study, the questionnaire included three sections:**

- Section A: designed to gather information of respondents' demographic information (to reach objective 1).
- Section B: formulated to obtain information on respondents' retail bank patronage habits (to reach objective 2).
- Section C: designed to gather information by determining respondents' perceptions of service quality, trust, switching cost, satisfaction and loyalty towards their retail banks (to reach objectives 3 to 8).

(iii) Response format

Once the question content has been decided, the researcher has to decide on the specific form of response (Iacobucci & Churchill, 2010:212). Wiid and Diggines (2015:169) posit that, when selecting the type of questions to include in a questionnaire, the researcher has to consider the respondent's likely reaction or expected answer. According to Clow and James (2014:246), the main decision the researcher has to make with regard to the response format is whether to use open-ended questions, closed-ended questions or a combination of the two formats. The two main types of questions, as identified by Clow and James (2014:246), are further discussed below:

- **Open-ended questions:** With open-ended questions, respondents can answer in their own words rather than being restricted to select from a set of alternatives (Iacobucci & Churchill, 2010:212). According to Hair *et al*. (2010:180), there is no predetermined list of responses provided to help or restrict the respondent's answers. Bradley (2010:194) states that open-ended questions stimulate responses over-looked by the researcher and may reveal answers that were not expected. However, Hair *et al*. (2010:180) posit that open-ended questions are very difficult to code for analysis.
- **Closed-ended questions:** With closed-ended questions, there is a predetermined list of answers (Bradley, 2010:196). Aaker *et al*. (2011:280) state that, usually, closed-ended questions take less time to answer as compared to open-ended questions. According to Malhotra *et al*. (2010:341), closed-ended questions or structured questions may be multiple choice, dichotomous, or a scale. With multiple-choice questions, the respondent has a list of predetermined optional answers to choose from (Feinberg *et al*., 2013:276). Dichotomous questions only have two choices such as yes or no, or a selection of two opposite options (Silver *et al*., 2013:146). Scale questions are intended to capture respondents' intensity of the related sentiments (i.e. statement) on a progressive measure (McDaniel & Gates, 2013:255).

For the purpose of this study, dichotomous questions and multiple-choice questions were used to determine the respondent's demographic information and patronage habits. Furthermore, scaled questions were used to determine respondents' expectations and perceptions of service quality, trust, switching costs, satisfaction and loyalty. The questions for the constructs were obtained from previous research studies related to the present study.

(iv) Question wording

Once the researcher has chosen the particular types of questions and response format, the subsequent task is the actual formulation of the questions to be included in the questionnaire (McDaniel & Gates, 2013:255). According to Iacobucci and Churchill (2010:216), this is a critical task, as poor phrasing of a question will result in respondents leaving some questions unanswered or incorrectly answering the question. Feinberg *et al*. (2013:280) recommend the following for correct question wording:

- Use simple language.
- Use clear words.
- Avoid leading questions.
- Avoid biased questions.
- Avoid implicit options.
- Avoid implicit assumptions.
- Avoid estimations.
- Avoid double-barrelled questions.
- Consider the frame of reference.

For this study, in order to ensure that a clear, understandable, and high quality questionnaire was compiled, the above recommendations were taken into consideration during the compilation of the questionnaire.

(v) Question sequence

Once the response format and wording for each question have been chosen, the researcher is ready to compile them into the questionnaire (Churchill *et al*., 2010:305). Aaker *et al*. (2011:289) point out that the sequence of questions is primarily influenced by the need to maintain respondents' cooperation and to make the questionnaire simple for the interviewer to administer. Selecting the proper order of questions is important because it determines the logical flow of the questionnaire, and consequently contributes to accurate and high response rates (Sarstedt & Mooi, 2014:75). According to Babin and Zikmund (2016a:318), the respondent's cooperation and participation can be maintained throughout the questionnaire if the first questions to a questionnaire are interesting, easy to understand and answer. **For the purpose of this study**, the above considerations were taken into account.

(vi) Physical characteristics

The physical layout of the questionnaire can have an effect in obtaining the respondent's cooperation (Feinberg *et al*., 2013:276). According to Iacobucci and Churchill (2010:221), the physical appearance of the questionnaire can affect response accuracy, respondents' reactions, and can also simplify the processing of responses. Churchill *et al*. (2010:306) posit that, in determining the layout of the questionnaire, the researcher has to take note of a number of things that will assist in getting to the respondent to accept the questionnaire, and enable handling and control by the researcher. According to Wiid and Diggines (2015:173), two important considerations on questionnaire format include (1) the cost of producing the final questionnaire has to be low, and (2) the questionnaire has to be attractive and convenient to enable its completion by the respondent.

For this study, on the front page of the questionnaire, a brief summary about what the study intends to do was provided. These included obtaining customers' feedback regarding their loyalty towards their bank, by determining the service quality and trust they obtain from their bank, as well as their switching cost perceptions and satisfaction. In addition, the questionnaire had a screening question to identify potential respondents who had been using South African retail banks (Absa, Capitec, FNB, Nedbank and Standard bank) for a duration of two or more years. In this way, only potential respondents who had been using any of the retail banks for a duration of two or more years were asked to participate in the survey. Inside the questionnaire, the questions were arranged beginning with the respondent's demographic information, patronage habits and finally, the research constructs i.e. service quality, trust, switching cost, satisfaction and loyalty.

(vii) Pre-testing and revision

After obtaining final approval, the questionnaire must be pretested (McDaniel & Gates, 2010:310). Malhotra (2009:350) defines pre-testing as the testing of the questionnaire on a small sample of respondents in order to detect and remove any potential problems. As discussed by Churchill *et al*. (2010:311), the real test of a questionnaire is how it works in the real situations of data gathering. In a pre-test, respondents are asked to provide comments regarding the wording, phrasing, instructions and question order (Hair *et al*., 2010:191). Silver *et al*., (2013:149) posit that it is recommended to do a second pre-test after appropriate revisions have been made if significant changes occur from the original pre-test. Accordingly, Malhotra *et al*. (2010:351) recommend that pretesting should be conducted until no additional changes are required. Aaker *et al*. (2011:292) state that effective pre-testing can only happen if the researcher can accept criticism and is willing to pursue the deficiencies.

In this study, the questionnaire was pre-tested by 30 respondents from the target population.

(viii) Compile the final draft

The researcher has to be careful when compiling the final version of the questionnaire (McDaniel & Gates, 2013:263). Hence, McDaniel and Gates (2010:310) recommend that specific guidelines for skip patterns, numbering and pre-coding have to be set and the results should be checked. Once the questionnaire has been approved, researchers can implement it for gathering primary data (Wiid & Diggines, 2015:174).

4.3.3.2.4 Design and content for the questionnaire used in this study

In designing the questionnaire pertinent to this study, the guidelines for questionnaire design (sections 4.3.3.3.1 – 4.3.3.3.8) were taken into consideration. Table 4-6 further indicates the questions formulated, adopted and adapted in the final questionnaire design used in this study.

Table 4-6: Questions used in final questionnaire of this study

Section	Question or statement	Source(s)
Screening question	Have you been making use of the banking services of one or more of the major South African banks (Absa, Capitec, FNB, Nedbank, Standard bank) for two or more years?	Self-generated
Section A: Demographic information	1) In which year were you born?	
	2) What is your gender?	
	3) What is your highest level of education?	
	4) What is your ethnicity?	
	5) What is your employment status?	
Section B: Patronage habits	6) At which one of the following banks do you hold your personal account, or most of your personal accounts?	
	7) How long have you been with your bank?	

Table 4-6: Questions used in final questionnaire of this study (cont.)

Section		Question or statement	Source(s)
Section C: Research constructs	Satisfaction	8) On a scale of 1 to 5, where 1 is 'strongly disagree' and 5 is 'strongly agree', indicate the extent to which agree with each of the following statements regarding your **satisfaction with your bank**.	
		I am satisfied with the services I receive from my bank.	Armstrong and Seng (2000), Bennet and Rundle-Thiele (2004)
		I believe my bank treats me fairly.	
		My bank's services meet my expectations.	
		I am proud of my relationship with my bank.	
		My experiences with my bank have always been good.	
		I am completely happy with my bank.	
	Trust	9) On a scale of 1 to 5, where 1 is 'strongly disagree' and 5 is 'strongly agree', indicate the extent to which agree with each of the following statements regarding the **trust in your bank**.	
		My bank is trustworthy.	Alvarez *et al.* (2011), Morgan and Hunt (1994)
		I have confidence in my bank.	
		My bank is concerned with the security of my transactions.	
		My bank is consistent in providing quality services.	
		My bank's promises are reliable.	
		My bank's employees show respect to its customers.	
	Service quality	10) On a scale of 1 to 5, where 1 is 'strongly disagree' and 5 is 'strongly agree', indicate the extent to which agree with each of the following statements regarding the **service quality of your bank**.	
		When I have a problem, the staff show a sincere interest to help me.	Coetzee *et al.* (2013:11)
		The bank has my personal and banking information up to date and error free.	
		The staff perform a service correctly the first time.	
		The staff keep the promises they make.	
		The staff perform the service they promise or claim to do.	
		The staff are never too busy to respond to my requests and queries.	
		The staff are willing to help me.	
		The staff give me prompt and quick service.	
		The staff constantly keep me informed about the progress of my queries.	
		The staff have the knowledge and know-how of bank processes and policy to deal with my queries and concerns.	
		The staff are polite towards me.	

Table 4-6: Questions used in final questionnaire of this study (cont.)

Section		Question or statement		Source(s)
Section C: Research constructs	**Service quality**		The behaviour and knowledge of the staff instil confidence in me.	Coetzee *et al*. (2013:11)
			I feel safe and confident about the staffs' abilities to deal with my concerns.	
			The staff always have my best interests at heart.	
			The staff give me personal attention.	
			My bank's employees are neat appearing.	
			The staff understand my personal banking needs.	
			The staff treat me as an individual with individual needs.	
			My bank has operating hours that are convenient to me.	
			My bank's branch layout is clearly demarcated and easy to understand.	
			My bank's branch is visually appealing and clean.	
			The staff are neatly and professionally dressed.	
			My bank's branch has modern equipment.	
	Switching costs	11)	On a scale of 1 to 5, where 1 is 'strongly disagree' and 5 is 'strongly agree', indicate the extent to which agree with each of the following statements regarding the **costs involved in switching from your bank**.	
			I like the image (the brand) of my bank.	Matzler *et al*. (2015:123)
			Switching to another bank could cause hidden (unpredictable) costs.	
			Switching to another bank will probably result in some unexpected hassle.	
			The process of switching to another bank is connected to many formalities.	
	Loyalty	12)	On a scale of 1 to 5, where 1 is 'strongly disagree' and 5 is 'strongly agree', indicate the extent to which agree with each of the following statements regarding your **loyalty towards your bank**.	
			I say positive things about my bank to other people.	Kaura *et al*. (2015:412)
			I would recommend my bank to someone who seeks my advice.	
			I encourage friends and/or relatives to do business with my bank.	
			I consider my bank as my first choice when I need services concerning my finances.	
			I intend to continue doing business with my bank in the next few years.	
			I am willing to try new services that my bank provides.	

4.3.4 STEP 4: Developing a sample plan

After designing the data collection method and formulating the questionnaire, the researcher can proceed to the next step of the marketing research process, which involves planning the sample and collecting the data. As noted, gathering primary data takes longer, is more costly and more difficult as compared to gathering secondary data (Pride & Ferrell, 2010:137). The following sections therefore provide a discussion on the sample design and data collection.

4.3.4.1 Sample design

Sampling is an important stage of the marketing research process (Babin & Zikmund, 2016b:337). Armstrong and Kotler (2013:138) define a sample as a unit of the total population chosen for marketing research to represent the whole population. According to Pride and Ferrell (2010:137), due to scarce resources and time, it is practically impossible to investigate all the members of a target population. Numerous aspects have to be considered when selecting the best sample design (Hair *et al*., 2013:146); these are shown in Table 4-7.

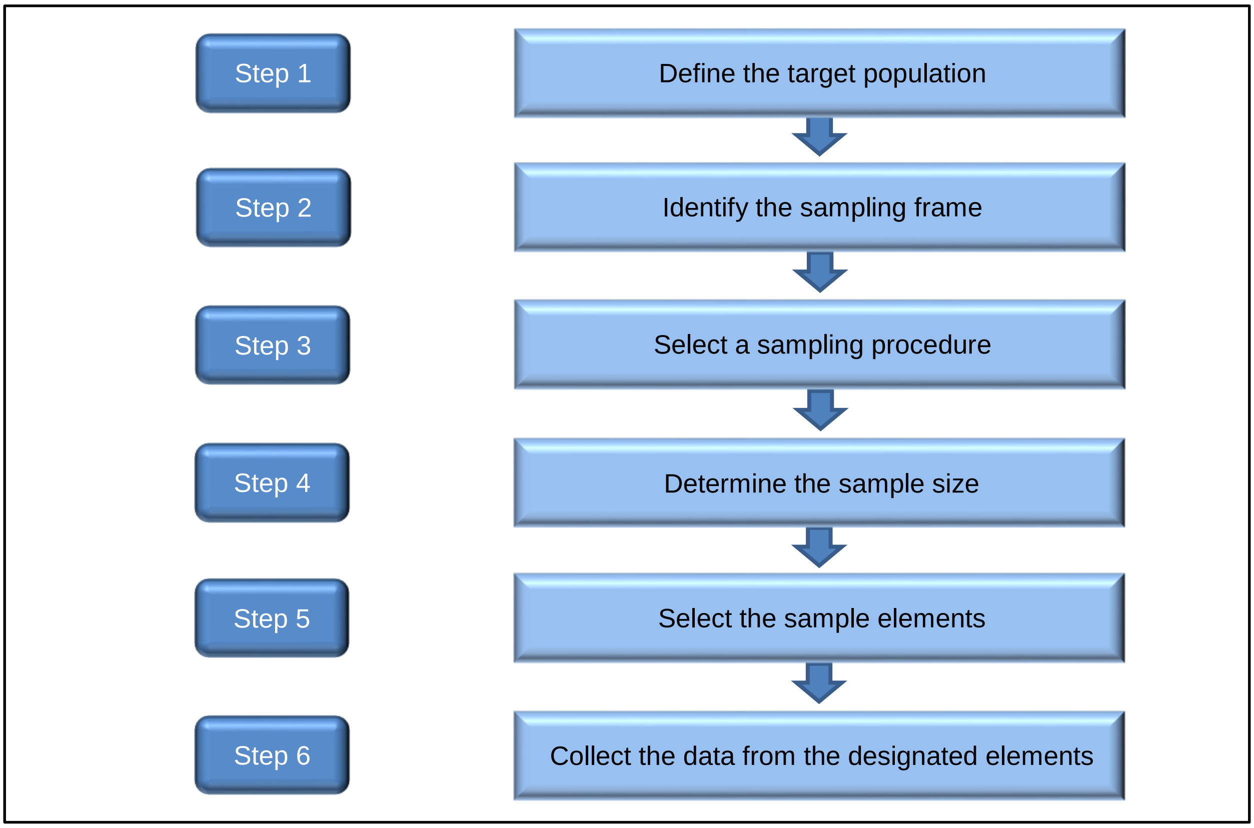
Table 4-7: Sample design considerations

Factor	Question(s)
Research objectives	Do the research objectives require the use of a qualitative or quantitative research design?
Degree of accuracy	Does the research require the making of predictions or inferences about the defined target population, or only preliminary insights?
Resources	Are there tight budget limitations with regards to financial and human resources allocated to the research project?
Time frame	How quickly does the research project have to be completed?
Knowledge of the target population	Are there complete lists of the defined target population elements? How easy or difficult is it to generate the required sampling frame of prospective respondents?
Scope of the research	Is the research going to be international, national, regional, or local?
Statistical analysis needs	To what extent are accurate statistical projections and or testing of hypothesised differences in the data needed?

Source: Adapted from Hair *et al*. (2013:147).

The sampling procedure encompasses arriving at conclusions about the total population by taking measurements from part of all population elements (Zikmund & Babin, 2010:412). Accordingly, the sampling plan used in this study is shown below in Figure 4-5.

Figure 4-5: Sampling plan



Source: Adopted from Iacobucci and Churchill (2010:283).

4.3.4.1.1 Define the target population

Once the researcher has chosen to use sampling methods instead of a census, he or she has to take several essential sampling decisions and the first decision is to define the population (Silver *et al*. 2013:153). Hult *et al*. (2014:116) define a population as the total components, units, or individuals of interest to researchers for a particular study. Wiid and Diggines (2015:185) note that the population units available for analysis as determined by the research problem are referred to as the target population. Hints to identifying the target population can be obtained in the statement of research objective (Silver *et al*. 2013:153). According to Feinberg *et al*. (2013:301), it is essential to define the population with all relevant detail, as nothing else establishes proper sampling. Hence, Wiid and Diggines (2015:188) recommend that the population must be clearly defined in respect of the sample unit, sample element, extent and time.

For the purpose of this study, the target population includes South African retail bank customers. The sampling unit and elements consist of bank customers who have had an account at any South African retail bank in Gauteng Province for a period of two or more years.

4.3.4.1.2 Identify the sampling frame

The second phase of the sampling plan is to select the sampling frame (Silver *et al*., 2013:155). Feinberg *et al*. (2013:302) define a sampling frame as a list of sample units that can be chosen from the target population for participation in the study. In the same vein, Malhotra (2009:372) states that a sampling frame consists of a list or set of directions available for identifying the target population. Babin and Zikmund (2016b:343) posit that a sampling frame error may happen if particular sample elements are not included or if the entire population is not accurately represented in the sampling frame. According to Wiid and Diggines (2015:188), the researcher initially has to find out which sample frames exist to acquire a full, accurate and appropriate sample from the population.

For the purpose of this study, no sampling frame was available and therefore a non-probability sampling technique was used with a questionnaire which had a screening question to identify respondents who have been using South African retail banks for a period of two years or more.

4.3.4.1.3 Select a sampling procedure

After identifying the sample frame, the next phase involves selecting the sampling procedure. The main sampling techniques are probability sampling and non-probability sampling (Babin & Zikmund, 2016b:348). Probability sampling and non-probability are briefly discussed below and the different types of both sampling techniques are shown in Table 4-8.

Table 4-8: Types of probability and non-probability sampling techniques

Probability sampling methods	Non-probability sampling methods
Simple random sampling	Convenience sampling
Systematic random sampling	Judgement sampling
Stratified random sampling	Quota sampling
Cluster sampling	Snowball sampling

Source: Adopted from Hair *et al*. (2013:140).

(i) Probability sampling

Probability sampling involves samples where every sample element (i.e. potential respondent) has a chance of being included in the sample (Stevens *et al*., 2012:185), which is generally accomplished by using an accurate sampling frame (Sarstedt & Mooi, 2014:40). According to Silver *et al*. (2013:156), probability sampling techniques tend to be more objective and permit the use of statistical techniques. The types of probability sampling identified in Table 4-7 are briefly discussed below:

- **Simple random sampling** is a sampling process that guarantees that each element in the target population will have an equal chance to be selected for the sample (Zikmund & Babin, 2010:426). Wiid and Diggines (2015:194) posit that for simple random sampling to be practically used, every element in the population must be clearly identifiable and a sample frame must exist or be compiled.
- **Systematic random sampling** involves choosing a starting point randomly and then every n^{th} number on the sample frame is selected (Babin & Zikmund, 2016b:351). The frequency with which the sample elements are selected is referred to as sampling interval (Malhotra, 2009:382). However, Hair *et al*. (2013:141) posit that this sampling technique is prone to bias due to hidden patterns that may exist in the list of names.
- **Stratified random sampling** occurs when a population is divided into groups with similar characteristics and a random sample is selected from each group (Hult *et al*., 2013:118). The population is divided into groups called strata (Sarstedt & Mooi, 2014:41). According to Malhotra (2009:383), the strata are developed based on similarities, differences, relatedness, and/or cost.
- **Cluster sampling** is a cost-effective sampling approach that retains the attributes of a probability sample (Zikmund & Babin, 2010:430). According to Sarstedt and Mooi (2014:41), "cluster sampling requires dividing the population into different heterogeneous groups with each group's characteristics similar to those of the population".

(ii) Non-probability sampling

With non-probability sampling, the likelihood of a sample element (i.e. potential respondent) being selected is unknown (Whitley & Kite, 2012:486). The main distinctions between probability and non-probability sampling techniques are based on the mechanics used in sample design (Burns & Bush, 2014:254). Sarstedt and Mooi (2014:42) posit that non-probability sampling techniques are frequently used as they are easy to use, and generally cheaper than probability sampling. The types of non-probability sampling shown in Table 4-7 are briefly discussed below:

- **Convenience sampling** uses respondents who can be easily or conveniently accessed (Bradley, 2013b:168). Consequently, as discussed by Malhotra (2009:377), choosing sampling units is mainly done by the researcher or fieldworker. Sarstedt and Mooi (2014:43) posit that the researcher's control over who participate in the sample is constrained to and influenced by situational aspects.

- **Judgement sampling** means the researcher or fieldworker decides on the participants who might best help in the study (Bradley, 2013:168). Clow and James (2014:232) posit that the key to using judgement sampling is selecting individuals or objects that will be representative of the population under study.
- **Snowball sampling** procedure is used to choose more respondents on the basis of referrals from the first respondent (McDaniel & Gates, 2013:293). According to Burns and Bush (2014:256), this type of sampling starts after the researcher has shortlisted potential respondents fewer than the entire sample required for the study at hand.
- **Quota sampling** involves segmenting the population into groups and randomly selecting specific participants from each segmented group (Pride & Ferrell, 2010:140). Aaker *et al*. (2011:251) state that quota sampling is frequently based on demographic information such as geographical area, gender, education and income.

For this study, the sampling technique implemented is the non-probability convenience sampling method, since there was no sampling frame available due to the Protection of Personal Information Act (4 of 2013) which promotes the protection of personal information by public and private bodies. Therefore, respondents had to be surveyed based on convenience and availability (Shiu *et al*., 2009:480) meaning respondents were randomly chosen based on their accessibility to fieldworkers.

Furthermore, quotas were used based on each retail bank's market share. Therefore, based on the market share of each retail bank, and a total sample of 500 respondents drawn, the quota sample was 135 Standard Bank respondents, 110 Absa respondents, 86 Nedbank respondents, 85 Capitec respondents and 84 FNB respondents.

4.3.4.1.4 Determine the sample size

Once the sampling procedure has been identified, the sample size has to be determined (Sarstedt & Mooi, 2014:43). Bradley (2013:175) posits that the sample size is often determined before the data collection begins, although in some research projects it may be decided upon after the data collection has commenced. According to Silver *et al*. (2013:159), the sample size influences the sample accuracy. As discussed by Bradley (2013:175), the sample size is based on:

- The needed accuracy of the study (the purpose).
- The size and characteristics of the people under investigation (the population).
- The time, budget, and resources available (the procedural aspects).
- The significance of the results (publishing aspects).

In the same vein, Wiid and Diggines (2015:202) state that a sample size is determined by using any of the following methods:

- Blind guesses: The researcher uses personal judgement to decide on the sample size. This technique is arbitrary and does not take into account the accuracy of the survey results.
- Statistical method: The statistical method uses statistical formulae to determine the sample size based on: (1) desired level of confidence; (2) desired accuracy or precision of the sample results and (3) standard deviation of the population.

Malhotra (2009:374) further provides an idea of sample sizes used in various marketing researches as shown in Table 4-9.

Table 4-9: Sample sizes used in marketing research studies

Nature of study	Minimum size	Typical range
Problem identification research	500	1000 – 2500
Problem-solving research	200	300 – 500
Product tests	200	300 – 500
Test-marketing studies	200	300 – 500
TV/radio print advertising	150	200 – 300

Source: Adapted from Malhotra (2009:374).

For the purpose of this study, the sample size was determined by the guidelines for marketing research sample size as provided by Malhotra (2009). Since the present study is a problem-solving research project, the researcher had a sample of 500 respondents which is the typical range provided by Malhotra (2009:374). Therefore, based on the market share of each retail bank and a total sample of 500 respondents drawn, the quota sample was 135 Standard Bank respondents, 110 Absa respondents, 86 Nedbank respondents, 85 Capitec respondents and 84 FNB respondents as shown in Table 4-10.

Table 4-10: Summary of sample quotas

Bank	Sample quota
Absa	110
Capitec	85
FNB	84
Nedbank	86
Standard bank	135
Total	**500**

4.3.4.2 Data collection

The next phase after selecting the sampling plan involves selecting the sample elements, as shown in Figure 4-5. Clear plans and processes for the selection of respondents should be provided in the data collection stage (Wiid & Diggines, 2015:206). Silver *et al*. (2013:166) posit that the key factor here is to acquire enough representative information and eliminate sampling and non-sampling error as much as possible, even if using probability or non-probability sampling.

For the purpose of this study, respondents were chosen on the basis of convenience and accessibility. Respondents included retail bank customers in Gauteng Province. Table 4-11 shows the sample plan followed in the study.

Table 4-11: Sample plan used for this study

Sampling aspect	Sample description
Target population	Gauteng province residents using retail banks (Absa, Capitec, FNB, Nedbank and Standard bank)
Sampling frame	No sampling frame was available
Sampling procedure	Non-probability; Convenience sampling
Sample size	500 respondents
Sample elements	Respondents in Gauteng Province who were accessible during the time the primary data was collected

Finally, the researcher can collect the primary data from the respective respondents (Wiid & Diggines, 2015:206). Hult *et al*. (2014:115) mention that the research design must clearly state the nature of data to collect and how to collect the data. Also, Sarstedt and Mooi (2014:21) posit that gathering primary data is a practical but sometimes a challenging phase of the marketing research process. According to Mullins and Walker (2010:175), the data collection could contribute more to overall error than any other phase in the process. During the collection of primary data, there should be an individual present to record answers to questions (Zikmund & Babin, 2010:471). For the purpose of this study, fieldworkers and the researcher were available to conduct the fieldwork.

The fieldworkers included five B.Com. Honours (Marketing Management) students from the North-West University (Potchefstroom Campus). Fieldworkers play a crucial part in determining the data quality from the survey conducted (Wiid & Diggines, 2015:213) and therefore the fieldworkers had to be trained on how to administer the questionnaires. Accordingly, the fieldworkers had the duty to ensure that respondents answer all questions and explain any matters with regards to the questionnaire. The data collection was done over an eight-week period.

4.3.5 STEP 5: Analyse and interpret the data

According to Cooper and Schindler (2014:86), data analysis encompasses reducing collected data to a manageable size, developing summaries, searching for patterns and applying statistical methods. Data analysis should begin during the planning phase of the research project. The researcher cannot decide on analysis procedures after the data has been gathered, as the data may be inappropriate or inadequate (Wiid & Diggines, 2015:240). Computer packages for statistical analysis comprise of two forms: specialised programs, for a specific application, and general programs offering a wide range of facilities (Ghauri & Grønhaug, 2010:164). **For the purpose of this study**, Statistical Package for Social Science (SPSS version 23) was used.

4.3.5.1 Reliability and validity

In designing research, marketing researchers must ensure that research techniques are both reliable and valid (Hult *et al*., 2014:114). A reliable measure is one that constantly produces a similar result over repeated measures (Silver *et al*., 2013:103). Furthermore, the reliability of a scale shows how random error free it is (Pallant, 2010:6). With a reliable measure, a respondent provides same or very similar answers to an identical or near-identical question (Burns & Bush, 2014:214). Nevertheless, a reliable method is not necessarily valid (Hult *et al*., 2014:114). Hair *et al*. (2010:156) identify two methods for evaluating the reliability of scales: test-retest and equivalent form. According to Zikmund and Babin (2010:334), a test-retest technique encompasses administering an identical scale or measure to similar sample elements at two different occasions in time to test for stability. Equivalent form reliability is determined by measuring the correlation of the scores on the two instruments (McDaniel & Gates, 2013:217).

Cronbach alpha is regarded the most popular measure to assess internal consistency reliability (Cavusgil *et al*., 2009:98), and was used in this study to determine the reliability of the measuring scales. Cronbach alpha is generally used when a measurement scale is only administered on one occasion (Felicia & Olagbemi, 2011:60). According to Hair *et al*. (2013:166) and Pallant (2010:97), good reliability is presented by Cronbach alpha values larger than 0.70.

Validity refers to the degree to which the dissimilarities found among sampling elements by means of a measuring tool reflect exact dissimilarities among sampling elements (Silver *et al*., 2013:103). According to Hult *et al*. (2014:114), in order to ascertain validity, the research technique should measure exactly what it is designed to measure. Pallant (2010:7) identifies three main types of validity, namely content validity, criterion validity and construct validity. *Content validity* of a measuring instrument is the degree to which it gives sufficient coverage of the research questions guiding the study and if the instrument contains a representative sample of the universe of topic of interest, then content validity is good (Cooper & Schindler, 2014:257). Pallant (2010:7) states that *criterion validity* entails the correlation between scale scores and some clearly stated, measurable criterion. Hollensen (2010:611), adds that *construct validity* creates appropriate operational measures for the concepts under study; if a measurement technique lacks construct validity, it is not measuring what is designed to measure. **In this study,** content and face criterion validity are assessed through the input from experienced researchers, peers and literature. To determine construct validity, confirmatory factor analyses (CFAs) were done using principle axis factoring with direct oblimin rotation.

4.3.6 Data analysis strategy followed in this study

Aaker *et al*. (2011:391) point out that when choosing the data analysis strategy, numerous factors influence the suitable data analysis technique namely: type of data, research design and assumptions underlying the test statistic and associated considerations. Hair *et al*. (2010:259) add that data analysis enables the detection of interesting patterns in databases that are challenging to recognise and have the capacity to enhance decision-making and creating knowledge. According to Burns and Bush (2014:317), researchers can use five types of statistical analysis to reduce a dataset, namely: descriptive analysis, inferential analysis, differences analysis, associative analysis and predictive analysis. **For the purpose of this study**, descriptive and inferential analysis are used; these are discussed in the following sections.

4.3.6.1 Descriptive statistics

Feinberg *et al*. (2013:396) define descriptive statistics as “a branch of statistics that provides researchers with summary measures for the data in their sample. According to Singpurwalla (2013:9), the primary objective of descriptive statistics is to provide a description of a data set. Applying descriptive statistics is the most useful technique of providing a summary of the characteristics of large data sets (McDaniel & Gates, 2013:343). Clow and James (2013:378) note that the type of descriptive statistics acquired is dictated by the kind of scale within every question.

Pertinent to this study, descriptive statistical techniques that are used are briefly discussed below.

- **Frequency distribution**: Researchers frequently create a set of frequency distributions which show how respondents responded to the survey questions (Silver *et al*., 2013:194).

According to Zikmund and Babin (2010:441), the procedure commences with recording the frequencies a specific value of a variable occurs.

- **Percentages** are simple and effective ways to indicate comparative correlation between variables (Wiid & Diggines, 2015:252). Wiid and Diggines (2015:252) further state that percentages are mostly used in marketing research as they show the relative significance of figures more visibly as compared to the original data.
- **Mean** refers to the total of all existing values, divided by the quantity of values (Wiid & Diggines, 2015:253). However, Babin and Zikmund (2016b:366) posit that, in certain instances, the mean may be misleading, specifically when extreme values or outliers are available.
- **Standard deviation** gives an indication of the extent of variation in the answers (Clow & James, 2014:378. Sarstedt and Mooi (2014:105) state that standard deviation is frequently used to measure dispersion. Standard deviation assist in providing information on how clustered or dispersed the distribution is around the mean value (Malhotra, 2009:486).

4.3.6.2 Inferential statistics

Inferential statistics is a type of statistical analysis that depends on a sample in order to arrive at a conclusion about a larger group (Feinberg *et al*., 2013:393). Zikmund and Babin (2010:440) posit that the main objective of inferential statistics is to make a judgement about a population or the whole collection of all elements about which the researcher needs information. According to Singpurwalla (2013:30), probability is the basis of inferential statistics. As is the case with descriptive statistics, selecting the correct inferential statistical test also depends on the scale level of the data that needs to be analysed (Feinberg *et al*., 2013:404). **For the purpose of this study**, the following inferential statistical methods are used:

- **Independent-samples t-test** is utilised when the researcher needs to make a comparison of the mean score on some constant variable for two distinct groups of participants (Pallant, 2010:239). Babin and Zikmund (2016b:420) further state that the researcher will use independent sample t-test to assess the variances between means drawn from two independent samples or groups.
- **Analysis of variance (ANOVA)** is the correct statistical instrument to use when comparing the means of two or more groups or populations (Zikmund & Babin, 2010:573). According to Silver *et al*. (2013:211), the aim of ANOVA is to determine if samples come from two or more populations with equal means. When using ANOVA, the researcher needs to determine if a statistically significant difference exists between the means for any two

groups in a sample with a particular variable irrespective of the number of groups (Burns & Bush, 2013:367).

4.3.6.3 Interpreting the results of hypotheses testing

In this study, the results of hypotheses testing is interpreted in the following manner:

Statistical significance: Statistical significance – which is determined by means of the p-value – indicates whether the results of a test, such as a hypothesis, can be accepted as significant, and whether the results occurred by chance (Hardy & Bryman, 2004:180). According to Zikmund and Babin (2010:542), the common acceptable level of statistical significance is at 0.10, 0.05 and 0.01. In this study, the hypotheses are supported when a statistical significance level of 5% ($p < 0.05$) is attained (Ellis & Steyn, 2003:51).

Practical significance: According to Schlotzhauer (2007:168), a p-value indicates statistical significance, but does not imply practical significance. Practical significance indicates the importance of the statistically significant results in practice. Cohen's d-value is, therefore, used to determine practical significance through the use of effect sizes (Ellis & Steyn, 2003:51). According to Cohen (1988:25), a d-value of 0.20 indicates a small effect, a value of 0.50 indicates a medium effect, and a value of 0.80 or larger indicates a large practically significant effect.

4.3.6.4 Structural equation modelling

To test the relationships between service quality, trust, switching cost, satisfaction and loyalty (as proposed in the conceptual model of the study), structural equation modelling (SEM) was conducted. According to Zikmund and Babin (2010:630), SEM is "a multivariate tool that combines an interdependence and dependence technique to allow a researcher to test theory by providing an omnibus assessment of fit centred around a χ^2 goodness of fit test". Sarstedt and Mooi (2014:257) note that SEM encompasses making estimations of the association between specific theoretical constructs. Schumacker and Lomax (2016:1) add that the objective of SEM is to assess if the theoretical model is supported by the sample data.

The proposed model is evaluated by a variety of goodness-of-fit indices, to determine which potential model has the best fit with the collected data (Meyers *et al*., 2006:614). A variety of fit indices have been developed, and according to Bowen and Guo (2012:145), it is good practice to report more than one of these indices. The most commonly reported fit indices, and also the indices reported in this study, are summarised in Table 4-12.

Table 4-12: List of fit indices

Type of fit indices	Description	Recommended cut-off value
χ^2/df	Explores the proportion of cases that fall into the categories of one variable (Pallant, 2010:212).	≤ 5.00 (Wheaton *et al*., 1977:99)
CFI	Compares the χ^2/df to a baseline model (Bagozzi & Yi, 2012:34).	≥ 0.90 (Hoe, 2009:78; Hu & Bentler, 1999:27)
RMSEA	Selects the model with the smallest number of estimate parameters (Schreiber, 2008:89).	< 0.05 = good fit ≤ 0.08 = acceptable fit ≤ 0.10 = average fit (Hoe, 2008:78; Meyers *et al*., 2006:559)

4.3.7 STEP 6: Presentation of results

This step is presented in Chapters 5 and 6 of this study, where the results of the research are presented and the findings of the results are interpreted and discussed. If the research study was conducted without specified objectives, reporting the results can be challenging, as unclear conclusions may be available (Mullins & Walker 2010:175).

4.4 CONCLUSION

This chapter presented the research methodology applied to this study. The marketing research process provided guidelines, from the formulation of research objectives up to the sampling plans and data collection methods. Furthermore, the chapter gave insight on the data analysis method applied in this study. The last step of the marketing research process, which involves presenting the results, is discussed in the subsequent Chapter 5.

CHAPTER 5

EMPIRICAL RESULTS

5.1 INTRODUCTION

This chapter represents step six of the marketing research process, by presenting the results obtained from the collected data. This chapter, therefore, commences with a discussion of the sample realisation rate, a description of the sample profile, followed by findings of respondents' retail banking habits. The distribution of the data, the reliability as well as the validity of the scales used to measure the key constructs of the study are also assessed. This is followed by the results of the hypotheses formulated for the study and structural equation modelling. The chapter concludes with the main findings derived from the empirical results.

5.2 SAMPLE REALISATION RATE

This study was conducted among respondents who have had personal bank accounts at one of the major South African retail banks (Absa, Capitec, FNB, Nedbank and Standard bank) for two years or more, and who reside in the Gauteng Province of South Africa. The proposed sample size for this study was 500 respondents, and the objective was to obtain a market-share based quota (see explanation in section 4.3.4.1.4). After data collection, data capturing and data cleaning, 464 usable questionnaires were obtained from the data collection process. Table 5-1 presents the proposed and actual sample sizes, as well as the sample realisation rate.

Table 5-1: Sample realisation rate

Bank	Proposed sample size	Actual sample size	Realisation rate
Absa	110	98	89%
Capitec	85	71	82%
FNB	84	97	115%
Nedbank	86	75	87%
Standard bank	135	123	91%
Total	500	464	92.6%

As indicated in Table 5-1, the realised sample is a close representation of the initially proposed sample size. In addition, Table 5-1 indicates that the majority of respondents are Standard bank personal account holders (with a sample realisation rate of 91%), and the least of the respondents are Capitec bank personal account holders (with a sample realisation rate of 82%). The following sections present and discuss the results obtained from the actual realised sample.

5.3 SAMPLE PROFILE OF RESPONDENTS

The aim of Section A of the questionnaire was to obtain demographic information about respondents, the results of which are discussed in this section. The demographic information obtained from the sample includes respondents' gender, age, ethnicity, level of education and employment status. Table 5-2 provides a summary of the sample profile, with the frequencies (F) and percentages (%) of each demographic variable analysed in this study.

Table 5-2: Sample profile

Demographic variable	Frequencies	Percentages
Gender	**F**	**%**
Male	192	41.4
Female	272	58.6
Age	**F**	**%**
Younger than 38	281	60.6
38 to 49 years old	90	19.4
50 or older	83	17.9
Missing values	10	2.1
Ethnicity	**F**	**%**
Asian	7	1.5
Black	170	36.6
Coloured	24	5.2
Indian	17	3.7
White	246	53.0
Level of education	**F**	**%**
Some primary school	4	0.9
Primary school completed	1	0.2
Some high school	25	5.4
Matric / Grade 12 completed	183	39.4
Technical college diploma	76	16.4
University or technology diploma	42	9.1
University degree (B-degree or Honours)	103	22.2
Postgraduate degree (Master's or Doctorate)	26	5.6
Missing values	4	0.8

Table 5-2: Sample profile (cont.)

Demographic variable	Frequencies	Percentages
Employment	**F**	**%**
Full-time student	98	21.1
Unemployed	8	1.7
Self-employed	37	8.0
Part-time employed	35	7.5
Full-time employed	271	58.4
Housewife or househusband	4	0.9
Retired	8	1.7
Other	3	0.6

It is evident from Table 5-2 that there is a relatively even gender spread of respondents, with males representing 41.4% and females 58.6% of the sample. In terms of age, the sample is also fairly distributed between the different age cohorts, with most of the respondents being aged younger than 38 (60.6%). Furthermore, the majority of respondents were either white (53.0%) or black (36.6%). Most respondents either completed matric (39.4%) or hold a university degree (22.2%). Lastly, with regard to the employment status of the respondents, more than half of the respondents (58.4%) are full-time employed.

Main finding 1: The majority of respondents are females of the ages 21 to 25 years old, and either white or black. Also, the majority of respondents completed matric or have a university degree, and more than half of the respondents are full-time employed.

5.4 RETAIL BANK PATRONAGE HABITS OF RESPONDENTS

The aim of Section B of the questionnaire was to obtain information about respondents' retail bank patronage habits. Therefore, respondents were asked to identify their main retail bank, having to select only one bank where they hold their personal account or most of their personal accounts. In addition, respondents had to indicate the duration they have been with their respective retail banks. Table 5-3 subsequently presents the results (frequencies and percentages) pertaining to respondents' main retail bank, and the duration they have been with this bank.

Table 5-3: Patronage habits

Patronage habit	Frequencies	Percentages
Retail bank	**F**	**%**
Absa	98	21.1
Capitec	70	15.1
FNB	97	20.9
Nedbank	75	16.2
Standard bank	123	26.5
Missing values	1	0.2
Duration with retail bank	**F**	**%**
Less than 5 years	131	28.2
5 to 10 years	144	31.0
10 to 15 years	61	13.2
15 to 20 years	37	8.0
Longer than 20 years	80	17.2
Missing values	11	2.4

It is evident from Table 5-3 that the majority of the respondents have their personal (or most of their personal accounts) at Standard bank (26.6%), whereas the smallest number of respondents uses Capitec bank (15.1%). These results correspond closely with the initially proposed quota sample size (see section 4.3.4.1.3).

In addition, the majority of respondents (31.8%) have been with their bank for 5 to 10 years, and the smallest number of the respondents has been with their bank for 15 to 20 years.

Main finding 2: The majority of the respondents hold their personal account (or most of their personal accounts) at Standard bank.

Main finding 3: The majority of respondents have been with their retail banks for 5 to 10 years.

5.5 RESPONDENTS' SERVICE QUALITY PERCEPTIONS OF RETAIL BANKS

Table 5-4 presents the results of respondents' perceptions of the service quality of their respective retail banks. Respondents were asked to indicate their perceptions on a 5-point Likert scale (where "1" represented "strongly disagree" and "5" represented "strongly agree" to the statement provided). The service quality construct consists of five dimensions (reliability, responsiveness, assurance, empathy and tangibles), which were separately measured, as well as in entirety (i.e., overall service quality). Accordingly, the means and standard deviations were calculated for each service quality dimension, as well the overall mean and standard deviation for service quality.

Table 5-4: Respondents' service quality perceptions of retail banks

	Mean	Std. Dev.
Overall service quality	**3.97**	**0.732**
Overall reliability	3.93	0.818
When I have a problem, the staff show a sincere interest to help me.	3.92	0.950
The bank has my personal and banking information up to date and error free.	4.08	0.969
The staff perform a service correctly the first time.	3.89	0.984
The staff keep the promises they make.	3.88	0.935
The staff perform the services they promise or claim to do.	3.89	0.938
Overall responsiveness	3.80	0.900
The staff are never too busy to respond to my requests and queries.	3.76	1.027
The staff are willing to help me.	3.99	0.947
The staff give me prompt and quick service.	3.79	1.037
The staff constantly keep me informed about the progress of my queries.	3.65	1.098
Overall assurance	3.93	0.865
The staff have the knowledge and the know-how of bank processes and policy to deal with my queries and concerns.	3.84	1.034
The staff are polite towards me.	4.04	0.942
The behaviour and knowledge of the staff instil confidence in me.	3.94	0.919
I feel safe and confident about the staff's ability to deal with my concerns.	3.91	0.964
Overall empathy	3.93	0.802
The staff always have my best interests at heart.	3.84	1.013
The staff give me personal attention.	3.88	0.991
My bank's employees are neat appearing.	4.23	0.841
The staff understand my personal banking needs.	3.90	0.990
The staff treat me as an individual with individual needs.	3.91	0.979
My bank has operating hours that are convenient to me.	3.78	1.123
Overall tangibles	4.22	0.742
My bank's branch layout is clearly demarcated and easy to understand.	4.11	0.939
My bank's branch is visually appealing and clean.	4.27	0.820
The staff are neatly and professionally dressed.	4.26	0.800
My bank's branch has modern equipment.	4.24	0.833

As indicated in Table 5-4, with regards to the *reliability* dimension of service quality, the highest mean is 4.08 on the statement "The bank has my personal and banking information up to date and error free" and the lowest mean is 3.88 which was realised on the statement "The staff keep the promises they make". The overall mean for the reliability dimension of service quality is 3.93.

The standard deviation of the reliability dimension ranges from 0.935 to 0.969 and has an overall standard deviation of 0.818.

Pertaining to the *responsiveness* dimension of service quality, the highest mean realised is 3.99 on the statement "The staff are willing to help me", and the lowest mean is 3.65 on the statement "The staff constantly keep me informed about the progress of my queries". The overall mean for the responsiveness dimension is 3.80. It is also evident from Table 5-4 that the standard deviation of the responsiveness dimension ranges from 0.947 to 1.098, with an overall standard deviation of 0.900.

With regard to the *assurance* dimension, respondents indicated the strongest level of agreement on the statement "The staff are polite towards me." with a mean of 4.04, and lowest level of agreement was on the statement "The staff have the knowledge and the know-how of bank processes and policy to deal with my queries and concerns" with a mean of 3.84. The overall mean of the four statements of the assurance dimension is 3.93. The assurance dimension had standard deviations ranging from 0.919 to 1.034, as well as an overall standard deviation of 0.865.

Table 5-4 also shows that the *empathy* dimension realised the highest mean of 4.23 on the statement "My bank's employees are neat appearing." and lowest mean of 3.78 on the statement "My bank has operating hours that are convenient to me". With regards to the overall mean of the six statements of the empathy dimension, 3.93 was realised. Furthermore, the standard deviation for the empathy dimension ranges from 0.841 to 1.123 and the overall standard deviation is 0.802.

Regarding the *tangibles* dimension, the highest mean is 4.27 on the statement "My bank's branch is visually appealing and clean" and the lowest mean is 4.11 on the statement "My bank's branch layout is clearly demarcated and easy to understand". An overall mean of 4.22 was realised from the four statements of the tangibles dimension. In addition, the tangible dimension has standard deviations ranging from 0.800 to 0.939 and an overall standard deviation of 0.742.

With regards to respondents' *overall service quality perceptions*, the tangibles dimension realised the highest mean (mean = 4.22), whereas responsiveness realised the lowest mean (mean = 3.80). In its entirety, the service quality construct realised a mean of 3.97 and a standard deviation of 0.732.

Main finding 4: With regard to the reliability dimension of service quality, respondents agreed most with the statement that the staff should keep the promises they make.

Main finding 5: In terms of to the responsiveness dimension of service quality, respondents agreed most with the statement that the staff should constantly keep customers informed about their queries.

Main finding 6: With regard to the assurance dimension of service quality, respondents agreed most with the statement that the staff should have the knowledge and the know-how of bank processes and policies to deal with their queries and concerns.

Main finding 7: With reference to the empathy dimension of service quality, respondents agreed most with the statement that the bank should have operating hours that are convenient to them.

Main finding 8: With regard to the tangibles dimension of service quality, respondents agreed most with the statement that the bank's branch layout should be clearly demarcated and easy to understand.

Main finding 9: As far as overall service quality perceptions are concerned, respondents agreed most with the statements of the tangible dimension.

Main finding 10: With regard to overall service quality perceptions, respondents agreed least with the statements related to the responsiveness dimension.

5.6 RESPONDENTS' TRUST IN THEIR RETAIL BANKS

Table 5-5 presents the results of respondents' levels of trust in their respective retail banks. Respondents were asked to indicate their level of trust on a 5-point Likert scale (where "1" represented "strongly disagree" and "5" represented "strongly agree" to the statement provided). The trust construct consisted of six statements which were measured separately, as well as in entirety (i.e., overall trust). Accordingly, the means and standard deviations were calculated for each trust statement, as well as the overall mean and standard deviation for trust.

Table 5-5: Respondents' trust in their retail banks

	Mean	Std. Dev.
Overall trust	**4.07**	**0.784**
My bank is trustworthy.	4.15	0.915
I have confidence in my bank.	4.10	0.912
My bank is concerned with the security of my transactions.	4.18	0.933
My bank is consistent in providing quality services.	3.97	0.947
My bank's promises are reliable.	3.96	0.951
My bank's employees show respect to its customers.	4.05	0.967

As shown in Table 5-5, the highest mean realised on the trust construct is 4.18 on the statement "My bank is concerned with the security of my transactions" and the lowest mean realised is 3.96 on the statement "My bank's promises are reliable". The overall mean for the six statements of the trust construct is 4.07. Furthermore, the standard deviation ranges from 0.912 to 0.967. The overall standard deviation of the six statements of trust is 0.784.

Main finding 11: With regard to respondents' trust in their retail bank, respondents agreed the most with the statement about their banks' concern with the security of banking transactions.

Main finding 12: In terms of respondents' trust in their retail bank, they agreed the least with the statement on the reliability of their banks' promises.

Main finding 13: Overall, respondents indicated a high level of trust in their retail banks.

5.7 RESPONDENTS' PERCEPTIONS OF SWITCHING COST TOWARDS THEIR RETAIL BANKS

Table 5-6 presents the results of respondents' switching cost perceptions towards their respective retail banks. Respondents were asked to indicate their perceptions on a 5-point Likert scale (where "1" represented "strongly disagree" and "5" represented "strongly agree" to the statement provided). The switching cost construct consists of four statements, which were separately measured, as well as in entirety (i.e., overall switching cost). Accordingly, the means and standard deviations were calculated for each switching cost statement, as well the overall mean and standard deviation for switching cost.

Table 5-6: Respondents' switching cost perceptions towards their retail banks

	Mean	Std. Dev.
Overall switching costs	**3.89**	**0.804**
I like the image (brand) of my bank.	4.13	0.918
Switching to another bank could cause hidden (unpredictable) costs.	3.78	1.133
Switching to another bank will probably result in some unexpected hassle.	3.82	1.153
The process of switching to another bank is connected to many formalities.	3.82	1.134

As shown in Table 5-6, with regard to switching costs, respondents agreed the most with the statement "I like the image (brand) of my bank" with a mean of 4.13. The lowest mean is 3.82 on the two statements "Switching to another bank could cause hidden (unpredictable) costs" and "The process of switching to another bank is connected to many formalities". The overall mean for the four statements of switching cost is 3.89. Furthermore, the switching cost construct had a standard deviation ranging between 0.918 and 1.153. The overall standard deviation for the switching cost construct is 0.804.

Main finding 14: With regards to switching costs, respondents agreed the most with the statement that they like the image (brand) of their bank.

Main finding 15: In terms of switching costs, respondents agreed the least with the statement that switching to another bank could cause hidden (unpredictable) costs.

5.8 RESPONDENTS' SATISFACTION WITH THEIR RETAIL BANKS

Table 5-7 presents the results of respondents' satisfaction with their respective retail banks. Respondents were asked to indicate their perceptions on a 5-point Likert scale (where "1" represented "strongly disagree" and "5" represented "strongly agree" to the statement provided). The satisfaction construct consisted of six statements, which were separately measured, as well as in entirety (i.e., overall satisfaction). Accordingly, the means and standard deviations were calculated for each satisfaction statement, as well the overall mean and standard deviation for satisfaction.

Table 5-7: Respondents' satisfaction levels towards their retail banks

	Mean	Std. Dev.
Overall satisfaction	**3.94**	**0.889**
I am satisfied with the services I receive from my bank.	4.02	0.911
I believe my bank treats me fairly.	3.98	0.943
My bank's services meet my expectations.	3.86	1.019
I am proud of my relationship with my bank.	3.93	1.026
My experiences with my bank have always been good.	3.88	1.030
I am completely happy with my bank.	3.94	1.024

As shown in Table 5-7, the highest mean (4.02) was realised on the statement "I am satisfied with the services I receive from my bank" and the lowest mean (3.86) was realised on the statement "My bank's services meet my expectations". With regards to overall satisfaction, the six statements had an overall mean of 3.94. In addition, overall satisfaction has standard deviations ranging from 0.911 to 1.030, and an overall standard deviation of 0.889 on the six statements of satisfaction construct.

Main finding 16: With regards to satisfaction, respondents agreed the most with the statement that they are satisfied with the services they receive from their bank.

Main finding 17: In terms of satisfaction, respondents agreed the least with the statement that their banks' services meet their expectations.

Main finding 18: Overall, respondents indicated that they are generally satisfied by their retail banks.

5.9 RESPONDENTS' LOYALTY TOWARDS THEIR RETAIL BANKS

Table 5-8 presents the results of respondents' levels of loyalty towards their respective retail banks. Respondents were asked to indicate their perceptions on a 5-point Likert scale (where "1" represented "strongly disagree" and "5" represented "strongly agree" to the statement provided). The loyalty construct consisted of six statements, which were separately measured, as well as in entirety (i.e., overall loyalty). Accordingly, the means and standard deviations were calculated for each loyalty statement, as well the overall mean and standard deviation for loyalty.

Table 5-8: Respondents' loyalty levels towards their retail banks

	Mean	Std. Dev.
Overall loyalty	**3.96**	**0.948**
I say positive things about my bank to other people.	3.95	1.060
I would recommend my bank to someone who seeks my advice.	3.96	1.049
I encourage friends and/or relatives to do business with my bank.	3.86	1.118
I consider my bank as my first choice when I need services concerning my finances.	3.90	1.112
I intend to continue doing business with my bank in the next few years.	4.04	1.109
I am willing to try new services that my bank provides.	4.03	1.056

As evidently shown in Table 5-8, the statement "I intend to continue doing business with my bank in the next few years" has the highest mean (4.04) and the statement "I encourage friends and/or relatives to do business with my bank" has the lowest mean (3.86). With regards to overall loyalty, the six statements of loyalty had an overall mean of 3.96. Furthermore, the loyalty construct has standard deviations between 1.049 and 1.118, as well as an overall standard deviation of 0.948.

Main finding 19: With regards to loyalty, respondents agreed the most with the statement that they intend to continue doing business with their banks in the next few years.

Main finding 20: In terms of loyalty, respondents agreed the least with the statement that they encourage friends and/or relatives to do business with their banks.

Main finding 21: Overall, respondents indicated that they are generally loyal towards their retail banks.

5.10 CONSTRUCT VALIDITY

According to Pallant (2010:7), the validity of constructs should be determined in order to ensure that the scales that were used to measure each construct truly measured the related construct. In this study, the construct validity was determined by means of confirmatory factor analyses (CFA), using principle axis factoring with direct oblimin rotation (see section 4.3.5.1). As part of a CFA, the MSA (measure of sample adequacy) is considered, and if the MSA value is greater than 0.50, the data is regarded acceptable for a CFA (Hair *et al*., 2010:93). In addition, factors were extracted based on the rule of thumb that at least 50% of the variance must be explained by the extracted factors. The results of the CFAs are subsequently reported for each construct.

5.10.1 Construct validity of service quality

As discussed in section 5.5, the service quality construct consists of five dimensions – reliability, responsiveness, assurance, empathy and tangibles – which can be used to determine respondents' overall perceptions of their retail banks' service quality. With regards to the *reliability* dimension of service quality, an MSA of 0.87 was obtained (which is above the cut-off point of 0.50), which meant that the data was acceptable for conducting a CFA. The CFA confirmed that the five items measuring reliability can be reduced to one factor, explaining 73.32% of the variance, with the communalities varying from 0.55 to 0.82.

Main finding 22: The CFA confirmed reliability as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the reliability of their retail banks.

With regards to the *responsiveness* dimension of service quality, an MSA of 0.82 was obtained, which meant the data was acceptable for conducting a CFA. The CFA confirmed that the four items measuring responsiveness can be reduced to one factor, explaining 77.70% of the variance, with the communalities varying from 0.74 to 0.79.

Main finding 23: The CFA confirmed responsiveness as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the responsiveness of their retail banks.

With regards to the *assurance* dimension of service quality, an MSA of 0.85 was obtained. The CFA confirmed that the four items measuring assurance can be reduced to one factor, explaining 80.18% of the variance, with the communalities varying from 0.76 to 0.84.

Main finding 24: The CFA confirmed assurance as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the assurance of their retail banks.

With regards to the *empathy* dimension of service quality, an MSA of 0.88 was obtained. The CFA confirmed that the six items measuring empathy can be reduced to one factor, explaining 66.03% of the variance, with the communalities varying from 0.47 to 0.77.

Main finding 25: The CFA confirmed empathy as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the empathy of their retail banks.

With regard to the *tangibles* dimension of service quality, an MSA of 0.82 was obtained. The CFA confirmed that the four items measuring tangibles can be reduced to one factor, explaining 76.78% of the variance, with the communalities varying from 0.85 to 0.92.

Main finding 26: The CFA confirmed tangibles as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the tangibles of their retail banks.

5.10.2 Construct validity of trust

To determine the construct validity of trust, a CFA was conducted on the six statements used to measure trust. The CFA identified whether the statements included in the scale could be grouped into one factor – as identified by Alvarez *et al*. (2011) and Morgan and Hunt (1994) – to measure trust (see section 4.3.3.2.4). The results of the CFA obtained an MSA of 0.67, and confirmed that the six items measuring trust can be reduced to one factor, explaining 70.39% of the variance. The communalities varied between 0.52 and 0.79.

Main finding 27: The CFA confirmed trust as one factor, thus confirming the validity of the scale measuring respondents' trust in their retail banks.

5.10.3 Construct validity of switching costs

In order to determine the construct validity of switching costs, a CFA was conducted on the four statements used to measure switching costs. The CFA identified whether the statements included in the scale could be grouped into one factor – as identified by Matzler *et al*. (2015:123) – to measure switching costs (see section 4.3.3.2.4). The results of the CFA obtained an MSA of 0.71, and confirmed that the four items measuring switching costs can be reduced to one factor, explaining 55.49% of the variance. The communalities varied between 0.35 and 0.76.

Main finding 28: The CFA confirmed switching costs as one factor, thus confirming the validity of the scale measuring respondents' switching costs towards their retail banks.

5.10.4 Construct validity of satisfaction

To determine the construct validity of satisfaction, a CFA was conducted on the six statements used to measure the construct. The CFA identified whether the statements included in the scale could be grouped into one factor – as identified by Armstrong and Seng (2000) and Bennet and Rundle-Thiele (2004) – to measure satisfaction (see section 4.3.3.2.4). The results of the CFA obtained an MSA of 0.92, and confirmed that the six items used to measure satisfaction can be reduced to one factor, explaining 80.13% of the variance. The communalities varied between 0.74 and 0.83.

Main finding 29: The CFA confirmed satisfaction as one factor, thus confirming the validity of the scale measuring respondents' satisfaction with their retail banks.

5.10.5 Construct validity of loyalty

To determine the construct validity of loyalty, a CFA was conducted on the six statements used to measure the construct. The CFA identified whether the statements included in the scale could be grouped into one factor – as identified by Kaura *et al*. (2015:412) – to measure loyalty (see section 4.3.3.2.4). The results of the CFA obtained an MSA of 0.92, and confirmed that the six statements used to measure loyalty can be reduced to one factor, explaining 76.66% of the variance. The communalities varied between 0.51 and 0.87.

Main finding 30: The CFA confirmed loyalty as one factor, thus confirming the validity of the scale measuring respondents' loyalty towards their retail banks.

5.11 RELIABILITY

As discussed in Chapter 4 (section 4.3.5.1), the reliability of the scales measuring the service quality dimensions, trust, switching cost, satisfaction and loyalty constructs were determined by evaluating Cronbach alpha values, which are used to indicate the internal consistency of constructs (Pallant, 2010:97). Table 5-9 indicates the Cronbach alpha values of the service quality dimensions, trust, switching costs, satisfaction and loyalty constructs.

As shown in Table 5-9, all the constructs of this study had a Cronbach alpha coefficient larger than 0.70, which indicates reliable and satisfactory results, as Hair *et al*. (2013:166) state that values smaller than 0.70 would indicate no reliability. Pallant (2010:97) also states that the acceptable Cronbach alpha coefficient of a scale should exceed 0.70. Therefore, it can be established that all the constructs of this study (service quality, trust, switching cost, satisfaction and loyalty) are reliable.

Table 5-9: Cronbach alpha values of the constructs used in the study

Constructs	N of items	Cronbach alpha values
Service quality	23	0.968
Reliability	5	0.907
Responsiveness	4	0.903
Assurance	4	0.916
Empathy	6	0.894
Tangibles	4	0.897
Trust	6	0.914
Switching cost	4	0.722
Satisfaction	6	0.950
Loyalty	6	0.938

Main finding 31: The constructs of this study (i.e., service quality, trust, switching costs, satisfaction and loyalty) indicate reliability, with Cronbach alpha values exceeding 0.70.

5.12 ASSESSING THE DISTRIBUTION OF DATA

Before testing the hypotheses formulated for the study, it is important to determine the distribution of the data obtained for each of the constructs, with a view to ensure that the correct statistical techniques are implemented. Hair *et al*. (2013:279) posit that non-parametric statistics are used in instances where normal distribution cannot be assumed, and Harris *et al*. (2005:140) propound that parametric statistics are used in instances where data is normally distributed. According to Pallant (2010:59), distribution can be measured by determining the skewness and kurtosis of the constructs.

The results indicate that all the statements measuring the respective constructs have a skewness of less than 2.00 and a kurtosis of less than 7.00, thus falling within the cut-off points (West *et al*., 1995:74). It can, therefore, be concluded that the distribution of the data falls within the parameters of what can be considered a normal distribution. Subsequently, the following parametric tests were used to test the hypotheses of the study: independent samples t-tests and ANOVAs (one-way analysis of variance) (see section 4.3.6.2 for detailed discussion).

5.13 HYPOTHESES TESTING

This section presents the results of the hypotheses formulated for this study (in Chapter 1, section 1.4). Each hypothesis is presented, followed by the results and subsequent main finding(s) pertaining to the results. Hypotheses are supported when statistical significance is achieved, at a significance level of 0.05 ($p < 0.05$) (Ellis & Steyn, 2003:51). According to Zikmund and Babin (2010:542), the common acceptable level of significance is 0.10, 0.05 and 0.01. The hypotheses of this study are accepted at the 95% significance level (thus, $p < 0.05$), and rejected if $p > 0.05$.

According to Schlotzhauer (2007:168), however, a p-value indicates statistical significance but does not imply practical significance. Therefore, Cohen's d-value can be assessed to determine the standardised mean difference of an effect (Lakens, 2013:3). The general interpretation of effect sizes (d-values) are either small (d = 0.20), medium (d = 0.50) or large (d = 0.80) (Cohen, 1988).

5.13.1 Hypothesis 1

Respondents of different age groups differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks. This hypothesis is further refined as follows:	
H_{1a}:	Respondents of different age groups differ statistically significantly in terms of their service quality perceptions.
H_{1b}:	Respondents of different age groups differ statistically significantly in terms of their trust.
H_{1c}:	Respondents of different age groups differ statistically significantly in terms of their switching costs.
H_{1d}:	Respondents of different age groups differ statistically significantly in terms of their satisfaction.
H_{1e}:	Respondents of different age groups differ statistically significantly in terms of their loyalty.

In order to address H_1, ANOVAs were conducted. The results of the abovementioned hypotheses (H_{1a} to H_{1e}) are presented in Table 5-10, representing the descriptive statistics (mean, standard deviation and count). The table also presents the p-values and the corresponding d-values.

Table 5-10: Significant differences between age groups

	N	Mean	Std. Dev.	p-value	Age	d-value		
						Younger than 38	38 to 49	50 or older
Service quality	270	3.92	0.723	> 0.05	Younger than 38		-0.07	0.03
	85	3.97	0.641		38 to 49	0.07		0.09
	80	3.90	0.852		50 or older	-0.03	-0.09	
Trust	280	4.09	0.779	> 0.05	Younger than 38		0.06	0.16
	88	4.05	0.665		38 to 49	-0.06		0.12
	81	3.95	0.930		50 or older	-0.16	-0.12	
Switching costs	281	3.89	0.752	> 0.05	Younger than 38		0.09	0.04
	90	3.81	0.941		38 to 49	-0.09		-0.05
	80	3.86	0.819		50 or older	-0.04	0.05	

Table 5-10: Significant differences between age groups (cont.)

	N	Mean	Std. Dev.	p-value	Age	d-value		
						Younger than 38	38 to 49	50 or older
Satisfaction	478	3.99	0.872	> 0.05	Younger than 38		0.14	0.18
	89	3.87	0.815		38 to 49	-0.14		0.06
	82	3.81	1.036		50 or older	-0.18	-0.06	
Loyalty	277	4.01	0.917	> 0.05	Younger than 38		0.20	0.15
	89	3.82	0.963		38 to 49	-0.20		-0.03
	81	3.86	1.048		50 or older	-0.15	0.03	

It is evident from Table 5-10 that:

- With regard to H_{1a}, the p-value ($p > 0.05$) indicates no statistically significant differences between the means of the three age groups with respect to their perceptions of their retail banks' service quality. H_{1a} can therefore be rejected.
- With regard to H_{1b}, the p-value ($p > 0.05$) indicates no statistically differences between the means of the three age groups with respect to their trust in their retail bank. H_{1b} can therefore be rejected.
- With regard to H_{1c}, the p-value ($p > 0.05$) indicates no statistically significant differences between the means of the three age groups with respect to their perceptions of their retail banks' switching costs. H_{1c} can therefore be rejected.
- With regard to H_{1d}, the p-value ($p > 0.05$) indicates no statistically significant differences between the means of the three age groups with respect to their levels of satisfaction with their retail bank. H_{1d} can therefore be rejected.
- With regard to H_{1e}, the p-value ($p > 0.05$) indicates no statistically significant differences between the means of the three age groups with respect to their levels of loyalty towards their retail bank. H_{1e} can therefore be rejected.

Main finding 32: Respondents of different age groups do not differ statistically significantly from each other in terms of their service quality perceptions, trust, switching costs, satisfaction or loyalty towards their retail banks.

5.13.2 Hypothesis 2

Respondents of different genders differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

This hypothesis is further refined as follows:

H_{2a}:	Respondents of different genders differ statistically significantly in terms of their service quality.
H_{2b}:	Respondents of different genders differ statistically significantly in terms of their trust.
H_{2c}:	Respondents of different genders differ statistically significantly in terms of their switching costs.
H_{2d}:	Respondents of different genders differ statistically significantly in terms of their satisfaction.
H_{2e}:	Respondents of different genders differ statistically significantly in terms of their loyalty.

In order to address H_2, independent samples t-tests were calculated, as only two groups (male and female) were compared. The results of the abovementioned hypotheses (H_{2a} to H_{2e}) are presented in Table 5-11, representing the descriptive statistics (mean, standard deviation and count). The table also presents the p-values and the corresponding d-values.

Table 5-11: Significant differences between genders

	Gender	N	Mean	Std. Dev.	p-value	d-value
Service quality	Male	183	3.88	0.696	0.90	-0.24
	Female	261	4.04	0.750		
Trust	Male	190	3.98	0.783	0.09	-0.19
	Female	269	4.13	0.780		
Switching costs	Male	191	3.75	0.744	0.10	-0.30
	Female	270	3.98	0.832		
Satisfaction	Male	192	3.82	0.874	0.20	-0.24
	Female	267	4.02	0.892		
Loyalty	Male	188	3.87	0.975	0.12	-0.16
	Female	269	4.01	0.925		

It is evident from Table 5-11 that:

- With regard to H_{2a}, the p-value ($p > 0.05$) indicates no statistically significant differences between male and female respondents in terms of their perceptions of their retail banks' service quality. H_{2a} can therefore be rejected.
- In terms of H_{2b}, the p-value ($p > 0.05$) indicates no statistically significant differences between male and female respondents in terms of their trust towards their retail bank. H_{2b} can therefore be rejected.
- With regard to H_{2c}, the p-value ($p > 0.05$) indicates no statistically significant differences between male and female respondents in terms of their perceptions of their retail banks' switching costs. H_{2c} can therefore be rejected.
- In terms of H_{2d}, the p-value ($p > 0.05$) indicates no statistically significant differences between male and female respondents in terms of their satisfaction with their retail bank. H_{2d} can therefore be rejected.

- With regard to H_{2e}, the p-value ($p > 0.05$) indicates no statistically significant differences between male and female respondents in terms of their loyalty towards their retail bank. H_{2e} can therefore be rejected.

Main finding 33: Male and female respondents do not differ statistically significantly from each other in terms of their service quality perceptions, trust, switching costs, satisfaction, or loyalty towards their retail banks.

5.13.3 Hypothesis 3

Respondents with different levels of education differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks. This hypothesis is further refined as follows:	
H_{3a}:	Respondents with different levels of education differ statistically significantly in terms of their service quality perceptions.
H_{3b}:	Respondents with different levels of education differ statistically significantly in terms of their trust.
H_{3c}:	Respondents with different levels of education differ statistically significantly in terms of their switching costs.
H_{3d}:	Respondents with different levels of education differ statistically significantly in terms of their satisfaction.
H_{3e}:	Respondents with different levels of education differ statistically significantly in terms of their loyalty.

In order to address H_3, ANOVAs were conducted. The results of the abovementioned hypotheses (H_{3a} to H_{3e}) indicated no statistically significant differences between respondents of different levels of education and the various constructs. Subsequently, H_3 can be rejected.

Main finding 34: Respondents with different levels of education do not differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction or loyalty towards their retail banks.

5.13.4 Hypothesis 4

Respondents of different ethnicities differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks. This hypothesis is further refined as follows:	
H_{4a}:	Respondents of different ethnicities differ statistically significantly in terms of their service quality perceptions.
H_{4b}:	Respondents of different ethnicities differ statistically significantly in terms of their trust.

H_{4c}:	Respondents of different ethnicities differ statistically significantly in terms of their switching costs.
H_{4d}:	Respondents of different ethnicities differ statistically significantly in terms of their satisfaction.
H_{4e}:	Respondents of different ethnicities differ statistically significantly in terms of their loyalty.

In order to address H_4, ANOVAs were conducted. The results of the abovementioned hypotheses (H_{4a} to H_{4e}) are presented in Table 5-12, representing the descriptive statistics (mean, standard deviation and count). The table also presents the p-values and the corresponding d-values.

Table 5-12: Significant differences between ethnic groups

	N	Mean	Std. Dev.	p-value	Ethnicity	d-value				
						Asian	Black	Coloured	Indian	White
Service quality	5	3.50	0.200	0.00	Asian		-1.35	-1.07	-1.09	-0.64
	161	4.17	0.668		Black	1.35		0.13	0.40	0.45
	20	4.08	0.738		Coloured	1.07	-0.13		0.24	0.31
	17	3.93	0.521		Indian	1.09	-0.40	-0.24		-0.12
	239	3.85	0.745		White	0.64	-0.45	-0.31	0.12	
Trust	5	3.80	0.491	0.00	Asian		-0.79	-0.22	-0.07	-0.25
	168	4.29	0.718		Black	0.79		0.44	0.55	0.44
	24	3.95	0.834		Coloured	0.22	-0.44		0.12	-0.01
	17	3.85	0.865		Indian	0.07	-0.55	-0.12		-0.13
	243	3.96	0.772		White	0.25	-0.44	0.01	0.13	
Switching costs	5	3.80	0.958	0.88	Asian		-0.16	-0.06	-0.05	-0.07
	170	3.94	0.822		Black	0.16		0.09	0.12	0.10
	24	3.86	1.018		Coloured	0.06	-0.09		0.01	0.00
	17	3.85	0.701		Indian	0.05	-0.12	-0.01		-0.01
	243	3.86	0.779		White	0.07	-0.10	-0.00	0.01	
Satisfaction	5	3.43	0.480	0.00	Asian		-1.11	-0.78	-0.42	-0.52
	170	4.19	0.832		Black	1.11		0.26	0.49	0.46
	23	3.97	0.849		Coloured	0.78	-0.26		0.24	0.19
	17	3.75	0.952		Indian	0.42	-0.49	-0.24		-0.05
	242	3.80	0.876		White	0.52	-0.46	-0.19	0.05	
Loyalty	5	3.80	0.505	0.00	Asian		-0.54	0.00	-0.09	-0.03
	169	4.19	0.881		Black	0.54		0.39	0.41	0.39
	23	3.80	1.104		Coloured	0.00	-0.39		-0.06	-0.02
	17	3.86	0.738		Indian	0.09	-0.41	0.06		0.03
	241	3.83	0.960		White	0.03	-0.39	0.02	-0.03	

It is evident from Table 5-12 that:

- With regards to H_{4a}, the p-value ($p = 0.00$) indicates statistically significant differences between respondents of different ethnicities in terms of service quality. Black respondents (mean = 4.17) perceive the service quality of their banks to be statistically significantly higher than white respondents (mean = 3.85) do. H_{4a} can therefore be accepted. However, the practically significant difference ($d = 0.45$) between black and white respondents is relatively small ($d < 0.50$).
- As regards to H_{4b}, the p-value ($p = 0.00$) indicates statistically significant differences between respondents of different ethnicities in terms of trust. Black respondents (mean = 4.29) trust their retail banks statistically significantly more than white respondents (mean = 3.96) do. H_{4b} can therefore be accepted. However, the practically significant difference ($d = 0.44$) between black and white respondents is relatively small ($d < 0.50$).
- In terms of H_{4c}, the p-value ($p > 0.05$) indicates that there are no statistically significant differences between respondents in terms of their switching costs. H_{4c} can therefore be rejected.
- With regards to H_{4d}, the p-value ($p = 0.00$) indicates statistically significant differences between respondents of different ethnicities in terms of satisfaction. Black respondents (mean = 4.19) are statistically significantly more satisfied with their retail banks than white respondents (mean = 3.80) are. H_{4d} can therefore be accepted. However, the practically significant difference ($d = 0.46$) between black and white respondents is relatively small ($d < 0.50$).
- In terms of H_{4e}, the p-value ($p = 0.00$) indicates statistically significant differences between respondents of different ethnicities in terms of loyalty. Black respondents (mean = 4.19) are statistically significantly more loyal towards their retail banks than white respondents (mean = 3.83). H_{4e} can therefore be accepted. However, the practically significant difference ($d = 0.39$) between black and white respondents is relatively small ($d < 0.50$).

Since H_{4c} is rejected, and H_{4a}, H_{4b}, H_{4d} and H_{4e} are accepted, H_4 is partially accepted.

Main finding 35: Respondents of different ethnic groups only differ statistically significantly in terms of their service quality perceptions, trust, satisfaction or loyalty towards their retail banks.

5.13.5 Hypothesis 5

Respondents with different employment levels differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks.

This hypothesis is further refined as follows:

H_{5a}:	Respondents with different employment levels differ statistically significantly in terms of their service quality perceptions.
H_{5b}:	Respondents with different employment levels differ statistically significantly in terms of their trust.
H_{5c}:	Respondents with different employment levels differ statistically significantly in terms of their switching costs.
H_{5d}:	Respondents with different employment levels differ statistically significantly in terms of their satisfaction.
H_{5e}:	Respondents with different employment levels differ statistically significantly in terms of their loyalty.

In order to address H_5, ANOVAs were conducted. The results of the abovementioned hypotheses (H_{5a} to H_{5e}) indicated no statistically significant differences between respondents with different employment levels and the various constructs. Subsequently, H_5 can be rejected.

Main finding 36: Respondents with different employment levels do not differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction, or loyalty towards their retail banks.

5.13.6 Hypothesis 6

Respondents of different retail banks differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks. This hypothesis is further refined as follows:	
H_{6a}:	Respondents of different retail banks differ statistically significantly in terms of their service quality perceptions.
H_{6b}:	Respondents of different retail banks differ statistically significantly in terms of their trust.
H_{6c}:	Respondents of different retail banks differ statistically significantly in terms of their switching costs.
H_{6d}:	Respondents of different retail banks differ statistically significantly in terms of their satisfaction.
H_{6e}:	Respondents of different retail banks differ statistically significantly in terms of their loyalty.

In order to address H_6, ANOVAs were conducted. The results of the abovementioned hypotheses (H_{6a} to H_{6e}) are presented in Table 5-13, representing the descriptive statistics (mean, standard deviation and count). The table also presents the p-values and the corresponding d-values.

Table 5-13: Significant differences between respondents of different retail banks

	N	Mean	Std. Dev.	p-value	Bank	d-value				
						Absa	Capitec	FNB	Nedbank	Standard bank
Service quality	93	3.66	0.833	0.00	Absa		-0.72	-0.64	-0.35	-0.40
	65	4.21	0.682		Capitec	0.72		0.14	0.40	0.35
	97	4.12	0.596		FNB	0.64	-0.14		0.28	0.23
	71	3.93	0.717		Nedbank	0.35	-0.40	-0.28		-0.05
	117	3.97	0.705		Standard bank	0.40	-0.35	-0.23	0.05	
Trust	97	3.79	0.888	0.00	Absa		-0.56	-0.50	-0.44	-0.27
	69	4.24	0.723		Capitec	0.56		0.05	0.13	0.29
	97	4.20	0.724		FNB	0.50	-0.05		0.08	0.24
	74	4.14	0.706		Nedbank	0.44	-0.13	-0.08		0.16
	121	4.02	0.768		Standard bank	0.27	-0.29	-0.24	-0.16	
Switching costs	97	3.74	0.829	0.37	Absa		-0.17	-0.26	-0.25	-0.19
	70	3.88	0.843		Capitec	0.17		-0.09	-0.06	-0.02
	96	3.96	0.826		FNB	0.26	0.09		0.04	0.07
	75	3.93	0.628		Nedbank	0.25	0.06	-0.04		0.04
	122	3.90	0.838		Standard bank	0.19	0.02	-0.07	-0.04	
Satisfaction	96	3.59	0.976	0.00	Absa		-0.58	-0.66	-0.62	-0.21
	70	4.13	0.874		Capitec	0.58		-0.02	-0.01	0.36
	96	4.15	0.697		FNB	0.66	0.02		0.01	0.42
	74	4.14	0.762		Nedbank	0.62	0.01	-0.01		0.39
	122	3.80	0.936		Standard bank	0.21	-0.36	-0.42	-0.39	
Loyalty	95	3.56	1.047	0.00	Absa		-0.74	-0.77	-0.41	-0.27
	70	4.28	0.887		Capitec	0.74		0.02	0.39	0.46
	94	4.26	0.739		FNB	0.77	-0.02		0.41	0.48
	75	3.94	0.813		Nedbank	0.41	-0.39	-0.41		0.11
	122	3.84	0.991		Standard bank	0.27	-0.46	-0.48	-0.11	

It is evident from Table 5-13 that:

- With regards to H_{6a}, the p-value ($p = 0.00$) indicates statistically significant differences between respondents of different banks in terms of service quality. Capitec bank respondents (mean = 4.21), FNB bank respondents (mean = 4.12) and Standard bank respondents (mean = 3.97) perceive the service quality of their banks to be statistically significantly higher than Absa bank respondents (mean = 3.66) do. H_{6a} can therefore be accepted. However, the practically significant differences between Absa bank respondents and Capitec bank respondents ($d = 0.72$), between Absa bank respondents and FNB bank respondents (d = 0.64), and between Absa bank respondents and Stand bank respondents (d = 0.40) are medium to small (d < 0.80; d < 0.50).

- As regards to H_{6b}, the p-value (p = 0.00) indicates statistically significant differences between respondents of different banks in terms of trust. Capitec bank respondents (mean = 4.24), FNB bank respondents (mean = 4.20) and Nedbank respondents (mean = 4.14) indicate trust towards their banks to be statistically significantly higher than Absa bank respondents (mean = 3.79) do. H_{6b} can therefore be accepted. However, the practically significant differences between Absa bank respondents and Capitec bank respondents (d = 0.56), between Absa bank respondents and FNB bank respondents (d = 0.50), and between Absa bank respondents and Nedbank respondents (d = 0.44) are medium to small (d < 0.80; d < 0.50).
- With regard to H_{6c}, the p-value (p > 0.05) indicates that there are no statistically significant differences between respondents of different banks in terms of their switching costs. H_{6c} can therefore be rejected.
- In terms of H_{6d}, the p-value (p = 0.00) indicates statistically significant differences between respondents of different banks in terms of their satisfaction. FNB bank respondents (mean = 4.15), Nedbank respondents (mean = 4.14) and Capitec bank respondents (mean = 4.13) indicate satisfaction towards their banks to be statistically significantly higher than Absa bank respondents (mean = 3.59) do. H_{6d} can therefore be accepted. However, the practically significant differences between Absa bank respondents and Capitec bank respondents (d = 0.58), between Absa bank respondents and FNB bank respondents (d = 0.66), and between Absa bank respondents and Nedbank respondents (d = 0.62) are relatively medium to small (d < 0.80; d < 0.50).
- With regard to H_{6e}, the p-value (p = 0.00) indicates statistically significant differences between respondents of different banks in terms of their loyalty. FNB bank respondents (mean = 4.26) and Capitec bank respondents (mean = 4.28) indicate loyalty towards their banks to be statistically significantly higher than Absa bank respondents (mean = 3.56), Nedbank respondents (mean = 3.94) and Standard Bank (mean = 3.84) do. H_{6e} can therefore be accepted. However, the practically significant differences between Absa bank respondents and Capitec bank respondents (d = 0.74), between Absa bank respondents and FNB bank respondents (d = 0.77), and between Absa bank respondents and Nedbank respondents (d = 0.62) are medium to small (d < 0.08; d < 0.50). Furthermore, the practically significant differences between Standard bank respondents and Capitec bank respondents (d = 0.46), and between Standard bank respondents and FNB bank respondents (d = 0.48) are relatively small (d < 0.50).

Based on the above results, H_6 is partially accepted, since H_{6c} is rejected and H_{6a}, H_{6b}, H_{6d} and H_{6e} are accepted.

Main finding 37: Respondents of different banks only differ statistically significantly in terms of their service quality perceptions, trust, satisfaction and loyalty towards their retail bank.

5.13.7 Hypothesis 7

Respondents who have been with their retail banks for different durations differ significantly in terms of their service quality perceptions, trust, switching costs, satisfaction and loyalty towards their retail banks. This hypothesis is further refined as follows:
H_{7a}: Respondents who have been with their retail banks for different durations differ statistically significantly in terms of their service quality perceptions. H_{7b}: Respondents who have been with their retail banks for different durations differ statistically significantly in terms of their trust. H_{7c}: Respondents who have been with their retail banks for different durations differ statistically significantly in terms of their switching costs. H_{7d}: Respondents who have been with their retail banks for different durations differ statistically significantly in terms of their satisfaction. H_{7e}: Respondents who have been with their retail banks for different durations differ statistically significantly in terms of their loyalty.

In order to address H_7, ANOVAs were conducted. The results of the abovementioned hypotheses (H_{7a} to H_{7e}) are presented in Table 5-14, representing the descriptive statistics (mean, standard deviation and count). The table also presents the p-values and the corresponding d-values.

Table 5-14: Significant differences between respondents and duration with their banks

	N	Mean	Std. Dev.	p-value	Duration	d-value				
						Less than 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Longer than 20 years
Service quality	124	4.05	0.703	0.06	Less than 5 years		0.01	0.04	0.29	0.23
	140	4.03	0.683		5 to 10 years	-0.01		0.03	0.27	0.21
	56	4.00	0.694		10 to 15 years	-0.04	-0.03		0.24	0.18
	37	3.76	0.655		15 to 20 years	-0.29	-0.27	-0.24		-0.06
	76	3.81	0.887		Longer than 20 years	-0.23	-0.21	-0.18	0.06	
Trust	130	4.20	0.725	0.01	Less than 5 years		0.11	0.11	0.46	0.28
	144	4.09	0.753		5 to 10 years	-0.11		0.00	0.35	0.17
	60	4.08	0.734		10 to 15 years	-0.11	-0.00		0.34	0.16
	37	3.74	0.893		15 to 20 years	-0.46	-0.35	-0.34		-0.17
	77	3.91	0.883		Longer than 20 years	-0.28	-0.17	-0.16	0.17	

Table 5-14: Significant differences between respondents and duration with their banks (cont.)

	N	Mean	Std. Dev.	p-value	Duration	d-value				
						Less than 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Longer than 20 years
Switching costs	131	3.95	0.793	0.74	Less than 5 years		0.08	0.14	0.19	0.11
	144	3.86	0.755		5 to 10 years	-0.08		0.05	-0.06	0.03
	61	3.80	0.825		10 to 15 years	-0.14	-0.05		-0.12	-0.02
	37	3.93	0.778		15 to 20 years	-0.19	0.06	0.12		0.09
	77	3.83	0.924		Longer than 20 years	-0.11	-0.03	0.02	-0.09	
Satisfaction	129	4.11	0.864	0.00	Less than 5 years		0.14	0.13	0.52	0.41
	143	3.97	0.806		5 to 10 years	-0.14		-0.00	0.38	0.26
	61	3.98	0.772		10 to 15 years	-0.13	0.00		0.39	0.27
	37	3.59	0.999		15 to 20 years	-0.52	-0.38	-0.39		-0.11
	78	3.70	1.040		Longer than 20 years	-0.41	-0.26	-0.27	0.11	
Loyalty	131	4.10	0.898	0.00	Less than 5 years		0.07	0.06	0.54	0.41
	139	4.03	0.859		5 to 10 years	-0.07		-0.00	0.46	0.34
	60	4.03	0.875		10 to 15 years	-0.06	0.00		0.47	0.35
	37	3.56	1.139		15 to 20 years	-0.54	-0.46	-0.47		-0.12
	79	3.68	1.060		Longer than 20 years	-0.41	-0.34	-0.35	0.12	

It is evident from Table 5-14 that:

- With regards to H_{7a}, the p-value ($p > 0.05$) indicates that there are no statistically significant differences between respondents that have been with their retail banks for different durations in terms of service quality.
- In terms of H_{7b}, the p-value ($p = 0.01$) indicates statistically significant differences between respondents that have been with their retail banks for different durations in terms of trust. Respondents who have been with their retail banks for less than 5 years (mean = 4.20) indicated that they trust their banks more than respondents who have been with their banks for 15 to 20 years (mean = 3.74) do. H_{7b} can therefore be accepted. However, the practically significant differences between the two groups ($d = 0.46$) are relatively small ($d < 0.50$).
- With regard to H_{7c}, the p-value ($p > 0.05$) indicates that there are no statistically significant differences between respondents that have been with their retail banks for different durations in terms of their switching costs. H_{7c} can therefore be rejected.
- With reference to H_{7d}, the p-value ($p = 0.00$) indicates statistically significant differences between respondents who have been with their retail banks for different durations in terms

of their satisfaction. Respondents who have been with their retail banks for less than 5 years (mean = 4.11) indicated that they are more satisfied than those respondents who have been with their banks for 15 to 20 years (mean = 3.59) or longer than 20 years (mean = 3.70). H_{7d} can therefore be accepted. However, the practically significant differences between respondents who have been with their bank for less than 5 years and 15 to 20 years (d = 0.52) and respondents who have been with their bank for less than 5 years and longer than 20 years (d = 0.41) are medium to small (d < 0.80; d < 0.50).

- With regards to H_{7e}, the p-value (p = 0.00) indicates statistically significant differences between respondents that have been with their retail banks for different durations in terms of their loyalty. Respondents who have been with their retail banks for less than 5 years (mean = 4.10) indicated that they are more loyal than those respondents who have been with their banks for 15 to 20 years (mean = 3.56) or longer than 20 years (mean = 3.68). H_{7e} can therefore be accepted. However, the practically significant differences between respondents who have been with their bank for less than 5 years and 15 to 20 years (d = 0.54) and respondents who have been with their bank for less than 5 years and longer than 20 years (d = 0.41) are medium to small (d < 0.08; d < 0.50).

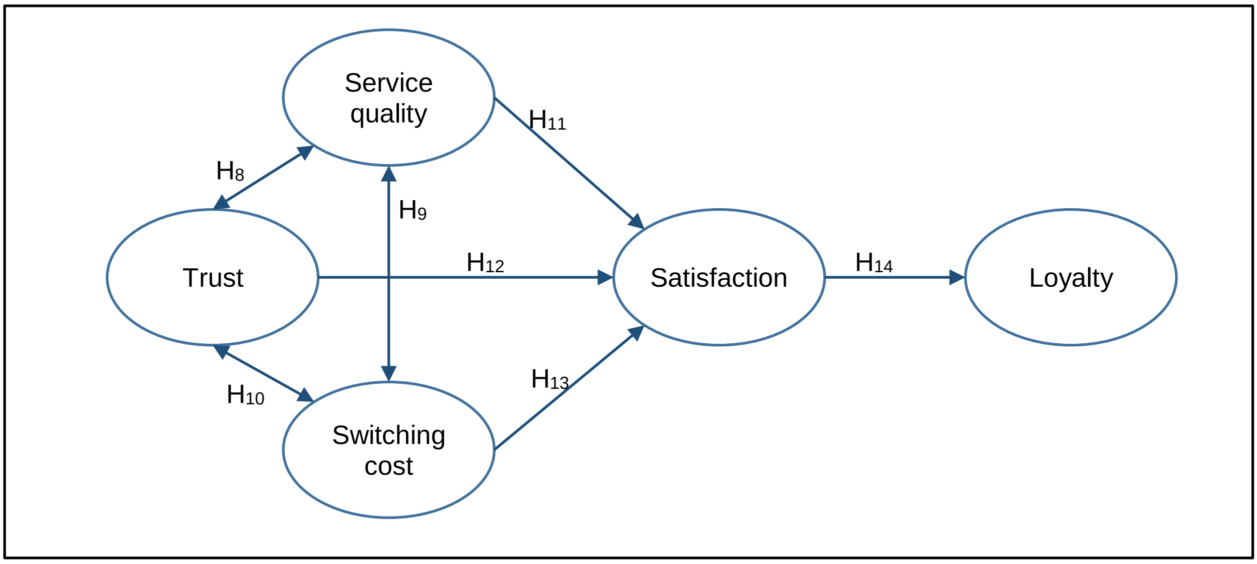
Based on the above results, H_7 is partially accepted, since H_{7c} is rejected and H_{7a}, H_{7b}, H_{7d} and H_{7e} are accepted.

Main finding 38: Respondents who have been with their retail banks for different durations only differ statistically significantly in terms of their trust, satisfaction and loyalty towards their retail bank.

5.14 TESTING THE CONCEPTUAL MODEL AND HYPOTHESES 8 TO 14

As discussed in Chapter 4 (section 4.3.6.2), SEM is used to test the interrelationship between various constructs (dependent and/or independent variables), as well as to determine the importance of each of these constructs (Sarstedt & Mooi, 2014:257). Therefore, a SEM was conducted to test H_8, H_9, H_{10}, H_{11}, H_{12}, H_{13} and H_{14} from the conceptual model (Figure 1-3). This section therefore presents the findings of the measurement model and path model that were tested in order to obtain the structural model. Figure 5-1 depicts the conceptual model to be tested in order to determine how well it fits with the observed data.

Figure 5-1: Conceptual model



5.14.1 Measurement model

According to Dattalo (2013:109), a measurement model allows the researcher to assess the extent to which the measured variables correlate, and to detect the underlying hypothesised constructs. The measurement model is assessed by conducting a CFA, which is according to Zikmund and Babin (2010:625), the best technique for evaluating construct validity. The validity of the variables was discussed in section 5.10, which subsequently supports the measurement model, as the results indicated that the statements measuring the constructs (i.e., observed variables) function effectively as indicators of the constructs (latent variables) (McDonald & Ho, 2002:65). The fit indices obtained for the measurement model and the related cut-off points are subsequently presented in Table 5-15.

Table 5-15: Fit indices of the measurement model

Fit indices	Source for suggested cut-off point	Suggested cut-off point	Fit indices value
Chi square/ degrees of freedom (x^2/df)	Wheaton *et al*. (1977:99)	≤ 5.00	x^2/df = 3.21
CFI	Hoe (2008:78), Hu and Bentler (1999:27)	≥ 0.90	0.96
RMSEA	Hoe (2008:78), McDonald and Ho (2002:72), Meyers *et al*. (2006:559)	< 0.05 = good fit ≤ 0.08 = acceptable fit ≤ 0.10 = average fit	0.064 [0.059 – 0.07]

It is evident from Table 5-15 that the x^2/df value of 3.21 signifies an adequate model fit, since the value is well below the suggested cut-off point of 5.00 as proposed by Wheaton *et al.* (1977:99). The CFI value of 0.96 is above the cut-off point (≥ 0.90), and the RMSEA of 0.064 [0.59 – 0.07] indicates an acceptable overall fit for the model (Hoe, 2008:78).

5.14.2 Path model

SEM is associated to path analysis since it may be used to test hypotheses formulated for the constructs (Dattalo, 2013:109). Therefore, besides determining the fit indices for the measurement model, SEM investigates the path amongst the variables to determine their statistical significance, and also helps to uncover the strength of the paths (by means of standardised regression weights). According to Suhr (2006:5), standardised regression weights with values less than 0.10 imply a small effect, values up to 0.30 imply a medium effect, and values larger than 0.50 imply a large effect. Statistical significance is realised at a significance level of $p < 0.05$ (Ellis & Steyn, 2003:51). Table 5-16 presents the p-values as well as the standardised regression weights (β-weight) of the different paths.

Table 5-16: Standardised regression weights

Relationships			β-weight	p-value
Service quality	➡	Satisfaction	0.13	0.02
Trust	➡	Satisfaction	0.80	0.00
Switching cost	➡	Satisfaction	0.06	0.00
Satisafction	➡	Loyalty	0.83	0.00

(β-weight: standardised regression weight)

It is evident from Table 5-16 that:

- Service quality has a statistically significant ($p < 0.05$) and medium effect (β-weight = 0.13) on satisfaction. Therefore, H_{11} can be accepted.
- Trust has a statistically significant ($p < 0.05$) and large effect (β-weight = 0.80) on satisfaction. Therefore, H_{12} can be accepted.
- Switching costs have a statistically significant ($p < 0.05$) and small effect (β-weight = 0.06) on satisfaction. Therefore, H_{13} can be accepted.
- Satisfaction has a statistically significant ($p < 0.05$) and large effect (β-weight = 0.83) on loyalty. Therefore, H_{14} can be accepted.

Table 5-17 presents the correlations between the variables indicated in the conceptual and path model, in order to provide an indication of the strength of the relationships between these variables.

Table 5-17: Correlations

Relationships			Correlation	p-value
Service quality	⬌	Trust	0.37	0.00
Service quality	⬌	Switching cost	0.16	0.00
Trust	⬌	Switching cost	0.14	0.00

As seen in Table 5-17, it is clear that there is a statistically significant correlation between service quality and trust ($r = 0.37$), there is a statistically significant correlation between service quality and switching cost ($r = 0.16$), and there is a statistically significant correlation between trust and switching cost ($r = 0.14$). Based on these results, H_8, H_9 and H_{10} can therefore be accepted.

Based on the above findings, it can be concluded that the structural model illustrates and acceptable fit to the empirical data, with all the paths statistically significantly supported. Therefore, the model can be accepted.

Main finding 39: Service quality perceptions have a significant positive effect on satisfaction.

Main finding 40: Trust has a significant positive effect on satisfaction.

Main finding 41: Switching costs have a significant positive effect on satisfaction.

Main finding 42: Satisfaction has a significant positive effect on loyalty.

Main finding 43: Service quality and trust correlate with each other.

Main finding 44: Service quality and switching costs correlate with each other.

Main finding 45: Trust and switching costs correlate with each other.

Main finding 46: Service quality, trust and switching costs lead to satisfaction, which in turn leads to loyalty.

5.15 SUMMARY OF FINDINGS

This section presents all the main findings obtained from this chapter. Therefore, it reports the main findings on patronage habits, the constructs, construct validity, hypotheses testing and structural equation modelling.

5.15.1 Main findings on the demographic profile and patronage habits of retail bank respondents

Sections A and B of the questionnaire were designed to obtain the demographic profiles and patronage habits of retail bank respondents. Consequently, this section acquired information on the year in which the respondent was born, gender, ethnicity, education level and employment status. Furthermore, the section acquired information on respondents' main retail bank and duration with the bank. Table 5-18 presents the main findings derived from the descriptive results of sections A and B of the questionnaire (i.e., demographic profile and patronage habits).

Table 5-18: Main findings on demographic profile and patronage habits

Section A: Demographic profile	
Main finding 1	The majority of respondents are females of the ages 21 and 25 years old, and either white or black. Also, the majority of the respondents completed matric or have a university degree, and more than half of the respondents are full-time employed.
Section B: Patronage habits	
Main finding 2	The majority of the respondents hold their personal accounts (or most of their personal accounts) at Standard bank.
Main finding 3	The majority of the respondents have been with their respective retail banks for 5 to 10 years.

5.15.2 Main findings on the constructs

This section provides the main findings from section C of the questionnaire, which measured the constructs of the study. Subsequently, the main findings pertaining to the descriptives, CFA, hypotheses results and structural equation model are presented in Table 5-19.

Table 5-19: Main findings on the constructs

Section C: Service quality	
Main finding 4	With regard to the reliability dimension of service quality, respondents agreed most with the statement that the staff should keep the promises they make.
Main finding 5	In terms of the responsiveness dimension of service quality, respondents agreed most with the statement that the staff should constantly keep customers informed about their queries.
Main finding 6	With regard to the assurance dimension of service quality, respondents agreed most with the statement that the staff should have the knowledge and the know-how of bank processes and policies to deal with their queries and concerns.

Table 5-19: Main findings on the constructs (cont.)

Section C: Service quality	
Main finding 7	With reference to the empathy dimension of service quality, respondents agreed most with the statement that the bank should have operating hours that are convenient to them.
Main finding 8	With regard to the tangibles dimension of service quality, respondents agreed most with the statement that the bank's branch layout should be clearly demarcated and easy to understand.
Main finding 9	As far as overall service quality perceptions are concerned, respondents agreed most with the statements of the tangible dimension.
Main finding 10	With regard to overall service quality perceptions, respondents agreed least with the statements related to the responsiveness dimension.
Main finding 22	The CFA confirmed reliability as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the reliability of their retail banks.
Main finding 23	The CFA confirmed responsiveness as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the responsiveness of their retail banks.
Main finding 24	The CFA confirmed assurance as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the assurance of their retail banks.
Main finding 25	The CFA confirmed empathy as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the empathy of their retail banks.
Main finding 26	The CFA confirmed tangibles as one factor, thus confirming the validity of the scale measuring respondents' perceptions of the tangibles of their retail banks.
Section C: Trust	
Main finding 11	With regard to respondents' trust in their retail bank, respondents agreed the most with the statement about their banks' concern with the security of banking transactions.
Main finding 12	In terms of respondents' trust in their retail bank, they agreed the least with the statement on the reliability of their banks' promises.
Main finding 13	Overall, respondents indicated a high level of trust in their retail banks.
Main finding 27	The CFA confirmed trust as one factor, thus confirming the validity of the scale measuring respondents' trust in their retail banks.
Section C: Switching cost	
Main finding 14	With regards to switching costs, respondents agreed the most with the statement that they like the image (brand) of their bank.
Main finding 15	In terms of switching costs, respondents agreed the least with the statement that switching to another bank could cause hidden (unpredictable) costs.
Main finding 28	The CFA confirmed switching costs as one factor, thus confirming the validity of the scale measuring respondents' switching costs towards their retail banks.

Table 5-19: Main findings on the constructs (cont.)

Section C: Satisfaction	
Main finding 16	With regards to satisfaction, respondents agreed the most with the statement that they are satisfied with the services they receive from their bank.
Main finding 17	In terms of satisfaction, respondents agreed the least with the statement that their banks' services meet their expectations.
Main finding 18	Overall, respondents indicated that they are generally satisfied by their retail banks.
Main finding 29	The CFA confirmed satisfaction as one factor, thus confirming the validity of the scale measuring respondents' satisfaction with their retail banks.
Section C: Loyalty	
Main finding 19	With regards to loyalty, respondents agreed the most with the statement that they intend to continue doing business with their banks in the next few years.
Main finding 20	In terms of loyalty, respondents agreed the least with the statement that they encourage friends and/or relatives to do business with their banks.
Main finding 21	Overall, respondents indicated that they are generally loyal towards their retail banks.
Main finding 30	The CFA confirmed loyalty as one factor, thus confirming the validity of the scale measuring respondents' loyalty towards their retail banks.
Section C: Service quality, trust, switching cost, satisfaction, loyalty	
Main finding 31	The constructs of this study (i.e., service quality, trust, switching costs, satisfaction and loyalty) indicate reliability, with Cronbach alpha values exceeding 0.70.
Main finding 32	Respondents of different age groups do not differ statistically significantly from each other in terms of their service quality perceptions, trust, switching costs, satisfaction or loyalty towards their retail banks.
Main finding 33	Male and female respondents do not differ statistically significantly from each other in terms of their service quality perceptions, trust, switching costs, satisfaction, or loyalty towards their retail banks.
Main finding 34	Respondents with different levels of education do not differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction or loyalty towards their retail banks.
Main finding 35	Respondents of different ethnic groups only differ statistically significantly in terms of their service quality perceptions, trust, satisfaction or loyalty towards their retail banks.
Main finding 36	Respondents with different employment levels do not differ statistically significantly in terms of their service quality perceptions, trust, switching costs, satisfaction, or loyalty towards their retail banks.
Main finding 37	Respondents of different banks only differ statistically significantly in terms of their service quality perceptions, trust, satisfaction and loyalty towards their retail bank.
Main finding 38	Respondents who have been with their retail banks for different durations only differ statistically significantly in terms of their trust, satisfaction and loyalty towards their retail bank.

Table 5-19: Main findings on the constructs (cont.)

Section C: Service quality, trust, switching cost, satisfaction, loyalty	
Main finding 39	Service quality perceptions have a significant positive effect on satisfaction.
Main finding 40	Trust has a significant positive effect on satisfaction.
Main finding 41	Switching costs have a significant positive effect on satisfaction.
Main finding 42	Satisfaction has a significant positive effect on loyalty.
Main finding 43	Service quality and trust correlate with each other.
Main finding 44	Service quality and switching costs correlate with each other.
Main finding 45	Trust and switching costs correlate with each other.
Main finding 46	Service quality, trust and switching costs lead to satisfaction, which in turn leads to loyalty.

5.16 CONCLUSION

This chapter presented the results and main findings of this study. To begin with, the chapter provided the sample realisation rate, followed by a presentation of the sample profile and patronage habits. The reliability of the constructs were determined by means of Cronbach alpha coefficients, and validity was determined by means of confirmatory factor analyses. The distribution of data was assessed, and the hypotheses were tested by means of ANOVAS, independent samples t-tests and structural equation modelling. To conclude, the chapter provided a summary of the main findings pertinent to the study. The next chapter provides a conclusion of this study. Accordingly, conclusions, limitations and recommendations of this study are given.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter serves as an overall conclusion to the study. Accordingly, an overview of the previous chapters is provided. The chapter further presents conclusions and provides recommendations based on the main findings from Chapter 5 and the secondary research objectives of the study. This chapter also provides an outline of the links between the research objectives of the study, the questions formulated in the questionnaire, the tested hypotheses, the main findings, the conclusions, and the recommendations. Limitations of the study are also discussed in this chapter, and finally, a number of suggestions for future research are made.

6.2 OVERVIEW OF THE STUDY

The South African retail banking industry is experiencing fast and irrevocable changes, including demographic shifts, changes in the nature of customers, technological trends and regulatory requirements (KPMG, 2013:4; PWC, 2013:26; Slater, 2014). These changes contribute towards increasing levels of competition in this industry. As a result of these changes and challenges, South African retail banks work towards differentiating themselves by means of offering different fees, varying interest rates on loans and deposits, different lending limits, changes in notice periods for withdrawing, improved customer convenience, as well as the general quality and range of product and service offerings (MarketLine, 2015:13). These factors, along with customer service, reputation and security against fraud, significantly influence customers' loyalty.

As explained in Chapter 1, however, customer attrition in South African retail banks has increased from 34% to 39%, with 13% of customers considering moving to other banks (BusinessTech, 2015b; Ernst & Young, 2012). According to SAcsi (South African customer satisfaction index, 2015), customers are more likely to switch from one bank to another if they are dissatisfied with products or services. This form of behaviour poses a challenge to banks in terms of the loyalty of their customers. In addition, Rootman and Cupp (2016:283) note that it is not difficult for customers to switch banks due to the high concentration of banks in South Africa; however, customers experience switching costs when they switch banks (Bhattacharya, 2013:102).

Considering the switching of customers between banks, increasing customer attrition and increase in the use of loyalty programmes to ensure that customers are not tempted to switch banks, it is important to study and observe those aspects (from a relationship marketing perspective) that might potentially predict customer loyalty in South African retail banks. This is important because relationship marketing is regarded as the foundation for reinforcing relationships and maintaining customer loyalty (Lo, 2012:92). Gilaninia *et al*. (2011:508) and Talgehani *et al*. (2011:155) posit that relationship marketing has proven to be an invaluable tactic in the banking industry to create distinct and long-term relationships with customers in order to gain insights about customers and their satisfaction.

The results, findings and recommendations from this study could assist the South African retail banking industry to identify those aspects that need to be addressed in order to manage customer relationships effectively and to keep customers, in this manner increasing customer loyalty and reducing the number of customer who switch banks.

Therefore, the primary objective of the study (see section 1.4.1) was to determine predictors of customer loyalty, including service quality, trust, switching costs, and satisfaction, in South African retail banks. By determining these factors, the researcher was able to gain insights into respondents' perceptions of service quality, trust, their switching cost perceptions, satisfaction and loyalty levels towards their retail banks (specifically Absa, Capitec, FNB, Nedbank and Standard bank).

In order to address the primary objective, the following secondary objectives were formulated (see section 1.4.2), namely to:

1) Compile a demographic profile of respondents.
2) Determine the retail banking habits of respondents.
3) Determine respondents' perceptions of the service quality of their banks.
4) Determine respondents' trust towards their banks.
5) Determine respondents' perceptions of the cost of switching between banks.
6) Determine respondents' levels of satisfaction with their banks.
7) Determine respondents' loyalty towards their banks.
8) Determine whether significant differences exist between different groups of retail banking customers in terms of each of the above constructs.
9) Determine the interrelationship between service quality, trust, switching costs, satisfaction and loyalty in South African retail banks (as presented in the conceptual model).

Chapter 2 presented a literature survey on the concept of relationship marketing, since the study and implementation of relationship marketing is generally accepted as the best way to focus effectively on the customer and to realise long-term relationships (i.e., loyalty) (Lo, 2012:92). According to Ibok and Akaninyene (2014:97), relationship marketing encompasses building and maintaining relationships. Cosic and Djuric (2010:54) posit that the purpose of relationship marketing is to provide long-term value to customers, and to ensure the long-term satisfaction of customers. As indicated by Rahman and Masoom (2012:98), relationship marketing can help to establish influential relationships with customers and with other businesses that would in turn help to achieve a competitive edge. Therefore, by building and maintaining strong relationships with customers, businesses obtain useful information for marketing intelligence to create marketing tactics tailored to the relevant target market (Gaurav & Khan, 2013:47).

In section 2.11 of this study, some of the main advantages of implementing a relationship marketing approach were highlighted, including:

- Customer loyalty (Gaurav & Khan, 2013:47).
- Higher profitability (Bazini *et al*., 2011:159).
- Existing customers freely advertise (Bahri *et al*., 2013:46).
- Customers can be involved in product development (Sonkova & Grabowska, 2015:205).
- Special treatment benefits to customers (Morgan *et al*., 2015:33).
- Interactive communication (Buhler & Nufer, 2012:40).
- Establishing a competitive advantage (Rahman & Masoom, 2012:98).

In addition, section 2.7 explained that, in order to realise an integrated relationship marketing approach, several factors should be considered as potential drivers of relationship marketing, including:

- Service quality;
- Trust;
- Switching cost;
- Satisfaction, and
- Loyalty.

Chapter 3 provided a detailed discussion of salient constructs used in the study, namely service quality, trust, switching costs, satisfaction and loyalty, which were identified as important drivers of relationship marketing (section 2.7) in the retail banking industry.

Service quality was defined (in section 3.3.2) as customers' perceptions of the service actually received from a service provider or business. According to Agyapong (2011:204), service quality is generally regarded as a critical requirement and contributing factor of competitiveness for creating and sustaining satisfying relationships with customers. Service quality consists of five dimensions, namely reliability, responsiveness, assurance, empathy and tangibles (Cronin & Taylor, 1992; Parasuraman *et al*., 1988).

Trust was defined (in section 3.4.1) as the willingness of one exchange partner to depend on and believe in the ability of another partner to meet or fulfil his or her needs in a transaction. According to Dalhstrom *et al*. (2014:269), trust is critical in the banking industry considering the financial transactions that implicate risk. Nguyen *et al*. (2013:96) further note that trust affects customers' decisions on whether to pursue or terminate a relationship with a business.

Switching costs were defined (in section 3.5.1) as costs that customers incur as a result of ending transactions with a certain business and switching to another business to begin new transactions and relationships. According to Blut *et al*. (2015:82), managers make efforts in putting measures in place that intensify switching costs with the perception that these activities will strengthen customer relationships. In addition, from a customer's perspective, it may not be worth switching because a customer may risk not being satisfied suitably elsewhere (Sahin & Kitapci, 2013:910).

Satisfaction was defined (in section 3.6.1) as the customer's sense of fulfilment from a product or service received. Arokiasamy (2013:15) posit that businesses have to acquire knowledge on how to retain customers even if they seem to be satisfied. Satisfied customers are the cornerstone of any successful business because customer satisfaction results in repeat buying, brand loyalty, and positive word-of-mouth (Angelova & Zekiri, 2011:233).

Loyalty was defined (in section 3.7.1) as a customer's desire to continue patronising a specific business regardless of other offerings available from competing businesses; in other words, repeat purchases over time from that specific business. Chakiso (2015:58) adds that loyal customers usually create more stable relationships with a business as compared to non-loyal customers. According to Madjid (2013:49), in order to establish long-term loyalty amongst customers, customers need to be satisfied.

Chapter 4 focused on the research methodology used in this study. In order to achieve the research objectives, primary research was conducted. Consequently, the study followed a descriptive research approach where a self-administered questionnaire was distributed among customers of South African retail bank (Absa, Capitec, FNB, Nedbank and Standard bank) in Gauteng Province who have been with their bank for a period of two or more years. The fieldwork was conducted by five B.Com. Honours (Marketing Management) students from the North-West University (Potchefstroom Campus) who had marketing research as a 3rd year subject (at the time of data collection, they were busy with Marketing research as an honours subject).

A convenience sample was drawn from 500 retail bank respondents from the Gauteng Province. After primary data capturing and data cleaning, the sample realisation rate (see section 5.2) was 92.6% with 463 respondents. The data was analysed using SPSS (version 23). Statistical analyses included frequencies, percentages, means, standard deviations, Cronbach alpha values, CFAs, ANOVAS, independent samples t-tests, and structural equation modelling (see sections 5.4 to 5.14). The conclusions drawn from the main findings and recommendations for each secondary objective are presented in the following sections.

6.3 CONCLUSIONS AND RECOMMENDATIONS FOR SECONDARY OBJECTIVES

This section presents a number of conclusions drawn the research objectives and the empirical results presented in Chapter 5. Furthermore, the section proposes recommendations pertinent to each secondary research objective formulated and presented (section 1.4.2.).

6.3.1 Secondary objective 1

Compile a demographic profile of respondents.

Armstrong and Kotler (2013:156) note that customers worldwide differ in terms of their age, income, education level, tastes and preferences. Therefore, a demographic profile was compiled of the respondents who participated in the study, thus achieving secondary objective 1. The demographic profile of respondents can be concluded as follows:

The majority of respondents were either black or white females, aged 21 to 25 years old. Most respondents had completed matric or held a university degree, and more than half of the respondents were full-time employed.

Recommendation 1: The sample profile can be considered as an indication of the banks' customer base, and therefore banks should note that their customer base could be relatively young (aged 21 to 25), and accordingly adapt their marketing strategies to address this age group.

Recommendation 2: Most respondents had completed matric or held a university degree. Therefore, banks could implement marketing strategies that are targeted at educated and informed people.

6.3.2 Secondary objective 2

Determine the retail banking habits of respondents.

Since the focus of this study was to obtain information on and feedback from retail bank customers, it was deemed important to determine which banks respondents are using. In addition, the duration that respondents have been with their banks was also determined, since the study also aimed to determine respondents' loyalty levels. According to Bose and Rao (2011:546), loyalty programmes have the objective of attaining loyalty over time and not with a single transaction, which implies that loyalty is generally attained over the long term. This fact meant that it was necessary to obtain a clear indication of the duration that respondents have had a relationship with their banks. Based on the empirical results (in section 5.4), the following conclusions are drawn:

Conclusion 1: Most respondents hold their personal account(s) at Standard bank, which is in line with the proposed sample size and demarcation of the target population.

Conclusion 2: The majority of the respondents have been with their respective retail banks for 5 to 10 years.

Recommendation 3: Since the majority of customers have been with their retail banks for 5 to 10 years, retail banks should work towards keeping these customers even longer by establishing more intimate relationships with these customers and meeting their customised needs.

6.3.3 Secondary objective 3

Determine respondents' perceptions of the service quality of their banks.

As discussed in Chapter 3, service quality is a critical success factor for businesses to distinguish themselves from rivals (Lau *et al*., 2013:265). Vennila (2014:44) posits that, in a competitive environment, customers are progressively knowledgeable of substitutes to services and service providers, and as a result, customers' expectations increase and they become more critical of the quality of related services. High levels of perceived service quality tend to encourage customers to purchase and repurchase a particular brand or the set of products and brands offered by a business (Fragata & Munoz-Gallego, 2010:154). Therefore, as postulated by Armstrong and Kotler (2013:241), a service business can distinguish itself by delivering continuously higher levels of quality in comparison to rivals. Cronin and Taylor (1992) developed a SERVPERF model, based on the initial SERVQUAL model of Parasuraman *et al*. (1988), to measure service quality. This model consists of the following dimensions:

- **The Reliability** dimension comprises the capability of offering committed services in a complete and reliable way (Karimi *et al*., 2011:11).

- **Tangibles** can be referred to as the presentation of physical facilities, equipment, employees and communication materials in the service procedure (Yunus *et al*., 2013:334).
- **Responsiveness** refers to the enthusiasm of employees to assist customers, to provide speedy service and the ability to respond to individual customers' needs. This also means taking care when providing services to the customer in the appropriate time (Grubor *et al*., 2009:278).
- **Assurance** is the ability of a service provider to stimulate trust and confidence in the business through the knowledge, politeness and honesty of the employees (Culiberg & Rojsek, 2010:152).
- **Empathy** comprises the contact with customers, communication with customers and understanding of customers, which implies personalised attention to customers. It involves providing customers with personalised attention and requires employees to be aware of the needs of their customers as well as offering appropriate business hours (Saghier & Nathan, 2013:4).

Main findings 4, 5, 6, 7, 8, 9, 10, 22, 23, 24, 25, 26 and 31 were formulated to address secondary objective 3. The Cronbach alpha values and CFA confirmed the validity and reliability of the SERVPERF model for measuring service quality within the retail banking industry.

Conclusion 3: The Cronbach alpha values and CFA confirmed the validity and reliability of the SERVPERF measurement scale used to measure service quality in the South African retail bank industry.

Conclusion 4: Respondents indicated that, to improve their perceptions of their banks' *reliability*, it is most important to them that the staff of their retail banks keep the promises they make.

Conclusion 5: Respondents indicated that in order to improve their perceptions of their banks' *responsiveness*, the most important aspect is that the staff should constantly keep customers informed about their queries.

Conclusion 6: Respondents indicated that, with a view to better their perceptions of their banks' *assurance*, it is important to them that the staff should have the necessary knowledge and the know-how of bank processes and policies to deal with their queries and concerns.

Conclusion 7: Respondents indicated that their perceptions of their banks' *empathy* can be improved if banks have operating hours that are convenient to them.

Conclusion 8: Respondents indicated that, to improve their perceptions of their banks' *tangibles*, it is important to them that the bank's branch layout should be clearly demarcated and easy to understand.

Conclusion 9: On overall service quality, respondents indicated that they perceive their banks not to be really responsive in delivering their services.

Recommendation 4: South African retail banks can consider measuring the quality of their services by means of the SERVPERF measurement scale.

Recommendation 5: Retail banks can improve the *reliability* dimension by:

- Keeping the promises made to customers.
- Avoid making exaggerated promises which cannot be met.
- Providing enough training to the staff to equip them in terms of performing and fulfilling promises made to customers.
- Offering rewards to best performing staff to stimulate the delivery of good customer service.
- Designing a service rating system to continuously identify where there is need for improvement.

Recommendation 6: Retail banks can enhance the *responsiveness* dimension by:

- Continuously updating customers on the progress of their queries.
- Increasing the number of staff during projected days where there are more customers visiting the bank to ensure prompt and quick service.
- Communicating and informing customers to expect delays in cases where there are many customers to be served.
- The bank manager should have the overall responsibility to ensure that the staff are performing their duties appropriately.
- Implementing a customer-centric process in the retail banks.

Recommendation 7: Retail banks can improve the *assurance* dimension by:

- Providing staff with the necessary skills and expertise in order to be knowledgeable of the bank processes and when dealing with customers' queries and concerns.
- Improving bank staff's interpersonal and communication skills.
- Ensuring that the staff make customers feel confident when dealing with them.

Recommendation 8: Retail banks can improve the *empathy* dimension by:

- Increasing their banking hours to ensure convenient banking hours to customers.
- Providing an individualised and customised customer interface.
- Ensuring that the bank staff are asking all the important questions to the customers in order for them to understand customers' needs.
- The bank staff should express that they have the customers' interest at heart.
- Improving the staff's interpersonal and communication skills.

Recommendation 9: Retail banks can improve the *tangibles* dimension by:

- Ensuring that the bank's branch layout is clearly demarcated and easy to understand for the customer.
- Continually ensuring that customers can access all important areas in the bank easily.
- Ensuring that the staff are ready to assist customers with directions of where they intend to go into the bank.

Recommendation 10: Banks could also embark on customer follow-ups after service delivery to obtain continuous feedback and input from customers to ensure that quality services are consistently provided to all customers.

Recommendation 11: Banks can encourage customers to participate in value co-creation in order to develop better ways of improving overall service quality.

6.3.4 Secondary objective 4

Determine respondents' trust towards their bank.

As discussed in Chapter 3, Utami (2015:640) believes that trust between a business and a customer makes it easier to nurture interactive relationships. Trust consists of *affective trust,* which is the self-assurance one places in a partner based on feelings created by the level of care and concern the partner shows (Hanzaee & Norouzi, 2012:4998), and *cognitive trust,* which entails individuals who are looking for a rational motive to depend on the other party (Trif, 2013:113). Damtew and Pagidimarri, (2013:85) posit that, in building trust, customers need to see things in the business such as the business' ability to deliver on promises, the business' equal handling of customers, and the trustworthiness and authenticity of business employees, and management of the business as a whole. A customer who trusts a business is more likely to continue with his or her interaction with the business (Baharvand, 2015:254). This implies that the betrayal of trust results in the interruption of the relationship, which has a negative effect on the sustainability and profitability of the business (Lendel & Varmus, 2015:69).

Main findings 11, 12, 13, 27 and 31 address secondary objective 4. The Cronbach alpha values and CFA confirmed the validity and reliability of the trust dimension in measuring trust within the retail banking industry.

Conclusion 10: The Cronbach alpha values and CFA confirmed the validity and reliability of the trust dimension in this study in determining respondents' level of trust towards their banks.

Conclusion 11: Respondents indicated that, to improve their trust towards their banks, it is most important to them that the staff should make reliable promises.

Recommendation 12: South African retail banks can consider measuring trust by means of the trust measurement scale.

Recommendation 13: Retail banks can improve trust by:

- Ensuring that promises made to the customers are delivered appropriately.
- Ensuring that the bank staff consistently deliver quality services.
- In cases of failure to fulfil promises made, they need to establish communication between the bank and the customer to apologise to the customer.

6.3.5 Secondary objective 5

Determine respondents' perceived costs of switching between banks.

As explained in Chapter 3, in various markets, customers experience switching costs when they switch from one product to another in the similar category, or when they change suppliers (Bhattacharya, 2013:102). According to Oyeniyi and Abiodun (2009:112), switching costs are costs experienced by customers for terminating a relationship and starting a new one. Switching costs can be categorised into financial costs, procedural switching costs and relational switching costs (Burnham *et al*., 2003:112). Ting (2014:314) indicates that financial switching costs include *benefit loss cost* and *monetary loss cost*. Procedural costs refer to the time and effort involved when the customer switches from one business to another (Haj-Salem & Chebat, 2013:1107) and these are further categorised into *risk cost*, *evaluation cost*, *learning cost* and *setup cost* (Schutle, 2015:55). Blut *et al*. (2015b:83) explain that relational switching costs involve the loss of identification and emotional ties with both the previous service provider and any employees with whom the customer has worked. Schulte (2015:56) add that relational costs comprise of *personal relationship* and *relationship* facets. According to Chebat *et al*. (2010:79), switching costs create barriers that prevent customers from switching to other businesses.

Matzler *et al*. (2014:120) explain that customers' decision to stay with a business depends on how he or she evaluates the related switching costs. Therefore, if customers perceive the costs involved in switching to another business to be higher than the potential benefits that might be obtained, they will be more likely to remain with the current business.

Main findings 14, 15, 28 and 31 address secondary objective 5. The Cronbach alpha values and CFA confirmed the validity and reliability of the switching cost items as a measure of respondents' switching cost perceptions within the retail banking industry.

Conclusion 12: The Cronbach alpha values and CFA confirmed the validity and reliability of the switching cost items as a measure of respondents' switching cost perceptions in this study, hence the switching cost items identified can also be used to measure switching cost perceptions within the retail banking industry.

Conclusion 13: Respondents indicated that, to improve their perceptions of their banks' switching costs, it is important to them that the staff should indicate all hidden costs during the process of switching from one bank to another.

Recommendation 14: South African retail banks can consider measuring switching cost by means of the switching cost measurement scale.

Recommendation 15: Retail banks can improve switching cost perceptions by informing customers beforehand of all the costs involved when considering to switch from one bank to another.

6.3.6 Secondary objective 6

Determine respondents' levels of satisfaction with their banks.

Chapter 3 discussed satisfaction and highlighted that acquiring information on the satisfaction levels and specifically the antecedents of satisfaction will benefit industries, thus enabling them to concentrate and build upon main areas that lead to highly satisfied customers (Alhemoud, 2010:334). According to Ganiyu *et al*. (2012:16) and Matos *et al*. (2013:527), customer satisfaction may be transaction-specific satisfaction or overall satisfaction. Transaction-specific satisfaction is the satisfaction that emerges from a one-time transaction (Sunder, 2011:43) while overall satisfaction is the customer's total subjective after-consumption evaluative judgement based on all interactions and experiences with a business (Bello, 2012:25). According to Lee and Moghavvemi (2015:96), meeting or exceeding the customer's expectation assures satisfaction.

Consequently, a contrast between expectations and perceptions will result in either confirmation or disconfirmation, where confirmation occurs when product or service perceptions precisely meet expectations, and disconfirmation will occur due to perceptions being lower than expectations (Siddiqui, 2012:4135). Sharifi and Esfidani (2014:561) opine that, customer satisfaction stimulates future repurchase intentions and increases purchasing rate. Furthermore, Madjid (2013:49) postulates that customer satisfaction can result in customer loyalty.

Secondary objective 6 is addressed by main findings 16, 17, 18, 29 and 31. The CFA and Cronbach alpha values confirmed the validity and reliability of the satisfaction items as a measure of customers' satisfaction levels within the retail banking industry.

Conclusion 14: The CFA and Cronbach alpha values confirmed the validity and reliability of the satisfaction items as a measure of respondents' satisfaction levels in this study, and therefore the satisfaction items that have been identified can also be used to measure satisfaction levels within the retail banking industry.

Conclusion 15: Respondents indicated that, to improve their satisfaction towards the banks, the banks' services should meet their expectations.

Recommendation 16: South African retail banks can consider measuring satisfaction by means of the satisfaction measurement scale.

Recommendation 17: Retail banks can improve satisfaction in order to meet customers' expectations by:

- Not overpromising customers on what they should expect from during their service delivery. Therefore, realistic expectations should be set.
- Ensuring that staff is well-equipped to satisfy customers' needs.
- Striving to exceed customers' expectations.
- Ensuring that promises are kept and apologising to customers in cases of failure.
- Surprise and delight customers.
- Delivering the best service quality and offering value for money.
- The bank staff should develop interpersonal and communication skills to deal with customers to ensure that they feel satisfied.
- Banks should maintain consistent service delivery to customers to ensure continuous satisfaction and good customer experiences.

6.3.7 Secondary objective 7

Determine respondents' loyalty towards their banks.

Chapter 3 indicated that cultivating loyalty and keeping customers are vital for every business (Jaiswal & Niraj, 2011:165). Sidiqqi (2011:17) suggests that loyalty is built through methods that strengthen bonds and create a positive mind-set. Two distinct loyalty notions emerged, namely behavioural and attitudinal loyalty (Dehghan & Shahin, 2011:3). According to Cheng (2011:150), behavioural loyalty aims to change customer loyalty into actual purchase behaviours, while attitudinal loyalty entails customers communicating positively about the business (word-of-mouth) and establishing a positive business image. As explained by Bose and Rao (2011:545), customers remain loyal to a business if they feel that the business offers them better services or products than another business. Therefore, as postulated by West *et al*. (2015), having loyal customers means customers can contribute by means of suggestions on improvements. This is a form of value co-creation since customers now understand the business' processes and this can assist in research and development. Furthermore, sales records of a business can improve positively if customers remain loyal to them (Bagram & Khan, 2012:2).

Secondary objective 7 was addressed by main findings 19, 20, 21, 30 and 31. The CFA and Cronbach alpha values confirmed the validity and reliability of the loyalty items as a measure of customers' loyalty levels within the retail banking industry.

Conclusion 16: The CFA and Cronbach alpha value confirmed the validity and reliability of the loyalty items as a measure of respondents' loyalty levels in this study, and therefore the loyalty items identified can also be used to measure customers' loyalty levels within the retail banking industry.

Conclusion 17: Respondents indicated that their willingness to encourage friends and/or relatives to do business with their banks is relatively low.

Recommendation 18: South African banks can consider measuring loyalty by means of the loyalty measurement scale.

Recommendation 19: Retail banks can stimulate customers to encourage friends and/or relatives to do business with their banks by:

- Satisfying and exceeding the expectations of existing customers, to encourage word-of-mouth communications.

- Directly appealing to customers to be brand ambassadors and encourage others to do business with their banks.
- Offering competitive offerings which will prompt customers to encourage friends and/or relatives to do business with their banks.
- Offering rewards to customers for successful referrals.
- Delivering the best service quality, value and a good customer experience.

6.3.8 Secondary objective 8

Determine whether significant differences exist between different groups of retail banking customers in terms of each of the above constructs.

The purpose of secondary objective 8 was to determine whether the service quality and switching cost perceptions, trust, satisfaction and loyalty levels are different among the different customers of the main South African retail banks (Absa, Capitec, FNB, Nedbank and Standard bank) in terms of age, gender, ethnicity, education level, employment status, type of bank and duration with the bank. Therefore, hypotheses were formulated and tested by means of parametric tests (independent samples t-tests and ANOVAs – see section 4.3.6.2) with the aim of determining if statistically and practically significant differences exist. Consequently, secondary objective 8 is associated with main findings 32, 33, 34, 35, 36, 37, 38. The differences between different groups of retail banking customers with regards to service quality, trust, switching cost, satisfaction and loyalty are subsequently discussed.

6.3.8.1 Service quality

To determine whether differences exist between different groups of retail banking customers in terms of service quality, respondents' perceptions were determined on the aspects age, gender, ethnicity, education level, employment status, type of bank and duration with the bank. No statistically significant differences were found with regards to age, gender, education level, employment status and duration with the bank. Statistically significant differences were found between respondents of different ethnicities and respondents banking with different banks, but the differences were too small to indicate practical significance.

Conclusion 18: The perceptions of different groups of retail banking respondents (based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank) regarding service quality do not differ practically significantly. Therefore, indicating that all respondents generally have the same perceptions of the service quality of their retail banks.

Recommendation 20: Considering that all respondents indicated similar service quality perceptions, retail banks should aim to establish and maintain the same level of service quality for all customers across all demographic and psychographic dimensions.

Recommendation 21: Retail banks can improve overall service quality by:

- Training bank staff on delivering the best service.
- Effectively communicating with the customers.
- Actively listening to customers' needs.
- Having convenient operating hours.
- Delivering on the promises made.
- Improving their interpersonal skills to deal effectively with customers.
- Keeping customers informed on the progress of their queries.
- Undertaking internal marketing to motivate and empower staff to deliver exceptional services.
- Encouraging customers to participate in value co-creation in order to identify better ways of improving service quality.
- Implementing a customer-centric process.

6.3.8.2 Trust

In order to determine whether differences exist between different groups of retail banking customers in terms of trust, respondents' levels of trust were determined based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank. No statistically significant differences were found with regards to age, gender, education level, and employment status. Statistically significant differences were found between respondents of different ethnicities, respondents of different banks, and respondents with different duration with the bank. However, these differences were too small to indicate practical significance.

Conclusion 19: The different groups of retail banking respondents (based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank) do not differ practically significantly in terms of their trust towards their retail bank. This finding indicates that all respondents generally have the same level of trust in their retail banks.

Recommendation 22: Considering that all respondents indicated that they have similar levels of trust, retail banks should aim to establish and maintain the same level of trust for all customers across all demographic and psychographic dimensions.

Recommendation 23: Retail banks can improve customers' trust towards them by:

- Ensuring that promises align with the promises made.
- Having direct contact with customers.
- Ensuring secure transactions with customers.
- Providing consistent quality of services to customers.

6.3.8.3 Switching cost

In order to determine whether differences exist between different groups of retail banking customers in terms of switching cost, respondents' perceptions were determined on the aspects of age, gender, ethnicity, education level, employment status, type of bank and duration with the bank. No statistically significant differences were found with regards to age, gender, ethnicity, education level, employment status, type of bank and duration with the bank.

Conclusion 20: The perceptions of different groups of retail banking respondents (based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank) regarding switching cost do not differ practically significantly. This finding means that the respondents have similar perceptions of switching costs.

Recommendation 24: Considering that the respondents indicated that they have similar switching cost perceptions, retail banks should aim to establish and maintain the same level of perceptions on switching cost for all customers across all demographic and psychographic dimensions.

Recommendation 25: Retail banks can improve switching cost perceptions by ensuring that they inform customers beforehand about all the potential costs involved when switching from one bank to another.

6.3.8.4 Satisfaction

In order to determine whether differences exist between different groups of retail banking customers in terms of satisfaction, respondents' levels of satisfaction were determined based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank. However, no statistically significant differences were found with regards to age, gender, education level, and employment status. Statistically significant differences were found between respondents of different ethnicities, respondents of different banks, and respondents with different duration with the bank. However, the differences were too small to indicate practical significance.

Conclusion 21: The different groups of retail banking respondents (based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank) do not differ practically significantly in terms of their satisfaction towards their retail bank. Therefore, all respondents have similar levels of satisfaction with their retail banks.

Recommendation 26: Considering that all respondents indicated that they generally have the same level of satisfaction, retail banks should aim to establish and maintain the same level of satisfaction for all customers across all demographic and psychographic dimensions.

Recommendation 27: Retail banks can improve satisfaction by:

- Ensuring that they offer competitive offerings and exceptional services as provided by other retail banks to ensure that their customers are satisfied at the same level as other customers served by other banks.
- Striving to meet or even exceed customers' expectations.
- Ensuring all customer needs are met by communicating with customers and asking what they require.
- Conducting internal marketing to motivate and empower staff to deliver exceptional services.
- Treating customers fairly.
- Improving customer experience by actively listening and giving feedback to customers.
- Encouraging customers to participate in value co-creation in order to identify better ways of satisfying their needs.
- Avoiding exaggerated promises that will increase customers' expectations and lead to disappointment and dissatisfaction.
- Implementing a customer-centric process in retail banks.

6.3.8.5 Loyalty

In order to determine whether differences exist between different groups of retail banking customers in terms of loyalty, respondents' level of loyalty was determined based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank. However, no statistically significant differences were found with regards to age, gender, education level, and employment status. Statistically significant differences were found between respondents of different ethnicities, respondents of different banks and respondents with different duration with the bank. However, these differences were too small to indicate practical significance.

Conclusion 22: The different groups of retail banking respondents (based on age, gender, ethnicity, education level, employment status, type of bank and duration with the bank) do not differ practically significantly in terms of their loyalty towards their retail bank. Therefore, the respondents generally have similar levels of loyalty towards their retail banks.

Recommendation 28: Considering that all respondents indicated that they generally have the same level of loyalty, retail banks should aim to establish and maintain the same level of loyalty for all customers across all demographic and psychographic dimensions.

Recommendation 29: Retail banks can improve loyalty by:

- Consistently satisfying the customers.
- Developing intimate relationships with customers.
- Delivering valued services to customers for their commitment to the banks.
- Continuously delivering competitive offerings to ensure that customers consider their retail bank as their first preference on their financial concerns.
- Doing something that customers do not expect such as instant rewards.

6.3.9 Secondary objective 9

Determine the interrelationship between service quality, trust, switching costs, satisfaction and loyalty in South African retail banks (as presented in the conceptual model).

Chapter 1 indicated that retail banking customers are not as loyal as banks would want them to be, since it is fairly easy to switch to different banks regardless of being satisfied. Indeed, a large number of customers have shown intentions to leave their bank (see section 1.2). However, relationship marketing has proven to be an invaluable tactic in the banking industry to create intimate relationships with its customers in order to gain insights about customers and their satisfaction, also in light of the intensifying competition in this sphere (Gilaninia *et al*., 2011:508).

Previous research (Al-Hersh *et al*., 2014; Gaurav & Khan, 2013:47; Matzler *et al*., 2014; Oogarah-Hanuman & Ramnarain, 2013) identified service quality, trust, switching cost, satisfaction and loyalty as basic components of relationship marketing. Relationship marketing has the objective of long-term customer satisfaction (Cosic & Djuric, 2010:54) as it leads to loyalty (Madjid, 2013:49), thus indicating its practical importance.

Secondary objective 9 is addressed by main findings 39 to 46 and hypotheses H_8, H_9, H_{10}, H_{11}, H_{12}, H_{13} and H_{14} by conducting structural equation modelling. From main findings 39 to 41, it was determined that respondents' service quality perceptions, trust and switching cost perceptions have a significant positive effect on their satisfaction with their retail banks. From main finding 42, it was determined that respondents' satisfaction with their retail banks has a positive effect on their loyalty towards their retail banks. Main findings 43, 44 and 45 indicated that service quality, trust and switching cost correlate positively with each other. Main finding 46 concluded that there is indeed an interrelationship between service quality, trust and switching cost, which lead to customer satisfaction, and subsequently resulting in loyalty. From these findings, a model (SEM) for South African retail banks was compiled (see Figure 5-1).

Conclusion 23: Service quality positively affects satisfaction. Therefore, if retail banks are able to provide high quality services, their customers will be more satisfied with their retail banks.

Conclusion 24: Trust positively affects satisfaction. Therefore, if retail banks can instil trust in their customers regarding their products and services, their customers will be more satisfied with their retail banks.

Conclusion 25: Switching cost positively affects satisfaction. Therefore, if retail banks keep their customers informed about the switching costs involved in moving to a different bank, their customers will be more satisfied their retail banks.

Conclusion 26: Satisfaction positively affects loyalty. Therefore, if retail banks are able to continuously satisfy their customers – by meeting or exceeding customers' expectations – their customers will be more likely to remain loyal towards their retail banks.

Conclusion 27: Service quality and trust correlate positively with each other. This implies that if retail banks provide better quality services, customers would consider their retail banks to be more trustworthy. In the same manner, if retail banks are able to instil trust in their customers, customers will perceive their retail bank to be delivering better services.

Conclusion 28: Service quality and switching cost correlate positively with each other. This implies that if banks offer better quality services, customers would perceive the switching cost of their retail banks to be higher. In the same vein, if retail banks' switching costs are higher, customers would perceive their retail banks to be delivering better quality services.

Conclusion 29: Trust and switching cost correlate positively with each other. Therefore, if retail banks are more trustworthy, customers would perceive the switching cost of their retail banks to be higher. If retail banks' switching costs are higher, customers would consider their retail banks to be more trustworthy.

Conclusion 30: Service quality, trust and switching cost lead to satisfaction, which in turn leads to loyalty. Therefore, to encourage long-term and loyal relationships, retail banks need to satisfy their customers by providing high quality services, promoting trust in relationships, and clearly communicating switching costs.

Recommendation 30: Retail banks can use the model (see Figure 5-1) developed in this study with the aim of improving customer loyalty towards the retail banks.

Recommendation 31: In order to attain overall loyalty, banks can focus on meeting or exceeding customers' satisfaction with the bank. Satisfaction can be achieved by establishing a trusting relationship between customer and provider, providing consistent and high-quality services, and making clear the costs involved in switching from one bank to another.

6.3.10 Summary of recommendations

In light of the above recommendations, it can be concluded that the measurement scales used for measuring service quality, trust, switching cost, satisfaction and loyalty can be considered by South African retail banks to measure those aspects. It is essential for retail banks to implement marketing strategies that are targeted at educated and informed people. Noteworthy, retail banks should aim to establish and maintain the same service quality and switching cost perceptions, trust, satisfaction and loyalty levels of customers across all demographic and psychographic dimensions.

With regards to overall service quality, retail banks should specifically pay attention to their responsiveness when delivering services to their customers. In terms of trust, reliable promises should be made to customers. Furthermore, in order to improve switching cost perceptions, retail banks should inform customers in advance about the costs involved in switching from one bank to another. It is also important for retail banks to meet customers' expectations in order to improve satisfaction. Developing intimate relationships with customers will be key to achieving customer loyalty. On an overall perspective, retail banks should aim to satisfy customers, which can be accomplished through good service quality, establishing trust and making clear the costs involved in switching from one bank to another.

6.4 THE LINKS BETWEEN THE RESEARCH OBJECTIVES, HYPOTHESES, QUESTIONS IN THE QUESTIONNAIRE, MAIN FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section draws links between research objectives, hypotheses research questions in the questionnaire, main findings, conclusions and recommendations as presented in Table 6-1.

Table 6-1: Links between research objectives, hypotheses, questions, main findings, conclusions and recommendations

Questions	Hypotheses	Main findings	Conclusions	Recommendations
Secondary objective 1: Compile a demographic profile of respondents.				
Section A: Questions 1 - 5		Main finding 1		Recommendations 1 & 2
Secondary objective 2: Determine the retail banking habits of respondents.				
Section B: Questions 6 & 7		Main findings 2 & 3	Conclusions 1 & 2	Recommendation 3
Secondary objective 3: Determine respondents' perceptions of the service quality of their banks.				
Section C: Question 10		Main findings 4 - 10 & 22 - 26	Conclusions 3 - 9	Recommendations 4 - 11
Secondary objective 4: Determine respondents' trust towards their banks.				
Section C: Question 9		Main findings 11 - 13 & 27	Conclusions 10 & 11	Recommendations 12 & 13
Secondary objective 5: Determine respondents' perceived costs of switching between banks.				
Section C: Question 11		Main findings 14, 15 & 28	Conclusions 12 & 13	Recommendations 14 & 15
Secondary objective 6: Determine respondents' levels of satisfaction with their banks.				
Section C: Question 8		Main findings 16 - 18 & 29	Conclusions 14 & 15	Recommendations 16 & 17
Secondary objective 7: Determine respondents' loyalty towards their banks.				
Section C: Question 12		Main findings 19 - 21 & 30	Conclusions 16 & 17	Recommendations 18 & 19
Secondary objective 8: Determine whether significant differences exist between different groups of retail banking customers in terms of each of the above constructs.				
Sections A - C: Questions 1 - 12	H_1, H_2, H_3, H_4, H_5, H_6 & H_7	Main findings 32 - 38	Conclusions 18 - 22	Recommendations 20 - 29
Secondary objective 9: Determine the interrelationship between service quality, trust, switching costs, satisfaction and loyalty in South African retail banks.				
Section C: Questions 8 - 12	H_8, H_9, H_{10}, H_{11}, H_{12}, H_{13} & H_{14}	Main findings 39 - 46	Conclusions 23 - 30	Recommendations 30 & 31

As shown in Table 6-1, the primary objective of the study, namely to determine predictors of customer loyalty, including service quality, trust, switching costs, and satisfaction, in South African retail banks has been achieved. In addition, it can be concluded that the secondary objectives have been achieved, and that the proposed hypotheses have been addressed. Therefore, for every secondary objective, main findings were presented, conclusions were drawn and recommendations were provided.

6.5 LIMITATIONS OF THE STUDY

All research studies are presented with certain limitations. This section provides the literature and empirical limitations experienced in this study.

- Limited research has been conducted with regard to South African retail banks concerning switching costs of customers. Therefore, the researcher had to rely on information from international studies on banks and other industries.
- Due to the POPI Act, retail banks were reluctant to provide their customer databases to serve as a framework for this study, and therefore the study had to rely on non-probability convenience sampling. Consequently, this study is only representative of those respondents who took part of the survey and not the entire target population.
- The absence of a sampling frame (i.e., customer databases) made it difficult for the fieldworkers to identify potential respondents who have been using retail banks for two or more years from those who have been using retail banks for less than two years, and this increased the time needed for data collection.
- Response bias could have occurred as a number of the respondents were hesitant to provide some of their demographic information.
- The length of section C of the questionnaire presented limitations to the study, as some respondents did not complete the questions. As a result, a few incomplete questionnaires were withdrawn during the data cleaning stage.
- The respondents' readiness to answer the questionnaire was also a limitation to this study as some people were busy at the time they were approached.
- Due to time and budget constraints, the study had to rely on a relatively small sample representing the Gauteng Province of South Africa. With the availability of more time and a larger budget, the researcher could have been able to conduct the study on a larger scale, thus making the sample richer by increasing the representativeness of retail banking customers of South Africa as a whole.

Considering these limitations of the study, it is possible to make a number of recommendations for future research.

6.6 RECOMMENDATIONS FOR FUTURE RESEARCH

The following suggestions for future research can be made:

- Due to the POPI Act, which makes it difficult to obtain a sampling frame for research, researchers could seek permission from the related banks to collect data within the bank branches without having to get personal details of respondents.
- Online surveys, which are mobile and more compatible, can be developed and shared on websites and social media platforms in order to cater for time and budget constraints of conducting research with a large sample size. Furthermore, the survey can contain the save and continue option to reduce the number of incomplete questionnaires if the questionnaire is a bit lengthy.
- In order to obtain accurate sample results, future research should use a larger sample size.
- This study only focused on respondents from a specific geographical location (Gauteng Province). Therefore, future studies should attempt to represent all geographical locations in their sample as some arguments exist that customers tend to differ or behave differently based on geographical locations.
- A comparative study including different types of banks (i.e., private banks and commercial banks) would be interesting, in order to determine whether the same or a similar loyalty model can be implemented.
- The questionnaire can also be designed to be available in different languages (especially in South Africa), to ensure that all respondents understand all the questions, and subsequently avoid possible misinterpretation of questions.
- The conceptual model developed in this study can be implemented in different studies in other emerging economies and in different service industries to test its reliability, relevance and applicability.

6.7 CONCLUSION

This chapter provided an overview of the entire study, by highlighting the previously discussed chapters (Chapters 1 to 5). Furthermore, conclusions were drawn and recommendations proposed for each secondary objective of the study in order to assist retail banks in designing strategies for each of the research constructs (service quality, trust, switching cost, satisfaction and loyalty) pertinent to the research topic to determine the predictors of customer loyalty in the South African retail banking industry. Subsequently, Table 6-1 presented the links between research objectives, hypotheses research questions in the questionnaire, main findings, conclusions and recommendations. The limitations inherent to this study were also presented. Lastly, this chapter proposed research suggestions for future studies.

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APPENDIX A

QUESTIONNAIRE

Fieldworker initials and surname: ____________________ **Questionnaire number:** | | | |

Your loyalty towards your bank

This questionnaire is designed to obtain feedback regarding your loyalty towards your bank, by determining the service quality and trust you obtain from your bank, as well as your switching cost perceptions and satisfaction.

Taking part in this survey is completely voluntary and anonymous. Completing the questionnaire should take approximately 10 minutes. When evaluating a question, please answer from your own perspective, by marking or completing where required.

Should you have any questions, please contact Dr Mackay at 12194778@nwu.ac.za.

Please provide us with your contact number and/or e-mail address. It is imperative that we follow up on the fieldwork for quality control purposes. Your personal information will NOT, by any means, be used for ANY purpose other than quality control.

Contact number: ______________________________

OR

E-mail: ______________________________

Screening question:

Have you been making use of the banking services of one or more of the major South African banks (Absa, Capitec, FNB, Nedbank, Standard bank) for **two or more years**?	Yes
	No

If your answer is ‘Yes’ to the above question, please complete the questionnaire.

If your answer is ‘No’ to the above question, you do not have to complete the questionnaire.

SECTION A – DEMOGRAPHIC INFORMATION

1. In which year were you born? | 19 |

2. What is your gender?

	x
Male	1
Female	2

3. What is your highest level of education?

	x
Some primary school	1
Primary school completed	2
Some high school	3
Matric / Grade 12 completed	4
Technical College diploma	5
University or Technology diploma	6
University degree (B-degree or Honours)	7
Postgraduate degree (Masters or Doctorate)	8

4. What is your ethnicity?

	x
Asian	1
Black	2
Coloured	3
Indian	4
White	5
Other, please specify:	6

5. What is your employment status?

	x
Full-time student	1
Unemployed	2
Self-employed	3
Part-time employed	4
Full-time employed	5
Housewife or Househusband	6
Retired	7
Other, please specify:	8

SECTION B – PATRONAGE HABITS

6. At which **one** of the following banks do you hold your personal account, or most of your personal accounts?

	x
Absa	1
Capitec	2
FNB	3
Nedbank	4
Standard Bank	5

7. How long have you been with your bank?

	years and		months

SECTION C – SERVICE QUALITY, TRUST, SWITCHING COST, SATISFACTION, LOYALTY

8. On a scale of 1 to 5, where 1 is ‘*strongly disagree*’ and 5 is ‘*strongly agree*’, indicate the extent to which you agree with each of the following statements regarding your **satisfaction with your bank**.

	Strongly disagree	→			**Strongly agree**
	1	**2**	**3**	**4**	**5**
I am satisfied with the services I receive from my bank.	1	2	3	4	5
I believe my bank treats me fairly.	1	2	3	4	5
My bank’s services meet my expectations.	1	2	3	4	5
I am proud of my relationship with my bank.	1	2	3	4	5
My experiences with my bank have always been good.	1	2	3	4	5
I am completely happy with my bank.	1	2	3	4	5

9. On a scale of 1 to 5, where 1 is ‘*strongly disagree*’ and 5 is ‘*strongly agree*’, indicate the extent to which you agree with each of the following statements regarding your **trust in your bank**.

	Strongly disagree	→			**Strongly agree**
	1	**2**	**3**	**4**	**5**
My bank is trustworthy.	1	2	3	4	5
I have confidence in my bank.	1	2	3	4	5
My bank is concerned with the security of my transactions.	1	2	3	4	5
My bank is consistent in providing quality services.	1	2	3	4	5
My bank’s promises are reliable.	1	2	3	4	5
My bank’s employees show respect to its customers.	1	2	3	4	5

10. On a scale of 1 to 5, where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements regarding the **service quality of your bank**.

	Strongly disagree	→			**Strongly agree**
	1	**2**	**3**	**4**	**5**
Reliability					
When I have a problem, the staff show a sincere interest to help me.	1	2	3	4	5
The bank has my personal and banking information up to date and error free.	1	2	3	4	5
The staff perform a service correctly the first time.	1	2	3	4	5
The staff keep the promises they make.	1	2	3	4	5
The staff perform the service they promise or claim to do.	1	2	3	4	5
Responsiveness					
The staff are never too busy to respond to my requests and queries.	1	2	3	4	5
The staff are willing to help me.	1	2	3	4	5
The staff give me prompt and quick service.	1	2	3	4	5
The staff constantly keep me informed about the progress of my queries.	1	2	3	4	5
Assurance					
The staff have the knowledge and know-how of bank processes and policy to deal with my queries and concerns.	1	2	3	4	5
The staff are polite towards me.	1	2	3	4	5
The behaviour and knowledge of the staff instil confidence in me.	1	2	3	4	5
I feel safe and confident about the staffs' abilities to deal with my concerns.	1	2	3	4	5
Empathy					
The staff always have my best interests at heart.	1	2	3	4	5
The staff give me personal attention.	1	2	3	4	5
My bank's employees are neat appearing.	1	2	3	4	5
The staff understand my personal banking needs.	1	2	3	4	5
The staff treat me as an individual with individual needs.	1	2	3	4	5
My bank has operating hours that are convenient to me.	1	2	3	4	5
Tangibles					
My bank's branch layout is clearly demarcated and easy to understand.	1	2	3	4	5
My bank's branch is visually appealing and clean.	1	2	3	4	5
The staff are neatly and professionally dressed.	1	2	3	4	5
My bank's branch has modern equipment.	1	2	3	4	5

11. On a scale of 1 to 5, where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements regarding the **costs involved in switching from your bank**.

	Strongly disagree	→			Strongly agree
	1	**2**	**3**	**4**	**5**
I like the image (the brand) of my bank.	1	2	3	4	5
Switching to another bank could cause hidden (unpredictable) costs.	1	2	3	4	5
Switching to another bank will probably result in some unexpected hassle.	1	2	3	4	5
The process of switching to another bank is connected to many formalities.	1	2	3	4	5

12. On a scale of 1 to 5, where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements regarding your **loyalty towards your bank**.

	Strongly disagree	→			Strongly agree
	1	**2**	**3**	**4**	**5**
I say positive things about my bank to other people.	1	2	3	4	5
I would recommend my bank to someone who seeks my advice.	1	2	3	4	5
I encourage friends and/or relatives to do business with my bank.	1	2	3	4	5
I consider my bank as my first choice when I need services concerning my finances.	1	2	3	4	5
I intend to continue doing business with my bank in the next few years.	1	2	3	4	5
I am willing to try new services that my bank provides.	1	2	3	4	5

Thank you for taking the time to complete the survey!

APPENDIX B

LETTER FROM LANGUAGE EDITOR

Declaration

This is to declare that I, Louisemarié Rathbone

Language editor and translator

have language edited the thesis by

RK Major

with the title

Determining predictors of customer loyalty in the South African retail banking industry

Date: 15 November 2016